

# **WIRRAL COUNCIL**

## **FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE**

**4 APRIL 2007**

### **REPORT OF THE DIRECTOR OF FINANCE**

#### **LOCAL AUTHORITY BUSINESS GROWTH INCENTIVE SCHEME**

##### **1. EXECUTIVE SUMMARY**

- 1.1 This report outlines the Local Authority Business Growth Incentive (LABGI) Scheme and details the grant allocated to Wirral for 2006/07.

##### **2. INTRODUCTION**

- 2.1 The LABGI Scheme was announced by the Minister for Local Government in July 2005 and covers the three financial years 2005/06, 2006/07 and 2007/08. The Government projected that Local Authorities in England and Wales could gain up to £1 billion over the three years with 75% of authorities expected to benefit. The scheme is then to be reviewed in the light of any recommendations from the Lyons Inquiry.
- 2.2 The basis for the scheme is that authorities contribute to the economic growth of their local area bearing many of the costs of economic development but under the present financial system do not benefit from the increased revenue that this generates. LABGI provides an incentive for authorities to promote economic growth within their area by allowing them to be rewarded for an increase in rateable value, above a certain level.
- 2.3 The LABGI grant is available for use by authorities to provide better services, to invest in further business growth or to reduce Council Tax increases.

##### **3. THE LABGI SCHEME**

- 3.1 Business growth is measured in terms of the increase in rateable value during a calendar year and is based upon changes notified by the Valuation Office Agency (VOA). The starting point was the rateable value at 31 December 2004. Empty property and part empty property reliefs are netted-off the figures.
- 3.2 Each authority has a floor – the target level of rateable value growth that must be reached to benefit from LABGI. This comprises two elements, one based on historical growth over the previous 8 years between 1995 and 2003, and a national adjustment factor.
- 3.3 In 2005/06 the growth above the floor was subjected to a scaling factor of 70% to calculate the amount of revenue to be retained locally and each Authority also had a ceiling, the maximum each Authority may receive in any one year. The Government indicated that both of these were being removed in 2006/07 but in making the allocations in February 2007 the scaling factor has been retained.

- 3.4 The payments made under the Local Government Act 2003 (section 31) are a single payment to each Authority in the final quarter of the financial year and are separate from the Local Government Finance Settlement.

#### **4. WIRRAL ENTITLEMENT 2006/07**

- 4.1 In 2005/06 the 278 local authorities eligible for LABGI grant received a total of £127 million. 72% of authorities received a payment with Wirral receiving £919,352.
- 4.2 The Department for Communities and Local Government and HM Treasury announced the specific details, including the allocation of grant for 2006/07, on 27 February 2007. For 2006/07 £316 million is being allocated to 328 authorities (85% of the total). Ongoing Judicial Reviews by Corby Borough Council and Slough Council have resulted in both the decision not to abolish the 70% scaling factor and the delay in the announcement of the LABGI allocations. Wirral has been awarded a grant of £1,265,712 for 2006/07.

#### **5. ISSUES AFFECTING FUTURE GRANTS**

- 5.1 The LABGI scheme is due to conclude in 2007/08 with the final payments announced in February 2008. It is difficult for any Authority to estimate future LABGI grant with any degree of accuracy a point emphasised by the Government.
- 5.2 The future of LABGI is subject to recommendations made by the Lyons Inquiry. A fundamental review of the role of local government in driving economic development is being undertaken as part of the Government Comprehensive Spending Review 2007.

#### **6. FINANCIAL AND STAFFING IMPLICATIONS**

- 6.1 The LABGI grant awarded to Wirral in 2005/06 was £919,352 and this was added to General Fund balances at 31 March 2006. The recent announcement has resulted in Wirral being awarded £1,265,712 for 2006/07 which was reflected in the 2007/08 budget agreed by Council on 1 March 2007.
- 6.2 There are no staffing implications arising directly from this report.

#### **7. EQUAL OPPORTUNITIES IMPLICATIONS**

- 7.1 There are none arising directly from this report.

#### **8. HUMAN RIGHTS IMPLICATIONS**

- 8.1 There are no human rights implications arising directly from this report.

#### **9. LOCAL AGENDA 21 IMPLICATIONS**

- 9.1 There are none arising directly from this report.

## **10. PLANNING IMPLICATIONS**

10.1 There are none arising directly from this report.

## **11. LOCAL MEMBER SUPPORT IMPLICATIONS**

11.1 There are no direct implications arising from this report.

## **12. BACKGROUND PAPERS**

12.1 Local Authority Business Growth Incentive Scheme Determination (Number 1) 2006 issued by the Office of the Deputy Prime Minister. February 2006.

12.2. Local Authority Business Growth Incentive Scheme Determination (Number 2) 2006 issued by the Office of the Deputy Prime Minister. March 2006.

12.3. Local Authority Business Growth Incentive Scheme Grant Determination 2007 (No 31 2007) issued by the Department for Communities and Local Government on 27 February 2007.

## **13. RECOMMENDATION**

13.1 That Members note the allocation of £1,265,712 Local Authority Business Growth Incentive Grant to Wirral for 2006/07.

IAN COLEMAN  
DIRECTOR OF FINANCE