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**LOCAL AUTHORITIES BUSINESS RATES GROWTH INCENTIVES**

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**Responsible Cabinet Member(s) - Councillor Don Bristow, Resource Management Portfolio**

**Responsible Director(s) – Paul Wildsmith, Director of Corporate Services**

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**Purpose of Report**

1. To provide information regarding the Government’s second round of consultation on Local Authorities Business Rates Growth Incentives and to agree a response from the Council.

**Information and Analysis**

2. In July 2003, the Government issued a consultation paper titled “Local Authority Business Growth Incentives”, which proposed financial incentives for local authorities to encourage business growth in their areas by sharing in increased business rates. Business rates or non-domestic rates (NDR) are set nationally and collected locally. They are paid into a national pool and are then redistributed to authorities, pro-rata to population. Authorities bear costs of economic development but do not receive any direct financial benefit.
3. The scheme is intended to give local authorities that are successful in attracting business, additional revenues to spend on local priorities. There is no provision for business rates to be set locally, hence no businesses will pay more as a result of the scheme.
4. In the autumn of 2003, the Government consulted on a series of principles for how the scheme would operate. Cabinet agreed this Council’s response in October 2003. That consultation dealt with the principles of the scheme and it was stated at the time that “detailed practical operation and implications are not yet clear”.
5. The Government is now consulting on more detailed technical aspects of the scheme, with four specific questions. The current proposals on which views are now sought have been developed with experience from pilot areas and are largely in line with this Council’s preferences, expressed twelve months ago. One reservation about the scheme generally is that it is quite complex and consequently does not help public understanding of councils’ finances.

6. Though more details of the operation of the scheme are emerging, it is not possible to accurately estimate the financial impact for Darlington or any individual council. The key variable is future growth in business rateable value. The scheme is based on an assurance that no council will receive less funding as a result of the scheme's introduction. The suggested response of this Council is attached at **Appendix 1**.

### **Legal Implications**

7. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

### **Section 17 of the Crime and Disorder Act 1998**

8. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

### **Consultation**

9. No consultation has been conducted in preparing this report.

### **Council Policy Framework**

10. The issues contained within this report do not represent change to Council policy or the Council's policy framework

### **Decision Deadline**

11. The response to this Consultation Paper needs to be returned by 29th October, 2004. However, this item is not deemed as urgent for call-in procedures as a response could be returned by the deadline subject to Scrutiny views.

### **Conclusion**

12. As previously agreed in October 2003, the stated objectives of the proposed scheme are worthy of support. The proposals that are the subject of the current consultation have been developed largely in line with this Council's preferences that were included in the response to the first round of consultation. A suggested response to this second consultation is attached at **Appendix 1**.

## **Recommendation**

13. Members are asked to note the contents of this report and to approve the attached draft response of this Council to the consultation.

## **Reasons**

14. To ensure that the views of Darlington Borough Council are fully included in the Local Authorities Business Growth Incentives consultation exercise.

**Paul Wildsmith**  
**Director of Corporate Services**

## **Background Papers**

ODPM Consultation Paper “Local Authority Business Growth Incentives Scheme”

David Hall: Extension 2303

**LOCAL AUTHORITY BUSINESS GROWTH INCENTIVES (LABEI) – CONSULTATION PAPER****SUGGESTED RESPONSE**

- 1. Do you agree with the Government’s proposal to use a modified form of the Environmental Protective & Culture Services (EPCS) (part of the Formula Spending Share rather than on total Formula Spending Share for calculating ceilings?*

The use of modified EPCS FSS is a pragmatic proposal, which addresses the issue of ceilings in two-tier areas. We anticipate that this change would not impact materially in Darlington. We do, therefore, support the proposal.

- 2. Do you agree with the Government’s proposal of re-basing floors for authorities who fail to gain money under LABGI?*

The re-basing of floors is a sensible development that should enhance fairness of the scheme and help to ensure that it continues to provide the desired incentives. We support the proposal.

- 3. Do you agree with the Government’s proposals on the technicalities of the scheme?*

The current proposals appear to provide a well-balanced basis for operating the scheme. Our only concern is that the proposals are quite complex and do not enhance public understanding of councils’ financing. Given the objectives of the scheme and the need for it to operate equitably, such complexity is probably inevitable. We support the technical proposals.

- 4. Do you agree with the proposal to administer the scheme as a single payment in the final quarter of each financial year?*

The proposed payment arrangements are reasonable. We, therefore, support that proposal.