



Cabinet 20 October 2010

Local Authority Business Growth Incentive Scheme and Section 106 Funds (Nov 10/09)

1. Summary and Reasons for Recommendations

- 1.1 The Local Authority Business Growth Incentive Scheme (LABGI) was a Government scheme whereby local authorities were rewarded in accordance with the economic growth in their area. The Council has received a total of £1,319,740 over five years reflecting the strong economic performance of the Borough. Four previous reports (Papers Y17, 23 May 2007; Y563, 18 February 2008; Z304, 23 Oct 2008; and A254, 21 October 2009) detail how this funding has been allocated and spent to promote economic prosperity in St Edmundsbury.
- 1.2 The new Government has announced that funding for the scheme has been withdrawn and no more grants will be made. St Edmundsbury's allocation for 2010/2011 of £40,928 has been reclaimed.
- 1.3 A Section 106 (s106) contribution of £750,000 has been received from the Asda development (in addition to other elements) be used for economic development initiatives within Bury St Edmunds.
- 1.4 This paper reports progress against the original allocation of funds (Table 1) and proposes a programme of future investment using the rest of the LABGI funding and the available s106 contribution (Tables 2, 3 and 4).

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 (LABGI) scheme for 2010/2011 and 2011/2012 as detailed in Tables 1, 2, 3 and 4 and section 4 of Report B255 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 Action Plan.

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 Commitments: *"Managing the future development of the Borough".*
- (c) Vision 2025: St Edmundsbury will be a place which:-
 - V:E3: *'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*

Contact Details

Name

Telephone

E-mail

Portfolio Holder

Sara Mildmay-White

(01359) 270580

[sara.mildmay-
white@stedsbc.gov.uk](mailto:sara.mildmay-white@stedsbc.gov.uk)

Lead Officer

Andrea Mayley

(01284) 757343

andrea.mayley@stedsbc.gov.uk

4. Key Issues

Background

- 4.1 The Local Authority Business Growth Incentive Scheme (LABGI) was a Government scheme whereby local authorities were rewarded in accordance with the economic growth in their area. The Council has received a total of £1,319,740 over five years reflecting the strong economic performance of the Borough. Four previous reports (Papers Y17, 23 May 2007; Y563, 18 February 2008; Z304, 23 Oct 2008; and A254, 21 October 2009) detail how this funding has been allocated and spent to promote economic prosperity in St Edmundsbury.
- 4.2 The new Government has announced that funding for the scheme has been withdrawn and no more grants will be made. St Edmundsbury's allocation for 2010/2011 of £40,928 has been reclaimed.
- 4.3 A Section 106 (s106) contribution of £750,000 has been received from the Asda development (in addition to other elements) be used for economic development initiatives within Bury St Edmunds.
- 4.4 This paper reports progress against the original allocation of funds (Table 1) and proposes a programme of future investment using the rest of the LABGI funding and the available s106 contribution (Tables 2, 3 and 4).

Investment Programme

- 4.5 It is now clear that there will be no further LABGI allocations for this year or the years to come. The Government has withdrawn last year's (2009/2010) allocation of £40,928. This has necessitated a re-examination of how LABGI and s106 allocations may be used for economic development support in the Borough. The s106 fund is available for economic initiatives in Bury St Edmunds only whereas LABGI can be spent across the whole Borough. Some projects previously allocated to be funded from LABGI could be funded from s106.
- 4.6 Table 1 attached sets out the progress of the 2010/2011 LABGI projects along with the revised allocations. The original allocation of LABGI for the financial year 2010/2011 was agreed by Cabinet on 21 October 2009 (minute 71 refers). All the projects have either been completed or are committed apart from the £1,500 for staff training which is currently still available. Table 1 also shows a revised allocation column for the financial year 2010/2011. This shows that the visitor trail project and the remainder of the apprenticeship support initiative can be funded by s106. In addition, the Business Improvement District (Bid4Bury) in Bury St Edmunds will be funding some Bury St Edmunds initiatives and therefore the funding for Town Centre Management (£20k) and Christmas lights in Bury St Edmunds (£10k) are no longer required. At the end of March 2011 it is projected that there will be £231,749 of LABGI funding available to be carried forward.
- 4.7 Table 2 sets out the 2011/2012 LABGI projects and allocations as identified in Paper A254 and agreed by Cabinet on 21 October 2009. It is proposed that £79k of this be used to support the extension of the Rural Action Plan (and the Rural Areas Community Initiative Fund and our contribution to the Rural Economy Scheme) for a further three years. In addition, this table includes the £26,000 annual payment towards Choose Suffolk (formerly the Suffolk Development Agency) which is commissioned to carry out strategic inward investment functions and to provide a Suffolk wide observatory (information database). At the end of March 2012 it is projected that there will be £40,249 of LABGI funding to be carried forward.

- 4.8 The funding received from the Asda petrol filling station s106 was also allocated in Paper A254 (as referred to above). Table 3 reports the progress of these projects for 2010/2011 and sets out the revised allocations of the s106 funding for 2010/2011. This reflects the previous commitments and the transfer of the LABGI projects identified in 4.6 above (Bury St Edmunds Visitor trail and Apprenticeship support). At the end of March 2011 it is projected that there will be £627,705 of s106 funding to be carried forward.
- 4.9 Table 4 proposes the future allocation of s106 funding for 2011/2012. The contribution towards the implementation of the Community Infrastructure Levy and the business support initiatives are both projects that have been brought forward from the previous year and are more likely to be spent in 2011/2012. The business support initiatives allocation is different to other LABGI/s106 projects in that there is no specified initiative identified at this stage. The experience of officers is that the Government, the County Council, and other bodies are often introducing bidding opportunities for funds to support business growth. The success of bids for this type of funding is usually predicated upon match funding from the applicant. It is, therefore, important for this sum to be available for future, as yet unidentified, business support opportunities.
- 4.10 £20,000 of s106 funding is allocated towards the apprenticeship support scheme for 2011/2012 (Table 4). This project was set up in 2009/2010 in partnership with West Suffolk College (WSC) (Report Z304). WSC has managed to extend the funding into 2010/2011 and 2011/2012. More than 30 apprentices have been supported through this scheme so far and another 6 are about to join. This is a very worthwhile scheme and it is proposed that support for it should continue.
- 4.11 Report A254 (Cabinet 21 October 2009) also identified £450,000 of s106 funding to support the incubation/innovation centre and £50,000 for the associated business competition fund (£50k). The £450,000 was allocated towards the Basepoint scheme that had been brought forward at the time and was to be used to bridge the gap in the Basepoint Development Appraisal. Unfortunately the market worsened before the scheme was started and Basepoint decided to withdraw completely pending an upturn in the market. The original study which provided the justification for an incubation/innovation centre is now out of date. Land at Suffolk Business Park owned by the Borough Council (site E2 part) has been kept for this purpose. The Business Competition (£50,000) was linked to the development of the incubation centre and was to be an incentive for new businesses to compete for the prize of rent free periods in the centre.
- 4.12 Table 4 also shows a £5,000 allocation for research into the need for an incubation centre in the west of Suffolk and also to look at options for the support of the local economy in this difficult economic climate. The results of this research will inform the Borough Council's decision with regard to the land it owns at site E2 on Suffolk Business Park and the £450,000 allocated to support the incubation/innovation centre originally proposed.
- 4.13 At the end of March 2012 it is projected that there will be £552,705 of s106 funding to be carried forward.

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 <i>(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)</i>			
6.1 <u>General</u>			
6.1.1 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.			
6.2 <u>Diversity and Equality Impact</u> <i>(including the findings of the Equality Impact Assessment)</i>			
6.2.1 There are no diversity implications.			
7. Sustainability Impact <i>(including environmental or social impact on the local area or beyond the Borough)</i>			
7.1 Funding for Town Centre Management in Haverhill runs out in June 2011 and options are being considered currently to ensure this function is maintained in some form in the town.			
7.2 LABGI funds the following annual commitments: Greater Cambridge Partnership subscription; Christmas lights in Haverhill and Clare; annual update of the business park signs; annual business to business events; and from 2011 it will fund Choose Suffolk (which provides inward investment services and the Suffolk Observatory). Funding may not be available beyond March 2012 for these services and exit strategies are being considered to prevent any adverse impact in the local economy.			
8. Consultation			
8.1 Consultation was undertaken on the Economic Assessment and Action Plan; 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.			
9. Resource implications <i>(including asset management implications)</i>			
9.1 All the LABGI expenditure is funded by grant aid at no cost to the Council Tax Payer.			
10. Risk Assessment <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>			
Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)
	High/Medium/Low		High/Medium/Low
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
Funding initiatives create dependence for on-going revenue support.	Med	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	Med	Careful preparation and brief specification and careful project management will help ensure desired outcomes achieved.	Low

11. Legal or policy implications

11.1 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; Y563 Cabinet 18 February 2008; and A254 Cabinet 21 October 2009	Subject Area	Economy

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TABLE 1: LABGI progress and revised allocations 2010/11

Opening balance at 1 April 2010		£ 396,249
ITEM	PROGRESS	REVISED ALLOCATION 10/11
		£
Haverhill Town Centre Management (TCM) and events <i>Current temporary TCM post funded partly from Labgi and partly from Reserves. Reserve funding comes to an end at the close of 10/11. This allocation will fund the remainder of the contract until it finishes in June 2011 plus £10,000 for events.</i>	On track	35,000
Bury TCM <i>Business Improvement District (BID) was established in Bury St Edmunds in April 2010. 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>	Successful BID no LABGI funding required	0
Greater Cambridge Partnership subscription <i>Annual subscription. This may be affected by Local Enterprise Partnerships (LEPs)</i>	Spent	6,000
BSE Visitor Trail <i>Transferred to s106 below.</i>	See s106 below	0 See s106 below
Christmas lights (HH/Clare) <i>£10,000 of the original (£24,000) allocation i.e. the BSE contribution is not required due to the establishment of the Business Improvement District (BID).</i>	Committed	14,000
Home working promotion <i>This funding was transferred to the Rural Action Plan (RAP) in 09/10.</i>	Transferred to RAP	0
New business park signs <i>(from 09/10 allocation) Ten business park signs installed in 09/10 under phase 1 of this scheme. A further six signs comprise Phase 2 of the replacement of old business park signs. No further phases are planned.</i>	Phase 1 complete, phase 2 signs have planning consent and are now on order	9,000

Business Park signs annual update <i>This sum is required to update the new signs to ensure the information remains relevant.</i>	Committed	1,000
Shopfront grants <i>(from 09/10 allocation)</i> <i>Original allocation of £25,000 from LABGI matched with £25,000 from SCC. Total take up so far is approx £30,000.</i>	Grant applications received, planning applications being determined	25,000
Business support <i>(from 09/10 allocation)</i> <i>One off contribution towards EEDA/SCC training package.</i>	Spent	36,000
Staff training and development <i>(from 09/10 allocation)</i>	Available	1,500
Business events <i>(from 09/10 allocation)</i> <i>Support for business to business (B2B) events held in partnership with the Bury Free Press (BSE) and Haverhill Enterprise. BSE contribution is £2k annually and HH is £3k every 2 years.</i>	Committed	2,000
Menta Business and Training Centre <i>(from 09/10 allocation)</i> <i>Funding used to secure £120,000 of Economic Prosperity funding from EEDA via SCC for the refurbishment of number 2 Hollands Road, Haverhill. Property owned by SEBC, vacated by tenant. Centre now open and being managed by Menta.</i>	Spent	30,000
Menta Business and Training Centre NNDR contribution <i>Funding to support first year of operation.</i>	Committed	5,000
Total revised allocation 2010/11		£164,500
Carry forward to 2011/12	£231,749	

TABLE 2: LABGI allocations 2011/12

Projected opening balance at 1 April 2011	£ 231,749
ITEM	ALLOCATION 11/12
Haverhill Town Centre Management (TCM) and events <i>Current temporary TCM post funded partly from Labgi and partly from Reserves. Reserve funding comes to an end at the close of 10/11. This allocation will fund the remainder of the contract until it finishes in June 2011 plus £10,000 for events.</i>	20,000 (£10k salary till end of June 2011 - £10k events)
Greater Cambridge Partnership subscription <i>Annual subscription. This may be affected by Local Enterprise Partnerships (LEPs)</i>	6,000
Christmas lights Haverhill and Clare	14,000
Business Park signs annual update <i>This sum is required to enable the new signs to be kept up to date and relevant.</i>	1,500
Business events <i>Support for business to business (B2B) events held in partnership with the Bury Free Press (BSE) and Haverhill Enterprise. BSE contribution is £2k annually and HH is £3k every 2 years.</i>	5,000
Rural Action Plan <i>Contribution to the extension of the Rural Action Plan for a further three years (See separate report on the agenda)</i>	79,000
Service Costs <i>Contribution to the costs of the Economic Development Service.</i>	40,000
Choose Suffolk <i>Annual payment for inward investment services and the Suffolk Observatory (information database). previously funded from Economic Development section codes.</i>	26,000
Total allocation 2011/12	£191,500
Projected unallocated remainder	£40,249

TABLE 3: s106 (Asda Petrol Filling Station) contribution to Economic Development Revised allocation 10/11		
Opening balance at 1 April 2010 <i>(£37,295 spent in 09/10 – see public realm works below)</i>	£ 707,705	
ITEM	PROGRESS	REVISED ALLOCATION 10/11
		£
Contribution towards implementation of the Community Infrastructure Levy	Carried forward	0 (£50,000 Carry forward to 11/12)
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>	Carried forward	0 (£100,000 Carry forward to 11/12)
Improved town centre signs	Available	20,000
Public Realm works <i>Contribution towards phase 2 of Parkway central reservation works – now completed. (£37,295 spent in 09/10)</i>	Spent	0
BSE Visitor Trail <i>(Carried forward from 10/11 Labgi allocation)</i>	Committed	20,000
Apprenticeship support initiative <i>In partnership with West Suffolk College – £100k support fund for companies who wish to employ an apprentice. Initiative started in 09/10 (paper Z304 refers) and has been successfully extended into 10/11 and beyond with the same original budget. (£40k spent 09/10 remainder carried forward). (Carried forward from 09/10 Labgi allocation)</i>	Committed	40,000 (from 09/10 allocation)
Total revised allocation 2010/11		£80,000
Carry forward to 2011/12	£627,705	

TABLE 4: s106 Asda Petrol Filling Station contribution to Economic Development 2011/12	
Projected opening balance at 1 April 2011	£ 627,705
ITEM	ALLOCATION 11/12
	£
Contribution towards implementation of the Community Infrastructure Levy	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 (from 10/11)
Apprenticeship support initiative <i>In partnership with West Suffolk College – £100k support fund for companies who wish to employ an apprentice. Initiative started in 09/10 (paper Z304 refers) and has been successfully extended into 10/11 and beyond with the same original budget. (£40k spent 09/10 remainder carried forward). (Carried forward from 09/10 Labqi allocation)</i>	20,000 (from 09/10 allocation)
Research into need for incubation centre <i>The results of this research will inform the borough council's decision with regard to the land it owns at site E2 on Suffolk Business Park and the £450,000 allocated to support the incubation/innovation centre originally proposed.</i>	5,000
Total allocation 2011/12	£175,000
Projected unallocated remainder (please see Para 2.8 of the main report)	£552,705