

**Report to**

Cabinet 21<sup>st</sup> October 2008

Scrutiny Coordination Committee 22<sup>nd</sup> October 2008

Council 28<sup>th</sup> October 2008

**Report of**

Director of Finance and Legal Services

**Title**

City Council Response to the DCLG Consultation on Reforming the Local Authority Business Growth Incentives (LABGI) Scheme

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**1 Purpose of the Report**

- 1.1 To provide a Council response to the Government's consultation on the Local Authority Business Growth Incentives (LABGI) Scheme

**2 Recommendations**

- 2.1 The Cabinet are asked to consider and approve the document attached at Appendix 1 as the Council's response to the Department of Communities and Local Government's (DCLG) consultation on the Local Authority Business Growth Incentives (LABGI) Scheme.
- 2.2 Scrutiny Coordination Committee are asked to consider the response appended to this report and forward their views for consideration by the Council.
- 2.3 The Council are asked to formally approve a final response, having taken into account any views forwarded by the Scrutiny Coordination Committee.

**3 Information/Background**

- 3.1 The Department for Communities and Local Government has published a consultation document entitled Reforming the Local Authority Business Growth Incentives (LABGI) Scheme.
- 3.2 The existing LABGI scheme has given an incentive to Local Authorities to encourage local economic and business growth by allocating non-ringfenced specific grant as a reward for the growth in the rateable value of local businesses. During the three years of this first scheme Coventry has received over £9m.
- 3.3 We were aware that a revised LABGI scheme was planned for within the Government's 2007 Comprehensive Spending Review. It was clear when this was announced that Coventry's future level of LABGI grant would be measured in the hundreds of thousands of pounds rather than millions of pounds. This was because the Government had significantly

reduced the total level of resources being allocated through LABGI. In this sense, the current consultation is still significant but not fundamental to the City Council's medium term financial strategy.

- 3.4 The consultation asks Councils to comment on what they think is the most appropriate sub-regional grouping of authorities for calculating LABGI grant, the timescales over which it should be assessed and the upper and lower limits on grant payments. It also asks a range of questions of a relatively technical nature about the precise way in which changes in rateable value should be calculated.
- 3.5 The aim of this report is to provide a Council response to this consultation and the deadline for comments to the DCLG is the 20th November 2008.

#### **4 Proposal and Other Option(s) to be Considered**

- 4.1 The proposed response to the consultation questions is given in Appendix 1.
- 4.2 The most significant thrust of the Coventry response centres on the way in which authorities are grouped for the purpose of calculating their LABGI grant. Coventry has provisionally been grouped within the West Midlands sub-region. However, our response to the consultation proposes that Coventry should be grouped with Solihull and Warwickshire because of the strong economic development links between the three authorities. Strong partnership arrangements already exist for this area, including the Coventry, Solihull & Warwickshire Forum and the Coventry, Solihull & Warwickshire Partnership.
- 4.3 We have been liaising with Solihull and Warwickshire to make them aware of the content of our response and to facilitate, as far as possible, a consistent response regarding the desired sub-regional grouping.
- 4.4 The other main thrust of our response will be to encourage Government to keep the scheme as simple and transparent as possible without a complicated calculation methodology.

## 5 Other specific implications

5.1

	Implications (See below)	No Implications
Best Value		√
Children and Young People		√
Climate Change & Sustainable Development		√
Comparable Benchmark Data		√
Corporate Parenting		√
Coventry Community Plan		√
Crime and Disorder		√
Equal Opportunities		√
Finance	√	
Health and Safety		√
Human Resources		√
Human Rights Act		√
Impact on Partner Organisations		√
Information and Communications Technology		√
Legal Implications		√
Neighbourhood Management		√
Property Implications		√
Race Equality Scheme		√
Risk Management		√
Trade Union Consultation		√
Voluntary Sector – The Coventry Compact		√

### 5.2 Finance

5.2.1 LABGI grants represent non-ringfenced resources that can be used to support mainstream Council expenditure.

5.2.2 The Government are planning to distribute £150m to local authorities over the next two years through a revised LABGI scheme. Depending upon which sub-regional grouping is used, it is estimated that Coventry will receive between £250k and £340k in 2009/10 and between £490k and £670k in 2010/11. If Coventry is placed in a sub-region with Solihull and Warwickshire it is likely that the LABGI grants will be towards the top of these ranges.

5.2.3 Our current budget plans assume that we will receive £300k in 2009/10 and £600k in 2010/11.

**6 Monitoring**

6.1 The outcome of any LABGI announcements will be managed as part of the budgetary control process within corporate and central budgets.

**7 Timescale and expected outcomes**

7.1 The Government is intending to finalise the details of the new scheme in time to announce LABGI rewards 'in the early part of 2009'.

	Yes	No
<b>Key Decision</b>		√
<b>Scrutiny Consideration (if yes, which Scrutiny meeting and date)</b>	√ <b>Scrutiny Co-ordination Committee 22 October 2008</b>	
<b>Council Consideration (if yes, date of Council meeting)</b>	√ <b>28<sup>th</sup> October 2008</b>	

List of background papers

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Papers open to Public Inspection

Description of paper	Location
LABGI 2008 Consultation Report	Corporate Finance

Responses are sought to the following questions.

1. Which other local authorities, if any, do you regard as being in the same sub-region as yours for the purposes of cooperation in economic development?

**Our view is that Coventry should be grouped in the same region as Solihull and Warwickshire for the following reasons:**

- **Coventry, Solihull and Warwickshire is a natural economic sub region**
- **This is recognised in the longstanding and successful Coventry, Solihull and Warwickshire Partnership, an economic development partnership**
- **Economic planning and investment strategies have been at the heart of the work of this partnership for many years**
- **The sub region is a key growth corridor recognised in regional and national spatial strategies**
- **Travel to work patterns show strong economic inter-relationships**
- **There is an established and rapidly growing Coventry, Solihull and Warwickshire High Technology Corridor**
- **The sub region shares the advantages of key economic development assets, including Coventry and Warwick universities, and seeks the development of the same technology sectors for sustainable economic development in the future**

**It is for these reasons that the Coventry, Solihull and Warwickshire sub-region is becoming increasingly important to us relative to that of the West Midlands.**

2. Do you agree that London should be regarded as a single sub-region for the purposes of the scheme?

**No strong view.**

3. Do you agree that where local authorities outside London cannot agree on a sub-regional grouping which meets the above criteria, the scheme should be broadly based on NUTS2 groupings, with the possibility of variation where the case for doing so can be made?

**No strong view. See answer to question 1 regarding our case for our preferred grouping.**

4. Would you prefer the Government to proceed directly to publish a final list of sub-regions, following discussion after this consultation; or to publish a provisional list for comment first?

**We would prefer the Government to publish a provisional list for comment.**

5. Do you agree with the calculation process as outlined above?

**Yes**

6. Do you have any comments on the calculation process?

**The simplicity of the proposed calculation process is a significant improvement over the original LABGI scheme.**

7. Do you agree that there should be no minimum or maximum awards, at least at the outset of the scheme?

**We agree that there should be no minimum or maximum limits. This is a non-ringfenced grant given as a reward for rateable value growth. Applying floors and ceilings to this process appears unnecessarily fussy and will only blur the link between economic performance and the resulting LABGI reward.**

8. Do you agree that the Reward Period should be set at 3 years' growth?

**Yes.**

9. If not, what other reward period should be adopted in the new scheme?

**N/A (see answer to Q8)**

10. Do you agree with the proposed division of reward between district and county councils?

**No strong view.**

11. Do you agree that the scheme should be based on the Contribution to the Pool, without any adjustments for reliefs?

**Yes. Adjusting for reliefs moves the scheme towards the overly complicated regime that existed for the initial LABGI scheme.**

12. If not, which factors do you think should be reflected by adjusting the Contribution to the Pool?

**N/A (see answer to Q11)**

13. Do you agree that, in calculating NNDR contributions for the purposes of this scheme, we should take actual yield as shown in Line 14 of Part I of the NNDR3 form (i.e. after the application of transitional relief)?

**Yes. We see no reason for complicating the scheme by including any adjustments to the basic 'actual yield' figure.**

14. If not, what would you propose?

**N/A (see answer to Q14)**

15. Do you agree that we should not seek, for the purposes of the scheme, to neutralise the impact of appeals on local authorities' contributions to the NNDR pool?

**Yes, particularly if this helps to prevent the overcomplicated appeals and challenge situation that has arisen during the initial LABGI scheme.**

16. If not, what would you propose?

**N/A (see answer to Q14)**

17. What are your views on the handling of revaluations?

**In the interests of avoiding unnecessary complications, and on the basis that revaluations reflect underlying changes in rateable value, our view is that there should be no particular adjustments made to counter revaluation effects.**

18. Do you agree that we should not make adjustments for cross-boundary transfers or for transfers between the central list and local lists?

**No strong view.**

19. If not, what would you propose?

**N/A (see answer to Q18)**

20. Do you have comments on the approach we propose where an audited NNDR3 form is not available?

**No strong view.**