



Cabinet 21 October 2009

Local Authority Business Growth Incentive Scheme (LABGI) (Nov 09/05)

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. From the financial year 2006/2007 to 2008/2009 the Council received £1,278,812 reflecting the strong economic performance of the Borough. Three previous reports (Papers Z304 Cabinet 23 Oct 2008; 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.
- 1.2 Following a consultation exercise in September 2008 the LABGI scheme has been amended and the total amount of LABGI available has been halved. Consequently most local authorities have seen a reduction in the level of LABGI awarded and St Edmundsbury's allocation is £40,928 for this year (2009/2010). The balance brought forward from 2008/2009 is £596,228 with a projected spend to 31 March 2010 of £477,556 and therefore at the end of 2009/2010 the balance remaining (after central administration costs of £24,650 has been deducted) is projected to be £134,950.
- 1.3 In addition, a Section 106 (of the Town & Country Planning Act 1990) contribution of £750,000 (in addition to other elements) has been received from the Asda development. The S106 requires the £750,000 to be used for economic development within the Borough. £450,000 has been previously allocated towards the development of a Basepoint Centre on the Borough Council's land at Suffolk Business Park.
- 1.4 This paper reports on the progress of spending in these areas (set out in Appendix 1) and proposes a programme of future investment utilising the remainder of the LABGI funding and the available S106 contribution (set out in Tables 1, 2 and 3).

2. Recommendations

2.1 It is recommended that:-

- (1) the amended investment proposals for the available S106 funds and the Local Authority Business Growth Incentive Scheme (LABGI) for 2009/2010 and 2010/2011, as detailed in Tables 1, 2 and 3 and at Section 4 of this report be approved; and
- (2) the Corporate Director for Economy and 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 investment programme in (1) above in accordance with the Council's Economic Development Strategy.

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 St Edmundsbury will be a place: *'where commercial sites and premises are readily available for new and existing businesses';* and
 - V:E9 St Edmundsbury will be a place: *'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 In 2006 the Government 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 Scheme (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. At the end of the three year period the Government launched a consultation programme to consider the future of the LABGI scheme. The Government decided to continue (for now) the LABGI scheme although the total sum available has been significantly reduced and therefore the annual allocations to local authorities have reflected this reduction.

The Investment Programme

4.2 The scheme began in 2006/2007 and over the three year period the total award received by St Edmundsbury under this scheme (with interest payments) has been £1,278,812. The table included as Appendix 1 to this report sets out the allocation of funds as approved by Cabinet on 23 October 2008, and shows the current spend as at September 2009 and for 2009/2010 the projected spend to March 2010.

4.3 There are three projects that were approved in 2008 that will no longer go ahead, these are West Suffolk Marketing (£10,000), Travel Plan Promotion (£10,000) and Local Economy Scheme (£10,000). These projects were reliant upon funding contributions from partners that have not come to fruition. In addition £40,000 was allocated for the investigation of development opportunities, this related to an additional town centre site which it was decided not to proceed with. The majority of the funding from these projects will be added to the £46,500 allocated for business support resulting in a new business support package of £100,000. It is estimated that this package will be spent in 2009/2010.

4.4 Appendix 1 also highlights that a number of the approved projects underspent in 2008/2009 relative to the allocations. The underspend associated with the Haverhill Town Centre Management (TCM) manager and events funding reflects the fact that the post was not filled for the whole year. In addition the training initiatives fund underspend reflects the fact that £30,000 of the allocation was to create a training facility in association with Mid Anglian Enterprise Agency (Menta) in Haverhill. This project is awaiting the decision of Suffolk County Council with regard to additional funding under the Economic Prosperity (EP) plan and if approved will be spent by March 2010.

4.5 In addition in 2008/2009 £25,000 was allocated towards Phase 1 of the replacement of the business park signs and this has now been completed. Phase 2 will come forward in 2009/2010. The Home Working Promotion is also to come forward in 2010/2011 as part of the Rural Action Plan (RAP) work.

4.6 Two projects are to be moved from 2009/2010 to 2010/2011. These are the £20,000 budget for Visitor Trail, which is programmed to commence in early 2010, and £50,000 of the £61,000 budget for the New Business Competition, which is allied to the development of the incubation/innovation centre on Suffolk Business Park. The proposal is that once the centre is up and running, space in the centre will be awarded as a prize to successful applicants.

- 4.7 Table 1 below sets out proposed new allocations of LABGI funds for 2009/2010, Table 2 sets out the same for 2010/2011 and Table 3 sets out the suggested spend for the S106 funds. 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.

TABLE 1: Local Authority Business Growth Incentive Scheme

2009/2010 new commitments	
ITEM	ALLOCATION
	£
<p>Business Improvement District (BID4BURY) <i>Cabinet approval has recently been given to enable the allocation of £7,800 towards the ballot and promotion costs from LABGI. In addition, £25,100 has been set aside to forward fund setting up the BID company should the vote be successful. The £25,100 would be repaid by the BID company. If not successful, the £25,100 would not be spent.</i></p>	32,900
<p>Business to Business events support <i>Haverhill Enterprise is running a Business to Business event at the Haverhill Leisure Centre on 16th and 17th Oct and the Bury Free Press has organised the same for 29th Oct in Bury. Both organisations have been working in partnership with SEBC to bring these events forward.</i></p>	5,000
<p>Vacant Units posters and art <i>This sum has been made available to Town Centre Management and the Art Gallery to create activity in the vacant shop units in Bury.</i></p>	5,000
<p>Staff training <i>A contribution towards the training and development of staff.</i></p>	2,000
<p>Training Initiatives <i>This sum would be used to continue the successful commissioning of Menta to provide training opportunities for new and fledgling businesses.</i></p>	30,000
<p>Training Room (from 08/09) <i>Working in partnership with Menta to provide a training facility in Haverhill. A bid for additional funding from SCC under the Economic Prosperity plan has been made and a decision is awaited.</i></p>	30,000
<p>Business support package <i>Specific targeted package of funding to be allocated in conjunction with funding from EEDA and SCC.</i></p>	100,000
Total allocation 2009/2010	204,900

TABLE 2: Local Authority Business Growth Incentive Scheme

2010/2011 new commitments	
ITEM	ALLOCATION
	£
Haverhill Town Centre Management (TCM) and events	35,000
Bury St Edmunds TCM <i>This allocation will not be required if the proposed Business Improvement District (BID) is established. The BID company will take over the TCM function in the town for five years. A new vote will then be taken for the next term.</i>	20,000
Greater Cambridge Partnership subscription	6,000
Bury St Edmunds Visitor Trail <i>(Carried forward from 09/10)</i>	20,000
Christmas lights (Haverhill/Bury St Edmunds/Clare) <i>£10,000 of this i.e. the BSE contribution, will not be required if the Business Improvement District (BID) is established.</i>	24,000
Business Park signs annual update <i>This sum is required to enable the new signs to be kept up to date and relevant.</i>	3,000
New business competition (inward investment) <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 at Suffolk Business Park.</i>	50,000
Home working promotion <i>This project forms part of the Rural Action Plan (RAP).</i>	6,000 (£1,500 spent in 09/10)
Total allocation 2010/11	164,000

TABLE 3: s106 Asda Petrol Filling Station contribution to Economic Development

2010/2011 new commitments	
ITEM	ALLOCATION
	£
Support for Incubation/Innovation Centre <i>As detailed in report X also on this agenda.</i>	450,000
Contribution towards s106 officer	50,000
Business support initiatives <i>Fund available for working in partnership with other bodies to support new business start ups and the development of existing companies.</i>	100,000
Improved town centre signs <i>Fund available to contribute towards new and replacement town signs.</i>	20,000
Public Realm works <i>Contribution towards phase 2 of Parkway central reservation.</i>	60,000
Total allocation 2010/2011	680,000

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; the Regional Economic Strategy (RES); Suffolk County Council's strategy *Transforming Suffolk*, and Choose Suffolk'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.

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

Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (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.

Wards affected	All	Portfolio Holder	Economy and Asset Management
Background Papers	Paper Z304 Cabinet 23 Oct 2008; Y17, Cabinet 23 May 2007; and Y563 Cabinet 18 February 2008	Subject Area	Economy

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Local Authority Business Growth Incentive Scheme			
Statement September 2009			
YEAR 3 (2008/2009)	Allocated £	Spent at Sept 09 £	
Haverhill TCM Manager	25,000	10,357	
Haverhill TCM events	15,000	3,703	
Grant to BSE TCM	20,000	20,000	
Christmas lights	10,000	9,000	
Cattle Market	383,000	383,000	
Cattle Market Impact Management/consultants	40,000	38,988	
Clare, Haverhill and BSE provision markets	5,000	1,315	
GCP subscription	5,000	5,151	
Businesses support	10,000	0	
Business park signs	25,000	11,625	
Local economy study	10,000	0	
Inward Investment	15,000	0	
Investigation of development opportunities	40,000	0	
Home working promotion	7,500	0	
Staff training	6,000	2,313	
Training initiatives	70,000	33,694	
Total allocated (08/09)	686,500		
Total spent as at Sept 09		519,146	
YEAR 4 (2009/2010)	Allocated £	Spent at Sept 09 £	Projected spend at March 10 £
Haverhill TCM Manager	20,000	5,409	20,409
Haverhill TCM events	15,000	351	15,000
Grant to BSE TCM	20,000	10,000	20,000
Christmas lights	30,000	10,000	24,000
Cattle Market Impact Management/consultants	20,000	18,742	18,742
New business competition	61,000	0	0 (to 10/11)
GCP subscription	5,000	5,305	5,305
Businesses support	46,500	0	0
Business park signs	20,000	0	20,000
IMG Marketing	20,000	19,035	20,000
HH shopfront grant scheme	25,000	0	25,000
On-line business directory	2,700	2,700	2,700
Bursary and training fund (Apprentice support)	100,000	20,000	100,000
Company travel plans promotion	10,000	0	0
BSE Visitors Trail	20,000	0	0 (to 10/11)
Local economy study	10,000	0	0
West Suffolk Marketing	10,000	0	0
Total allocated (09/10)	435,200		
Projected spend at March 2010			271,156