



## Cabinet 23 October 2008

### Local Authority Business Growth Incentive Scheme (Nov 08/09)

#### **1. Summary and Reasons for Recommendations**

- 1.1 The Local Authority Business Growth Incentive Scheme (LABGI) is a Government scheme whereby local authorities are rewarded in accordance with the economic growth in their area. Over the past three years the Council has received £1,174,417 reflecting the strong economic performance of the Borough. Two previous reports (Report Y17, Cabinet 23 May 2007 and Y563 Cabinet 18 February 2008) identified how this funding could be used to promote the continued economic prosperity of St Edmundsbury. Approximately £434,000 remains unallocated at this stage. This paper reports on the progress of spending in these areas and proposes a programme of future investment.
- 1.2 In September 2008, the Government published a consultation about future LABGI funding and asked for responses by 20 November. The proposed scheme includes changing the distribution to cover much larger geographical areas (the whole of East Anglia in St Edmundsbury's case); giving 65% of the fund to upper tier authorities and 35% to lower tier (a reversal of the current situation); and basing the calculation on population figures (to the disadvantage of rural areas like St Edmundsbury). The Greater Cambridge Partnership has suggested that St Edmundsbury Borough Council (SEBC) and Forest Heath District Council (FHDC) may wish to lend support to its view that the distribution area is too wide and that it would be more effective and relevant to distribute the funds to the Greater Cambridge area of which SEBC and FHDC are part. This paper recommends that SEBC join this Greater Cambridge LABGI partnership.
- 1.3 In addition, a capital receipt of £445,000 has been received by the Council from the sale of the Vision Centre in Eastern Way, Bury St Edmunds to Menta (Mid-Anglian Enterprise Agency). This report seeks authority for the principle of using this capital receipt to invest in the existing Borough Council owned business units in Haverhill, strengthening the Council's commitment to support the growth of the local economy.

#### **2. Recommendations**

##### 2.1 It is recommended that:

- (1) the amended investment proposals for the Local Authority Business Growth Incentive Scheme (LABGI) for 2008/2009 and 2009/2010, as detailed in paragraphs 4.3 to 4.5 of Report Z304 be approved;
- (2) the Corporate Director for Environment, in consultation with the Portfolio Holder responsible for economic development and the Chief Finance Officer, be authorised, if necessary, to update and amend the LABGI investment programme in accordance with the Council's Economic Development Strategy;
- (3) the Borough Council supports the principle of St Edmundsbury being included in a Greater Cambridge LABGI partnership;

- (4) the Economic Development Manager, in consultation with the Portfolio Holder for Economy and Asset Management and the Chief Finance Officer, be authorised to respond to the LABGI consultation in accordance with paragraphs 4.6 to 4.9 of Report Z304; and
- (5) subject to the approval of full Council, it be agreed in principle that the £445,000 capital receipt from the sale of the Vision Centre in Bury St Edmunds be allocated towards the cost of repairs and improvements to the Borough Council's existing employment units in Haverhill, as detailed in paragraph 4.10 of Report Z304 and subject to the Council's normal Asset Management Plan process.

### **3. Corporate Objectives**

3.1 The recommendations meet the following, as contained within the Corporate Plan:-

- (a) Corporate Priority : *'Create a prosperous local economy'*;
- (b) Cabinet Commitment : *'Managing the future development of the Borough'*;
- (c) Vision 2025 :
- V:E3 St Edmundsbury will be a place: *'where new enterprise and existing firms are encouraged to grow through attracting inward investment'*;
  - V:E7 *'where commercial sites and premises are readily available for new and existing businesses'*; and
  - V:E9 *'with the necessary supporting infrastructure to allow businesses, services, and the education sector to thrive'*.

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## 4. Key Issues

### Background

4.1 The Government has introduced a three year scheme to deliver financial rewards directly to local authorities that promote the highest levels of continued economic growth in their areas by allowing them to retain increases in revenue derived from business rates. This scheme is known as Local Authority Business Growth Incentive (LABGI). The scheme encourages local authorities to build partnerships with local business and other economic partners and promote long term economic sustainability in their areas.

### The Investment Programme

4.2 The scheme began in 2006/2007 and over the three year period the total award received by SEBC under this scheme (with interest payments) has been £1,174,417. So far, only part of this award has been allocated and spent. Approximately £434,000 remains unallocated at this stage. The table included as Appendix 1 to this report sets out the allocation of funds as approved by Cabinet on 18 February 2008 and Council on 26 February 2008, and shows the current spend as at September 2008.

4.3 Some projects have been delayed due to the fact that we have tried to work in partnership with others to pool the funds available and to undertake joint schemes. For example, West Suffolk marketing and the local economy study where we have been negotiating with Suffolk County Council (SCC) regarding the joint procurement of these items. It is likely that these projects will not be delivered before the end of this financial year and therefore they are reflected in the allocations for 2009/2010 in the table below.

4.4 The study of home working will be brought to fruition in the next financial year through the Rural Action Plan. The business support initiatives will be delivered in partnership with Mid Anglian Enterprise Agency (Menta) in the next six months. It is proposed that the two allocations relating to the migrant workers information and the procurement guide be deleted from the lists and the money re-allocated towards the training initiatives set out in the table below.

4.5 The table below sets out the spending allocation for the remainder of the LABGI funding; any funds remaining will be rolled forward into the economic development budget for future years. A description of the *new or changed items* in the programme is included in the table.

### Local Authority Business Growth Incentive Scheme

2008/2009

ITEM	ALLOCATION
<b>Training initiatives</b> <i>£70,000 is allocated to be spent this year (08/09) on training initiatives. This is a package of measures to be delivered by the Mid Anglian Enterprise Agency (Menta) on behalf of SEBC to address the difficulties faced by businesses now and in the next six months; and also to provide support and training advice for people made redundant or considering starting a new business. This £70,000 includes a sum of money to establish a training room in the Menta units (owned by SEBC) in Holland's Road, Haverhill.</i>	£70,000 (including £7,000 from 07/08)

2009/2010	
ITEM	ALLOCATION
<b>Haverhill Town Centre Management (TCM) and events</b>	£35,000
<b>Bury St Edmunds TCM</b>	£20,000
<b>Cattle Market Impact Management/consultants</b>	£20,000
<b>IMG Marketing</b> <i>£20,000 towards a marketing campaign for Bury St Edmunds to complement the forthcoming marketing campaign for the Cattle Market redevelopment (arc development).</i>	£20,000
<b>Bury St Edmunds (BSE) Visitor Trail</b> <i>The BSE Visitor Trail is another initiative to encourage visitors and shoppers to explore the whole town. These items along with the contribution towards Christmas lights* in BSE, Haverhill and Clare are designed to provide support to retailers.</i>	£20,000
<b>Haverhill (HH) Shopfronts grant</b> <i>£25,000 grant (plus £25,000 from Suffolk County Council) towards a scheme to encourage retailers in Haverhill to improve their shopfronts (This scheme was recommended by the Haverhill Area Working Party on 28 August 2008 and subsequently approved by Cabinet).</i>	£25,000
<b>Contribution Christmas lights (HH/BSE/Clare)</b> <i>See * above</i>	£30,000
<b>Business Park signs</b> <i>Continuing the improvement programme for the business park signs in St Edmundsbury</i>	£20,000 (£10,000 of which from 08/09)
<b>Business support</b> <i>£46,500 available to work in partnership to deliver a package of business support.</i>	£46,500
<b>Support on line business directories (HH/BSE)</b> <i>£2,700 is also included as a contribution towards the Haverhill online Business Directory (existing) and the BSE online Business Directory (currently being developed).</i>	£2,700
<b>New business competition (inward investment)</b> <i>It is also proposed that SEBC initiates a New Business Competition where entrants will compete for large discounts on units in the Incubation Centre (due for completion in October 2009) at Suffolk Business Park.</i>	£61,000 (includes £15,000 from 08/09)
<b>Bursary and training fund</b> <i>Another initiative designed to support businesses and encourage new business growth/inward investment. This £100,000 bursary and training fund can be used to unlock other funds available under Train2Gain or other Department for Innovation, Universities and Skills (DIUS) initiatives. SEBC can work in partnership with West Suffolk College and others to manage this fund.</i>	£100,000
<b>Promote company travel plans</b> <i>A report by East of England Development Agency (EEDA) published recently indicated that the congestion on roads in the region will cost the UK £2 billion a year by 2021. £10,000 is allocated to be spent in 09/10 on a campaign to encourage large employers in St Edmundsbury to devise and implement effective green travel plans. This initiative will work alongside the study to promote home working which is part of the Rural Action Plan.</i>	£10,000
<b>Greater Cambridge Partnership subscription</b>	£5,000
<b>West Suffolk Marketing</b>	£10,000 (from 08/09)
<b>Local economy study</b>	£10,000 (from 08/09)
<b>Total allocation 2009/2010</b>	<b>435,200</b>

## The future of LABGI

4.6 In September 2008, the Government published a consultation about future LABGI funding and asked for responses by 20 November. The most contentious proposals in the consultation paper are that:-

- (a) money will be distributed by sub-region, not billing authority as at present. This means that money earned by prosperous areas can be redistributed to poorer areas, and weakens the link between growth and incentive. Sub-regions are proposed at Nomenclature of Units for Statistics (NUTS2) level as a default option, which for this area would mean East Anglia;
- (b) upper tier councils will be given 65% of the reward and lower tier councils just 35%, a complete reversal of the current position; and
- (c) the amount per district will be based on population, potentially disadvantaging rural areas and again diluting the link between business growth and the incentive.

4.7 The Greater Cambridge Partnership (GCP) has contacted this Council saying that it would like to reply to this consultation saying that the proposed sub-region of East Anglia is far too large and suggesting that the Greater Cambridge area should be a LABGI sub-region across which LABGI funds could be shared. They have suggested that both SEBC and FHDC could be included in a GCP LABGI area and pointed out that this would mean they could not be included in a Suffolk area. The officers recommend that SEBC should agree in principle to be included in a Greater Cambridge LABGI area in order to:-

- (a) cement the economic links between St Edmundsbury and Cambridge;
- (b) be consistent with the West Suffolk proposal made to the Boundary Committee which emphasises the importance of the Greater Cambridge sub region; and
- (c) ensure that West Suffolk's economic success is reflected properly in the LABGI funding it receives.

4.8 FHDC councillors will also shortly be considering a report recommending that they too should join the Greater Cambridge area for LABGI purposes. Clearly, it will be far more effective if the two councils both agree to join the Greater Cambridge area.

4.9 The consultation asks for responses to 20 questions, many very detailed and technical. It is, therefore, recommended that Cabinet agrees to delegate the authority to respond to the Economic Development Manager, in consultation with the Chief Finance Officer and the Portfolio Holder for Economy and Asset Management. The response would propose that St Edmundsbury would be included in a Greater Cambridge LABGI area and would also incorporate the following points:-

- (a) LABGI funding has proved very useful and the authority welcomes proposals to retain it;
- (b) the link between economic performance and reward should be retained;
- (c) LABGI funding should be allocated as a reward for economic performance, not in relation to population, as this would penalise rural authorities;
- (d) most economic development projects are local, especially regeneration projects, and, in two-tier areas, it is the lower tier councils that spend most money encouraging local business growth. It is, therefore, appropriate for them to receive the bulk of LABGI funding; and
- (e) the mechanism for allocating reward should be kept as simple as possible.

## Employment Units

4.10 SEBC owns a number of employment units on Hollands Road in Haverhill. Some of these units are managed on behalf of the Council by Menta and others are the sole responsibility of SEBC. Some of the older units are in need of significant investment and repairs including replacement doors, roof lights, windows, underground drainage repairs, car park surfacing and fencing to prevent unauthorised dumping, vandalism and arson. In addition, there is the impending need to replace the roof to ensure that the units can continue to be let and continue to provide an income to SEBC. The recent sale of the Vision Centre in Bury St Edmunds to Menta resulted in a capital receipt of £445,000 and, to complement the Council's LABGI investment programme in local economic development, it is proposed that this income be used to complete as much of the stated repair works as possible, subject to full Council approval and the normal asset management process.

### 5. Other Options considered

5.1 Clearly, there is a wide range of uses to which the grant could be put, of which the two most obvious are transferring the grant to the General Fund and aligning all the funds to the county-wide Local Area Agreement priorities. These options would not, however, meet the specific needs of the local economy in St Edmundsbury at the current time, or recognise the Council's commitment to invest LABGI back into economic development.

### 6. Community impact *(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)*

6.1 The purpose of the investment is to enhance the economic viability of the Borough and add to the prosperity of all residents. This programme specifically complements the Rural Action Plan which aims to address issues of rural deprivation.

### 7. Consultation

7.1 Consultation was undertaken on the Economic Development Strategy and the Suffolk Development Agency's Strategy *Expanding Suffolk's Horizons*, and these documents provide the framework for this investment programme.

### 8. Resource implications *(including asset management implications)*

8.1 All the LABGI expenditure is funded by grant aid at no cost to the Council Tax Payer. There are no on-going revenue costs arising from this investment. The reinvestment of the Vision Centre capital receipt in the Council's Haverhill industrial units will need to be considered as part of the wider capital programme and asset management policies. At this stage the Cabinet simply wants to establish the principle.

**9. Risk Assessment** *(potential hazards or opportunities affecting corporate, service or project objectives)*

<b>Risk area</b>	<b>Inherent level of Risk</b> (before controls)	<b>Controls</b>	<b>Residual Risk</b> (after controls)
Council's priorities and commitments to the local economy are not met / economy is not supported at critical time.	High	Reinvest LABGI back in local economy, alongside other complementary initiatives and investments.	Low
Town Centre Management and Christmas lights funding creates a dependency for on-going revenue support.	High	Work towards establishing independent TCM Boards with private sector funding. Haverhill may take longer to establish than BSE.	Medium
Other funding initiatives create dependence for on-going revenue support.	Medium	Ensure each funding initiative is project based with specific time horizons and an exit strategy where necessary.	Low
Funding initiatives fail to deliver expected results.	Medium	Careful preparation and brief specification and careful project management will help ensure desired outcomes achieved.	Low

**10. Legal or policy implications**

10.1 Under Section 2 of the Local Government Act 2000, local authorities are empowered to do anything which they consider is likely to achieve the promotion or improvement of the economic well-being of their area. This includes the power to incur expenditure. When exercising the power, the authority must have regard to its strategy prepared for the purposes of Section 2. The funding is being used in accordance with the Council's Economic Development Strategy and therefore complies with this requirement.

<b>Wards affected</b>	All	<b>Portfolio Holder</b>	Economy and Asset Management
<b>Background Papers</b>	Paper Y17, Cabinet 23 May 2007 and Y563 Cabinet 18 February 2008	<b>Subject Area</b>	Economy

<b>Local Authority Business Growth Incentive Scheme</b>		
<b>Statement September 2008</b>		
<b>YEAR 1 (2006/2007)</b>	<b>Allocated £</b>	<b>Spent £</b>
Haverhill Town Centre Management (TCM)	30,000	30,000
Bury St Edmunds (BSE) TCM	20,000	20,000
<b>YEAR 2 (2007/2008)</b>	<b>Allocated £</b>	<b>Spent £</b>
Haverhill TCM Manager	25,000	8,333
Haverhill TCM events	10,000	9,705
Grant to BSE TCM	20,000	20,000
Cattle Market Impact Management/consultants	40,000	37,279
E2 access road Moreton Hall, BSE	95,000	95,000
Clare, Haverhill and BSE provision markets	5,000	0
West Suffolk marketing	10,000	0
GCP subscription	5,000	0
Economic studies	10,000	0
Homeworking study	7,500	0
Businesses support	5,000	5,000
Procurement Guide	2,000	0
Investigation of development opportunities	25,000	870
Staff training	6,000	1,600
Migrant workers information	5,000	0
<b>Total allocated/spent (06/07 &amp; 07/08)</b>	<b>320,500</b>	<b>227,787</b>
<b>Unallocated 06/07 &amp; 07/08</b>	<b>596,750</b>	
<b>YEAR 3 (2008/2009)</b>	<b>Allocated £</b>	<b>Spent at Sept 08 £</b>
Haverhill TCM Manager	25,000	11,726
Haverhill TCM events	15,000	173
Grant to BSE TCM	20,000	10,000
E2 access road Moreton Hall	95,000	(spent in 07/08)
BSE Christmas lights	10,000	10,000
Cattle Market	383,000	383,000
Cattle Market Impact Management/consultants	40,000	15,942
Clare, Haverhill and BSE provision markets	5,000	1,315
GCP subscription	5,000	5,150
Businesses support	10,000	0
Business park signs	25,000	0
Local economy study	10,000 (from 07/08)	0
Inward Investment	15,000 (includes £10k from ws marketing 07/08)	0
Investigation of development opportunities	40,000 (includes £15k from 07/08)	0
Home working promotion	7,500 (from 07/08)	0
Staff training	6,000	784
Migrant workers information	5,000	0
Public sector procurement	2,000 (from 07/08)	0
<b>Total allocated (08/09)</b>	<b>718,500</b>	
<b>Total spent as at Sept 08</b>		<b>438,090</b>

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