

# Executive

## Local Authority Business Growth Incentive Scheme

17 November 2008

### Report of Head of Economic Development and Estates

#### PURPOSE OF REPORT

To advise Members as to the grant awarded to the Council under the Local Authority Business growth Incentive (LABGI) scheme, to seek guidance as to how this grant should be used, and to advise as to future proposed changes to the scheme.

This report is public
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#### Recommendations

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The Executive is recommended:

- (1) That the Council place £45,000 in a reserve account to finance up to £15,000 pa for 3 years from 2009/10 to fund the continuation of the business mentoring service currently administered by Oxfordshire Business Enterprises.
- (2) That the remaining LABGI funds received this year be placed in a reserve account, to be used to finance economic development activities and projects in future years
- (3) That £5,000 be allocated to finance a contribution towards the cost of an employer skills survey being undertaken in this area by the Learning and Skill Council this year.
- (4) That authority to allocate the remaining funds referred to in paragraph (2) above to individual projects be delegated to the Portfolio Holder for Economic Development and Estates.
- (5) That the Council respond to the Government consultation on the future of the LABGI scheme, indicating its view that the method of allocating funds in future be based on increases in NNDR contributions calculated on a sub-regional basis, as defined by Government, divided more equally between County and District Councils.

## **Executive Summary**

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### **Introduction**

- 1.1 The LABGI scheme comprises funding provided to Local Authorities by the Treasury to recognise business growth. The funds are drawn from the national non-domestic rate pool, and are distributed to local authorities according to the increase in rateable value in the relevant local authority area. Consequently the grant is received after the growth in the number of business premises in an area has arisen.
- 1.2 This year the Council has received a grant payment of £161,357. This reflects the growth in the total rateable value of the District over the previous year. It is understood to be the first time the Council has received such a grant.
- 1.3 The Council is free to use the grant as it sees fit, although the intention behind the scheme is that it should be used to fund further economic development activities.

### **Proposals**

- 1.4 That the LABGI grant be placed in a fund and used to finance economic development activities over a period of years, in support of the Council's Economic Development Strategy.
- 1.5 That the first priority for funding from the grant should be continued support for the business start up mentoring scheme, currently run by Oxfordshire Business Enterprises.
- 1.6 That other initiatives be developed to promote employment in the District, and seek to mitigate the impact of current economic circumstances. It is apparent that the national economy is facing difficult circumstances, and that at this time, this is likely to have a negative impact on local employers and businesses. Whilst the business mentoring service will play an important part in helping individuals seeking to start up in business, the Council will need to be in a position to pursue other initiatives to support the local economy.

### **Conclusion**

- 1.7 That the LABGI funds should be ring fenced to finance economic development activity, for the benefit of the local economy which has generated the growth, and has resulted in the grant being received.

## **Background Information**

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- 2.1 The LABGI funds are paid to the Council as a single payment, and the sum of £161,357 to be received this year relates to 2007/08. The funds are not ring-fenced and can be used by Authorities according to their own priorities. In two tier areas such as Cherwell, the funds are divided between County and District Council, and the figure above represents approximately one third of the total to be paid this year. It is not known whether any further payment can be expected next year.
- 2.2 The LABGI scheme is under review, and the Department of Communities and Local Government are consulting on possible changes. In particular, the consultation proposes that the new LABGI payments will be related to increases in the NNDR contributions to the national pool from authorities in a sub-region (defined in Cherwell's case as the Thames Valley group of Counties). This is not like the existing LABGI scheme, which is based on increases in rateable value. The County Council is understood to favour distribution based on Oxfordshire being treated as a separate economic region, with the majority of any funds being allocated to the County Council. It is proposed that the Council should not support this view.

## **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 It is not proposed that the LABGI funds be used to offset any general financial shortfall in the Council's budget. Instead it is considered proper that it should be allocated to economic development expenditure, so that it can help the Council to support local businesses, and promote the local economy. It is reasonable to take the existence of these funds into account when considering spending priorities for next year and beyond, so that the Council can finance activities which otherwise it may not be able to accommodate in its revenue budget.
- 3.2 One specific project which may be financed from this fund comprises a local skills survey. This is a survey of businesses being undertaken this year by the Learning and Skill Council in Oxfordshire, to establish the areas where work is needed to address skills shortages experienced by employers. The Council has agreed to make a contribution of £5,000 to this survey, (total cost £50,000) in order to increase the coverage of the district, and enhance the data which will provide. It would be appropriate to utilise the LABGI fund to finance this contribution.
- 3.3 A priority for funding in future years is considered to be the start up and small business mentoring scheme known as Oxfordshire Business Enterprises (OBE). This scheme was, in the past, largely financed by Business Link, with annual grant contributions from Council's in Oxfordshire. When Business Link withdrew their funding last year, as an interim measure, the Council agreed to take over the administration of the service, which is delivered by volunteer, unpaid mentors. However, this is not a sustainable solution, and the Council has been working with the other Oxfordshire Authorities, Oxfordshire Economic Partnership (OEP), and Business Link to find a sustainable solution. It is considered of high importance that the service should continue, and that Council funding should be available to support it. Currently a proposal put forward by ngage, Business Link's service provider,

to take on the service is being considered, but this requires funding totalling £25,000 pa from the Oxfordshire Authorities. OEP has indicated its willingness to provide £10,000 pa, and hopefully other Districts will also contribute, but any contribution by this Council may be financed from LABGI.

- 3.4 It is proposed that the remainder of the fund be held to finance future projects, aimed at assisting local businesses during the testing economic circumstances which lie ahead. In particular projects with partners such as promotional activities with the Cherwell M40 Investment Partnership, work with OEP, and other partners such as Bicester Vision, and town and village centre partnerships. Details of such projects aimed at helping the local economy will be brought forward to the Estates and Economic Development Portfolio Holder for approval in the future.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

**Option One** The preferred option is to keep the LABGI sum in a separate fund and to utilise it over a number of years to finance economic development activities and projects, in particular the continuation of the service currently provided by OBE.

**Option Two** The alternative of adding the funds the Council's general reserves, or using it to offset other potential overspend, is not considered appropriate, bearing in mind the source of this money.

## **Implications**

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**Financial:** The regulations governing the use of the LABGI funds allow the Council to utilise the money as it sees fit, and there is no reason why it should not be spent over a number of years.

Comments checked by Karen Curtin, Chief Accountant  
01295 221551

**Legal:** There are no legal implications arising from the proposals, as the Council has the power to allocate resources to promoting the economic prosperity of the District.

Comments checked by Liz Howlett, Head of Legal and Democratic Services  
01295 221686

**Risk Management:** No risks have been identified arising for the proposed use of the funds. If the funds are not allocated to activities relating to economic development, there is a risk that the Council could face criticism from the business community,

from whom the funds are originally derived.

Comments checked by Rosemary Watts, Risk  
Management and Insurance Officer 01295 221566

**Wards Affected**

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All

**Corporate Plan Themes**

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A District of Opportunity

**Executive Portfolio**

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**Councillor Norman Bolster**  
**Portfolio Holder for Economic Development and Estates**

**Document Information**

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<b>Appendix No</b>	<b>Title</b>
Appendix	None
<b>Background Papers</b>	
None	
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