

Item 4

KEY DECISION

REPORT TO CABINET

13th SEPTEMBER
2007

REPORT OF CHIEF EXECUTIVE AND DIRECTOR OF RESOURCES

Learning and Employment Portfolio

UTILISING LOCAL AUTHORITY BUSINESS GROWTH INITIATIVE FUNDS

1. SUMMARY

1.1 Sedgefield Borough Council has received £558,082 through the Government's Local Authority Business Growth Initiative (LABGI) as a result of increased economic activity during 2005/06 and 2006/07. The report proposes that this funding be utilised to stimulate further economic growth through the establishment of the following funds:

- *Enabling Capital Investment – Economic Regeneration (£300,000)*
Supporting the preparatory work required to commence capital projects aimed at stimulating economic growth, coming forward through the Council's Major Regeneration Initiatives (MRI) process.
- *Enabling Capital Investment – Community Regeneration (£100,000)*
Supporting the preparatory work required to commence capital projects aimed at stimulating community regeneration, coming forward through the Council's Local Improvement Programme (LIP).
- *Stimulating Economic Growth – Project Fund (£100,000)*
Enabling non-capital activities such as research, marketing and promotion to be undertaken to maximise the impact of the above capital investments.
- *Economic Response Fund (£58,082)*
Contingency funding to enable the Council to react to major redundancy or closure announcements.

- 1.2 The application of these funds over a two-year period is aimed at perpetuating an increase in economic activity and stimulating further potential LABGI payments, should the scheme be continued beyond its current three-year approval.

2. RECOMMENDATIONS

- 2.1 It is recommended that:

- (i) Members approve the use of resources received through the Local Authority Business Growth Initiative to create four funds aimed at stimulating future economic growth.
- (ii) Members approve the delegation of funding decisions to the Capital Programmes Team, up to a limit of £75,000 for schemes identified through the MRI process.

3. UTILISING LABGI FUNDING

Background

- 3.1 The Local Authority Business Growth Initiative was introduced by the Government in 2005 to reward local authorities for encouraging greater levels of business growth. The initiative provides successful local authorities with an annual payment to reflect the increase in business rates collected within their area, for the financial years 2005/06, 2006/07 and 2007/08.
- 3.2 To date, Sedgefield Borough Council has received funding of £558,082 to reflect the growth in business rates during 2005/06 and 2006/07. A further award is also anticipated for 2007/08.
- 3.3 Although the funding does not come with any restrictions on its use, the rationale behind the scheme is clearly around supporting economic growth and stimulating further increases in the amount of business rates collected in the future.
- 3.4 This report therefore proposes that the funding received by the Council through LABGI should be invested in four specific areas:
- Enabling Capital Investment – Economic Regeneration
 - Enabling Capital Investment – Community Regeneration
 - Stimulating Economic Growth – Project Fund
 - Economic Response Fund

Enabling Capital Investment – Economic Regeneration (£300,000)

- 3.5 One of the key areas where the Council are able to impact upon future economic growth is the development of infrastructure and

accommodation to meet the needs of future employers. To achieve this, the Council are undertaking a series of capital investments, through the Major Regeneration Initiatives programme. Although the Council is currently in an advantageous position regarding the funding of major capital projects, difficulties are being experienced in funding the necessary preparatory work required to bring these capital projects forward.

- 3.6 As general preparatory activities such as masterplanning and feasibility work can be expensive and are classed as revenue items, the Council struggles to meet these costs effectively from existing budgets. Although more direct preparatory costs such as design work *can* be capitalised *if* the scheme progresses to the implementation stage, the significant revenue consequences of not reaching this stage also need to be met from existing budgets.
- 3.7 A fund established to support the preparatory activity that is currently difficult to undertake would therefore increase the quality of projects coming forward and ensure better value for money is achieved through the Council's Major Regeneration Initiatives programme. The level of risk inherent in any major capital project would also be reduced, and the Council's ability to influence economic growth will consequently be greatly enhanced.
- 3.8 Although the balance of the fund would reduce as preparatory work is undertaken, any costs relating to design work on schemes that progress to the implementation stage would be reclaimed from capital sources. The role of the fund would therefore be to meet non-refundable costs such as masterplanning and feasibility work and also to 'underwrite' any costs relating to design work on identifiable capital schemes. Obviously *any* expenditure incurred on schemes that do not progress to implementation will need to be met fully from this fund.
- 3.9 As the principles behind LABGI funding are about stimulating a continual increase in economic activity, the preparatory work to be supported through this fund should specifically focus on projects coming through the MRI process that contribute towards economic aims, such as those relating to the creation of business floorspace or town centre regeneration.
- 3.10 As the preparatory work required to kick-start projects can be described as 'early stage' feasibility or masterplanning, a limit of £75,000 per scheme is proposed - any scheme requiring a greater level of preparatory work will be referred separately to Cabinet. As part of their role in managing the MRI programme, it is also proposed that the Capital Programmes Team within Strategy and Regeneration be responsible for agreeing the funding limit and profile for preparatory work to support each individual MRI scheme, up to the value of £75,000.

Enabling Capital Investment – Community Regeneration (£100,000)

- 3.11 Alongside the investments aimed at increasing economic activity, the Council are also embarking on a major programme of capital investment in local communities, through the Local Improvement Programme (LIP). The need to facilitate this expenditure through support for feasibility and design work is similar to that required to stimulate economic activity, albeit on a smaller scale.
- 3.12 On 11 January 2007, Cabinet approved the creation of a delegated approval process to support the preparatory work required by LIP projects up to a limit of £15,000. Following this approval a total of 5 grants have been awarded by the Capital Programmes Team, which has led to more advanced and accurately costed schemes being brought forward for determination. Given the increased amount of LIP activity being experienced, there is a need to outline a clear budget to provide for these abortive or non-recoverable, early-stage technical costs.
- 3.13 It is therefore proposed that LABGI funding be used to fund further work through this delegated route, using similar principles as those outlined above (i.e. the funding of abortive or non-recoverable preparatory work). This joined-up approach will enable the Council to make a valuable contribution towards the community regeneration aims that are intrinsically linked to the economic vitality of the Borough.
- 3.14 Again, it is hoped that this budget allocation may not be required as all LIP projects that require a development grant go through an initial appraisal and are subject to Area Forum consideration before any decision is made on an initial development grant. However, as with all capital projects the possibility exists that the technical work will highlight major issues that could prevent further development. This budget would cover this eventuality as if the project is realised that initial technical work will be regarded as a capital cost and be met from LIP funds.

Stimulating Economic Growth – Project Fund (£100,000)

- 3.15 The investment of LABGI money to facilitate major capital projects would contribute significantly towards providing the right physical infrastructure to facilitate economic growth. To accompany this, investment also needs to be made in the non-physical aspects that affect economic conditions within the Borough.
- 3.16 The lack of discretionary funds available to support projects to stimulate economic growth currently restricts the activities that can be undertaken, particularly in relation to maximising the impact and spreading the benefit gained from significant capital investment. It is

therefore proposed that a fund be established to enable the Council to support issues relating to capital investments, such as:

- Research into future supply/demand issues
- Marketing and promotion of economic opportunities
- Establishment of links between development opportunities and the local population

3.17 It is proposed that this funding be managed by the Economic Development Team within Strategy and Regeneration.

Economic Response Fund (£58,082)

3.18 As the unrestricted nature of LABGI funding is relatively unusual in local government terms, it is proposed that the remaining balance of existing LABGI funds be ring-fenced to enable the Council to respond to issues such as the announcement of significant redundancies or the closure of a major employer within the Borough. As it is not always possible to predict the impact that different economic issues will have on the Borough, it would be prudent to retain the ability to react to changing circumstances and contribute towards co-ordinated activities with key partners, should such eventualities arise.

3.19 As with the Stimulating Economic Growth Project Fund, it is proposed that this funding is also managed by the Economic Development Team.

Timescales

3.20 As the future of LABGI funding is uncertain beyond any awards due for 2007/08, it is essential that the funds being established provide benefit beyond the current financial year.

3.21 The timetable attached to Local Government Re-organisation, emphasises the importance of utilising the LABGI funding to facilitate the Council's priority capital projects within the next two years.

3.22 The resources used to enable major capital expenditure to take place should be able to cover a two-year period, as some of the preparatory costs covered will ultimately be refunded from successful capital schemes. As the resources allocated for projects to stimulate economic growth will also be linked to the opportunities provided through capital investment, these funds should be drawn down over a similar period. A full evaluation of the impact of these funds is proposed towards the end of 2008/09.

3.23 Due to the nature of the economic response fund established, the timescale for its use is unpredictable. It is proposed however that the future of this fund be reviewed as part of the final evaluation of the other LABGI funded elements, should any funds remain at that point.

4. RESOURCE IMPLICATIONS

HR Implications

- 4.1 No human resource implications have been identified, as the proposed funds will be managed by staff currently within the Strategy & Regeneration Division, under the terms of their existing job descriptions.

Financial Resources

- 4.2 The identified LABGI funding has been received by the Council in addition to existing financial allocations and does not form part of current revenue budgets. The use of this resource for the purposes identified above will however reduce potential pressure on revenue budgets over the next three years, as the need to identify funding for significant preparatory work, from within existing resources, is alleviated. The application of these funds over a two-year period is also aimed at perpetuating an increase in economic activity that could potentially trigger further LABGI payments, should the scheme be continued beyond its current three-year approval.
- 4.3 The balance of resources allocated to the different funds is reflective of the fact that capital projects aimed at increasing economic growth will, by their nature, be large scale and consequently the cost of preparatory work will be significantly higher than that required for community regeneration projects.

5. CONSULTATIONS

- 5.1 Consultation has taken place with the Council's Capital Programmes Team to ensure the funds have been targeted appropriately. Consultation has also taken place with the Accountancy Services Manager over the availability and targeting of LABGI resources.

6. OTHER MATERIAL CONSIDERATIONS

Risk Management

- 6.1 The size and complexity of major capital projects carry with them inherent risks, as does the involvement of private sector developers and a constantly evolving property market. By using LABGI resources to effectively 'underwrite' the cost of preparatory work for major capital projects, the risk of abortive work impacting upon the Council's revenue budget is minimised. The other elements of the funds proposed, carry a lower degree of risk and have consequently been allocated a lower level of funding.

- 6.2 As the impact of Local Government Re-organisation on the MRI programme is yet to be determined, there inevitably remains a risk that utilisation of LABGI funding could be constrained by any limitations placed on the MRI programme as a result of transitional arrangements.

Sustainability

- 6.3 The sustainability of the fund will be largely dependant upon how successful the preparatory work is in progressing schemes towards the implementation stage, and how effective the capital projects are in stimulating further economic activity and subsequent LABGI payments.
- 6.4 The principles of sustainable development will be at the heart of all capital schemes being pursued, and are consequently key elements of any preparatory work supported through LABGI funds.

Social Inclusion

- 6.5 The principle of social inclusion is also at the heart of all capital schemes being pursued, and will consequently form a key element of any preparatory work supported through LABGI funds.

Procurement

- 6.6 All preparatory work undertaken will be procured in line with the Council's Standing Orders.

7. OVERVIEW AND SCRUTINY IMPLICATIONS

- 7.1 There are no overview and scrutiny implications identified at this stage.

8. LIST OF APPENDICES

- 8.1 No appendices are attached to this report.

Contact Officer	Richard Horniman
Telephone Number	01388 816166 Ext. 7756
E-mail address	rhorniman@sedgefield.gov.uk

Wards: Whole Borough

Key Decision Validation: This issue represents a key decision

Background Papers:
Report to Cabinet 11 January 2007 – Local Improvement Programme (LIP)

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Councils Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Councils S.151 Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team	<input checked="" type="checkbox"/>	<input type="checkbox"/>