Office of the
Deputy Prime Minister
Creating sustainable communities

Local Authority Business Growth Incentives Scheme (LABGI)

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August 2004

HM Treasury

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Printed in Great Britain on paper comprising 75% post-consumer waste and 25% ECF pulp (cover) and 100% post-consumer waste (text).

PART 1
Introduction

PURPOSE

1. This consultation paper sets out the Government's detailed proposals on the way in which the Local Authority Business Growth Incentives Scheme (LABGI) will operate in England. These proposals have been informed by responses to the first consultation paper, published in July 2003, and a feedback session in July 2004, held to evaluate the administrative dry run of the scheme.

2. The scheme is designed to give local authorities an incentive to maximise local economic growth by allowing them to receive a proportion of increases in local business rate revenues to spend on their own priorities. The Government is committed to ensuring that all revenues generated by the scheme will be unringfenced. Therefore local authorities will be able to use revenues in the way that they and their elected representatives consider best to maximise local outcomes. The scheme will create positive financial incentives for local authorities to work in partnership with business and other key players to maximise economic growth. LABGI will cover all local authorities that are responsible for economic development. That is, all shire counties, shire districts and shire unitary authorities, London boroughs (including the City of London) and Metropolitan districts. Police and Fire authorities will not be included.

3. The scheme does not give local authorities the flexibility to change the business rates multiplier. As a result no business will pay more tax than they otherwise would have done. However, businesses should find the scheme to be of major benefit to them, as it will increase the incentives for local authorities to understand and respond to the needs of local businesses.

4. The broad intentions of the scheme have been widely welcomed. The response to the first consultation was very positive, with over 160 written responses from local authorities, business organisations and others received, and nearly 90% of these agreeing with the Government's objectives and principles for the scheme. The Government made further announcements on the technicalities of the scheme in December 2003 and March 2004. The first consultation, responses and local authority baselines can be found on the ODPM website at www.local.odpm.gov.uk/finance/labgi.

HOW WILL LABGI WORK?

5. The scheme will become operational following the next business rate revaluation on the 1 April 2005. It is the Government's intention to evaluate the effectiveness of the scheme within two to three years of its start. The Government will therefore take account of the findings of the Lyons Review, due to be published by the end of 2005, which will consider the detailed case for changes to the current National Non-Domestic Rate (NNDR) system.

6. Currently business rates revenues are collected by local authorities and passed into a central pool. For properties that are included on the central list, revenues are collected centrally. Revenues are then re-distributed on a per capita basis. Under LABGI, local authorities will now receive a proportion of their growth in business rates, above a predetermined floor and below a ceiling setting the maximum reward amount. The floor is derived from individual local authority's historic growth levels and is adjusted by a national adjustment factor, which allows the Government to maintain the incentive of the scheme by setting realistic and achievable goals for business growth. The proportion of revenues a local authority will receive is determined by a scaling factor and the ceiling ensures that no local authority gains unfairly or disproportionately from the scheme.

7. In light of these arrangements, the Government has set the percentages of the LABGI model with the intention of maximising the rewards for local authorities. The Government has therefore decided to set the scaling factor at 70% and the ceilings for the first 3 years of the scheme at 3%, 6% and 9% of a modified form of the Environmental, Protective and Cultural Services (EPCS) part of the Formula Spending Share (FSS) respectively. The National Adjustment Factor will also be set at -1.4% but may need further adjustment during the scheme.

ADMINISTRATIVE DRY RUN

8. Because the scheme requires changes to the existing administrative arrangements, the Government invited local authorities to participate in an administrative dry run of the scheme. The dry run was set up on the basis of trialling arrangements under which LABGI money would be paid by making adjustments to remittances to the NNDR pool throughout the year. The sum retained was based upon an estimate by each authority of the change in business rates that it expected to achieve.

9. 40 local authorities volunteered to be part of the dry run and the majority of these raised concerns about the accuracy and validity of estimating growth in rateable values. The clear consensus was that a single payment in-year based on actual outturn was the preferred option.

10. Furthermore, under proposals trialled in the dry run, authorities would have to take account of empty properties twice, with one calculation based on the actual list for normal NNDR forecasting and a second, based on an adjusted and increasingly divergent list for LABGI. For the purposes of LABGI, the effects of appeals are ignored since they are outside an authority's control. LABGI will therefore work on adjusted ratings lists, however empty and partially occupied properties will be taken into account because they reflect real growth or decline, which authorities can influence. Under a single payment in lieu of retention, which is the preferred option, this would not be an issue.

SUMMARY

11. This paper therefore seeks views on the Government's proposal to pay local authorities on the basis of a single payment in lieu of retention to each eligible local authority in the final quarter of each financial year. The Government also seeks general views on the overall operation of the scheme. More specifically, consultees are invited to give views on the following questions:

1. Do you agree with the Government's proposal to use a modified form of the Environmental, Protective and Cultural Services (EPCS) part of the Formula Spending Share (FSS) rather than on total FSS for calculating ceilings?

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

3. Do you agree with the Government proposals on the technicalities of the scheme?

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

OVERVIEW OF THIS PAPER

12. Part 1 has given an overview of the purpose of LABGI and the Government's proposed operation and administration of the scheme. The remaining parts give more detailed information on the technicalities of the scheme. Part 2 describes the way in which the Government proposes to operate the scheme and invites consultees to comment on its proposals for setting ceilings and re-basing floors. Part 3 details the key messages from the administrative dry run and invites consultees to comment on the proposal to administer the payment as a single payment in lieu of retention in the final quarter of each financial year. Annex A sets out in greater detail how the benefits for individual authorities will be calculated and gives a worked example for a hypothetical authority. Annex B gives details of local authority baselines, published in March 2004.

PART 2
Scheme Technicalities

This section describes how the scheme will operate and is supported by Annex A, which sets out in greater detail how the benefits for individual authorities will be calculated by giving a worked example for a hypothetical authority.

BASELINES – NATIONAL HISTORIC GROWTH MODEL

13. The baseline is perhaps the key technical issue for the scheme. It determines the trend growth relative to which individual local authority floors are set and hence has a significant impact on the performance needed by local authorities to benefit from the scheme.

14. The Chancellor announced in the Pre-Budget Report, December 2003, that the Government has chosen to set baselines using a modified form of the National Historic Growth Model by dividing authorities into seven groups based on historical growth rate. This adaptation of the model, by dividing authorities into seven rather than five groups, takes on board the strengths of the Sub Regional model and improves the incentive for most authorities by allowing baselines to reflect historical growth more accurately, whilst retaining the advantage of relative simplicity.

FLOORS/SCALING FACTORS

15. The floor is the percentage growth above which an individual local authority must raise its rateable value in order to benefit from the scheme. An authority's floor is equal to its baseline less the National Adjustment Factor. The scaling factor sets the percentage of revenues above the floor that the local authority can receive through LABGI – with the rest being remitted to the business rate pool.

16. The Government announced in March 2004 that the medium floor – medium scaling factor approach would be used to ensure that as many local authorities as possible would gain from the scheme rather than it simply benefiting a few high performers.

17. The Government has decided that the National Adjustment Factor will be set at 1.4% and the scaling factor will be set to allow authorities to keep 70% of revenues above the floor. In order to ensure that the scheme is managed prudently, it may be necessary to change the National Adjustment Factor whilst the scheme is in operation.

CEILINGS

18. Ceilings determine the maximum revenues an individual local authority can gain from the scheme. In the interests of equity it is important that ceilings are set relative to a variable that provides a real indication of the relative size of the authority. The impact of ceilings is to ensure that the distribution of benefits from the scheme is more measured than would otherwise occur.

19. In the first consultation, the Government proposed that ceilings would be based upon the total Formula Spending Share (FSS). Further analysis since the first consultation has convinced the Government that ceilings based on a modified form of the Environmental Protection and Cultural Services (EPCS) element of FSS would give more equitable ceilings, especially in two tier areas. A modified form of the EPCS formula will be applied to both tiers of authorities in two tier areas: these will be added together to calculate the ceiling for each billing authority's geographical area. In order to be fair to both tiers, the same formula (for the Upper tier EPCS FSS) is applied to both districts and counties. For counties, their EPCS stays the same but for lower tier authorities, their EPCS is modified as the upper tier formula is applied to their characteristics (ie. population, unemployment etc). For unitary authorities this procedure already occurs so their modified EPCS will equal their normal EPCS. This calculation will give the total EPCS for the geographical area, which is used to calculate the ceilings. The proportion contributed from each authority will depend upon the characteristics of that authority.

20. In order to maximise the benefits of LABGI revenues, the Government has set the level of ceilings for the first three years of the scheme at 3%, 6% and 9% respectively.

1. Do you agree with the Government's proposal to use a modified form of the Environmental, Protective and Cultural Services (EPCS) part of the Formula Spending Share (FSS) rather than on total FSS for calculating ceilings?

RE-BASED FLOORS

21. The original consultation stated that floors would be cumulative – that gains would be measured from a fixed starting point, and that gains from one year in excess of the ceiling would be able to count against the following year's target. In order not to weaken the incentive to sustain growth, the Government will continue to reward authorities that are successful in this way.

22. In order that all authorities are given a meaningful and achievable target under the LABGI scheme, authorities that fail to reach their floor, and therefore do not gain additional money, will face a lower floor in the next year. This prevents authorities who do exceed their floor in a given year from falling behind the cumulative floor and therefore needing to grow significantly more in subsequent years in order to benefit from the scheme. This modification to the scheme, while adding slightly to the complexity, will avoid a major disincentive of cumulative floors. With a purely cumulative floor scheme, authorities who fail to grow quickly at the start of the scheme but thereafter grow quickly, may gain nothing, whilst authorities who grow substantially in the first years may continue to gain without subsequent growth.

23. Authorities that fail to gain money under LABGI will be re-based, to give them a fair and meaningful challenge in the next year, and a new lower floor will be calculated, determined from their new starting point.

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

TIERS

24. The principal argument for sharing benefits is to acknowledge the role of counties in economic development activities and that economic growth imposes costs on these authorities. Following the Government's decision to use ceilings based on modified EPCS, the Government has decided that in two tier areas, both district and county councils should gain revenues in proportion to their relative modified EPCS block of FSS. The tier split is therefore given by the relative EPCS proportions between the two tiers – approximately 35% to the upper tier and 65% to the lower tier, although this depends upon the characteristics of the area.

25. In the first consultation, of those responses that addressed the split in London, opinion was divided over whether or not the Greater London Authority (GLA) should benefit. Although the GLA plays an important role in economic development, there are existing funding mechanisms for incentivising large-scale development activities undertaken at regional level. The Government has therefore decided that all benefits in London remain with the boroughs.

3. Do you agree with the Government proposals on the technicalities of the scheme?

PART 3
Proposal for Administering the Scheme

26. The Government identified two possible approaches to administering the revenues gained by local authorities under LABGI. The first of these, 'retention in-year', involved sticking closely to existing procedures for remittances to the business rate pool – which would give authorities the benefit of early payment and was deemed to have administrative advantages because it potentially involved only minor changes to existing arrangements. The second – which is the preferred option of the volunteer authorities who tested the first approach – is a single payment to each eligible local authority in the final quarter of each financial year.

27. The Government announced in the first consultation that it would test and refine the administrative changes needed to implement the scheme through an administrative dry run. 40 local authorities volunteered to take part and this was rolled out over an 8-week period from 26 April 2004. The dry run involved the transfer and receipt of mock National Non Domestic Rate (NNDR) forms, valuation lists and money.

28. The dry run was set up on the basis that the billing authority would retain LABGI money by making adjustments to its remittances to the NNDR pool throughout the year. The sum retained was based on a forecast by each authority of the increase in rateable values that it expected to achieve. This option was chosen because it most closely reflected the idea of retention and it used the existing NNDR collection systems.

29. For the purposes of the dry run, the Valuation Office Agency (VOA) prepared for each dry run billing authority area the rateable value as at 31 December 2003, gross of appeals. The total rateable value figure for each billing authority area captured the "net" impact of all new build, demolitions and altered property but did not take account of any reductions in rateable value due to appeals, because these would be outside the control of the billing authority. ODPM calculated the relevant floors and ceilings.

30. The NNDR1 and 3 forms were revised to include a section on LABGI and the volunteer authorities were asked to use 2004/05 as the 'mock' financial year. The volunteer authorities were then asked to estimate expected rateable value, gross of appeals, as at 31 December 2004, and insert the figure on to the revised NNDR1 form.

DRY RUN EVALUATION

31. The dry run showed some significant difficulties with this approach and a number of issues emerged. A number of authorities raised concerns about the accuracy and validity of estimating growth. The majority of those who participated in the dry run did not feel that they could make reliable forecasts and that attempting to do so would require a lot of effort. This could easily be frustrated by, for example, a single very

large property going on or off the list at a slightly different time than expected. The clear consensus was that forecasts would not be sufficiently reliable as a basis to justify funding up-front or for authorities to be able to plan to spend the reward money. Further work would then be involved in auditing and adjusting payments once actual changes were known, including adjustments to money passed on from billing authorities to counties.

32. The message from the majority of volunteer authorities was that there was no advantage in retaining NNDR throughout the year since most authorities would not see it as prudent to spend it until out-turn figures were known.

SINGLE PAYMENT OPTION

33. Overall the preferred solution would be a single payment to each eligible local authority in the final quarter of each financial year. This would be based on the actual changes to rateable values (adjusted to take out appeals) in the previous calendar year. The VOA would provide this list, thereby avoiding the need for local authorities to estimate growth. The scheme would operate under Section 31 of the Local Government Act 2003 as an unringfenced grant.

34. The VOA rating list would then be adjusted to take account of empty and partially empty property reliefs, using the most recent set of audited data from authorities' normal NNDR returns, ie. NNDR3 form for the year prior to the one just ended. This is thought to be a reasonable proxy for later figures (derived by scaling up the relevant reliefs figures, as reported on the NNDR3 and not available elsewhere) and preferable to having to make later adjustments to payments when audited data is available. This approach has been agreed and adopted in Wales.

35. One further consequence of this change in approach would be that the scheme would not require any regulations. The original approach would have required not only new regulations setting out how the scheme would work but also changes to two other existing sets of regulations. These are already under review with the changes needed to implement the new transitional relief scheme and small business rate relief.

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

ANNEX A

Worked Example of Scheme

Chapter two outlined the decisions taken on the variables of the scheme. This Annex sets out in greater detail how the benefits for individual authorities will be calculated and gives a worked example for a hypothetical authority.

STARTING RATEABLE VALUE

The VOA will provide the starting rateable value for each authority as at 31 December 2004. Authorities will not see their rewards under the scheme reduced by successful appeals. To do so would be unfair to authorities and would introduce uncertainty to the scheme. Empty and part-empty property reliefs (divided by the NNDR multiplier to give an approximate rateable value to which the reliefs relate) will be netted off this to give the rateable value occupied gross of appeals.

As an example, hypothetical authority X has a rateable value gross of appeals and net of reliefs of £50m as at 31 December 2004.

CALCULATION OF FLOORS

The floor, which is the rate of growth in rateable value that authorities must exceed in order to be eligible to gain money is the assigned baseline growth rate minus the national adjustment factor (NAF). The steps in calculating the baseline are explained in the Annex to the first LABGI consultation paper. Annex B gives the revised seven group National Historic Growth Model Baselines for each local authority.

Authority X has grown at an average 3.5% per year over the 8 years used to determine the growth rates. As such it is in baseline group 6, which has a weighted average growth of 3.4%. With a NAF of 1.4%, authority X must exceed a floor of (3.4%-1.4%) = 2% in order to gain any money from LABGI.

Authority X must raise rateable value by £1m (0.02 x £50m) in order to gain.

CALCULATING GROWTH BEYOND THE FLOOR

At the end of the first year a new list of rateable values will be produced as at 31 December 2005 adjusted for empty and partially empty property relief. These will be compared with the starting list to calculate the growth rates.

The rateable value of authority X at the 31 December 2005 is £53m, compared with the floor of £51m, giving growth above the floor of £2m. Growth above the floor is then multiplied by the business rate multiplier to give the maximum possible benefit for the billing authority.

Therefore authority X has exceeded its floor by £0.912m, using a multiplier of 45.6p for illustrative purposes.

SCALING BACK GROWTH ABOVE THE FLOOR

The scaling factor of 70% is applied to all revenues above the floor, in order to calculate the amount eligible locally. The non-eligible portion after the scaling factor is to be submitted to the business rate pool to be shared amongst all local authorities.

In this example, £0.912m x 0.7 gives £638,400 after scaling.

APPLYING CEILINGS TO CALCULATE ELIGIBLE REVENUE AND DIVISION BETWEEN TIERS

The ceiling sets the maximum revenue to which the local authority is eligible – additional revenues have to be passed back to the business rate pool for distribution amongst all local authorities. The ceiling will be calculated for each billing authority using modified EPCS. The ceilings in year 1 will be 3% of modified EPCS. LABGI revenues will be shared between tiers based on the shares of modified EPCS.

For authority X as a billing authority, 3% of their modified EPCS in 2005-06 is £600,000, while 3% of their upper tier authority's modified EPCS is £300,000. Therefore the ceiling for authority X's area is £900,000. After scaling, authority X had an increase in revenue of £638,400, so they do not exceed their ceiling. Had they exceeded the ceiling, the amount eligible would have been capped at £900,000 with the remaining money being submitted back to the business rate pool to be distributed in the usual manner.

Based on modified EPCS, the split between the two authorities will be two-thirds to authority X and one-third to the upper tier. This means the final amount that authority X receives is £425,600 while the upper tier receives the remaining £212,800.

RE-BASING FOR AUTHORITIES THAT FAIL TO GAIN MONEY UNDER LABGI

Under normal circumstances, authorities' gains in rateable value are cumulative. Authorities who gain money in each year, have their growth measured from the starting rateable value as at 31 December 2004. The target floor of rateable value in the second year for authority X will be 1.02^2 (ie. 1.0404) times £50m = £52.02m. The cumulative growth in rateable value since the start of the scheme is compared to this floor in the same way set out above.

In order that authorities who fail to gain money under LABGI do not fall behind the cumulative floor, floors will be re-based, and a new lower floor will be calculated. If they achieve growth above the floor then their next year's floor will be cumulative.

If authority X had failed to achieve growth from its starting rateable value of £50m in year 1, and had actually achieved **negative** growth of £500,000 they would have been re-based. Their new starting point for the second year would be £49.5m, with a target floor of (£49.5m x 1.02) = £50.49m rather than £52.02m.

ANNEX B

National Historic Growth Model Baselines

Baselines for local authorities (grouped by region)			
Local Authority	**Average Growth 1995-6 to 2002-3**	**Baseline Group (1 lowest, 7 highest)**	**National Historic Growth Baseline**
East of England			
Babergh	1.6%	3	1.8%
Basildon	2.6%	5	2.7%
Bedford	2.8%	5	2.7%
Braintree	3.8%	7	5.8%
Breckland	2.5%	5	2.7%
Brentwood	2.1%	4	2.1%
Broadland	3.5%	6	3.4%
Broxbourne	1.5%	2	1.4%
Cambridge	1.2%	2	1.4%
Castle Point	1.2%	2	1.4%
Chelmsford	3.0%	5	2.7%
Colchester	2.1%	4	2.1%
Dacorum	2.9%	5	2.7%
East Cambridgeshire	3.3%	6	3.4%
East Hertfordshire	0.4%	1	0.7%
Epping Forest	2.8%	5	2.7%
Fenland	0.8%	1	0.7%
Forest Heath	1.4%	2	1.4%
Great Yarmouth	0.9%	1	0.7%
Harlow	2.4%	5	2.7%
Hertsmere	3.2%	6	3.4%
Huntingdon	2.2%	4	2.1%
Ipswich	1.9%	3	1.8%
Kings Lynn & West Norfolk	2.5%	5	2.7%
Luton	1.4%	2	1.4%
Maldon	2.4%	5	2.7%
Mid Bedfordshire	1.9%	4	2.1%
Mid Suffolk	1.3%	2	1.4%
North Hertfordshire	2.0%	4	2.1%
North Norfolk	2.0%	4	2.1%
Norwich	1.5%	2	1.4%

Baselines for local authorities (grouped by region)

Local Authority	Average Growth 1995-6 to 2002-3	Baseline Group (1 lowest, 7 highest)	National Historic Growth Baseline
East (continued)			
Peterborough	1.9%	3	1.8%
Rochford	1.3%	2	1.4%
South Bedfordshire	2.8%	5	2.7%
South Cambridgeshire	4.8%	7	5.8%
South Norfolk	5.2%	7	5.8%
Southend-on-Sea	2.3%	4	2.1%
St Albans	2.8%	5	2.7%
St Edmundsbury	2.1%	4	2.1%
Stevenage	2.7%	5	2.7%
Suffolk Coastal	1.9%	4	2.1%
Tendring	3.1%	6	3.4%
Three Rivers	5.5%	7	5.8%
Thurrock	2.2%	4	2.1%
Uttlesford	2.7%	5	2.7%
Watford	1.9%	3	1.8%
Waveney	2.1%	4	2.1%
Welwyn Hatfield	3.0%	5	2.7%
East Midlands			
Amber Valley	0.9%	1	0.7%
Ashfield	1.8%	3	1.8%
Bassetlaw	3.8%	7	5.8%
Blaby	2.4%	5	2.7%
Bolsover	11.2%	7	5.8%
Boston	1.4%	2	1.4%
Broxtowe	1.5%	2	1.4%
Charnwood	0.5%	1	0.7%
Chesterfield	1.9%	3	1.8%
City of Leicester	1.3%	2	1.4%
Corby	2.5%	5	2.7%
Daventry	4.3%	7	5.8%
Derby	2.1%	4	2.1%
Derbyshire Dales	1.7%	3	1.8%
East Lindsey	1.4%	2	1.4%
East Northamptonshire	3.3%	6	3.4%
Erewash	1.7%	3	1.8%

Baselines for local authorities (grouped by region)

Local Authority	Average Growth 1995-6 to 2002-3	Baseline Group (1 lowest, 7 highest)	National Historic Growth Baseline
East Midlands (continued)			
Gedling	0.4%	1	0.7%
Harborough	4.7%	7	5.8%
High Peak	1.8%	3	1.8%
Hinckley & Bosworth	0.0%	1	0.7%
Kettering	2.7%	5	2.7%
Lincoln	2.1%	4	2.1%
Mansfield	2.2%	4	2.1%
Melton	2.3%	4	2.1%
Newark & Sherwood	1.6%	3	1.8%
North East Derbyshire	0.9%	1	0.7%
North Kesteven	2.4%	5	2.7%
North West Leicestershire	4.6%	7	5.8%
Northampton	3.3%	6	3.4%
Nottingham	2.0%	4	2.1%
Oadby & Wigston	0.9%	1	0.7%
Rushcliffe	0.2%	1	0.7%
Rutland	1.8%	3	1.8%
South Derbyshire	4.5%	7	5.8%
South Holland	8.2%	7	5.8%
South Kesteven	1.5%	2	1.4%
South Northamptonshire	3.0%	6	3.4%
Wellingborough	0.7%	1	0.7%
West Lindsey	2.1%	4	2.1%
London			
Barking & Dagenham	1.9%	4	2.1%
Barnet	1.4%	2	1.4%
Bexley	3.1%	6	3.4%
Brent	1.2%	1	0.7%
Bromley	1.4%	2	1.4%
Camden	3.8%	6	3.4%
City of London	7.0%	7	5.8%
Croydon	1.5%	2	1.4%
Ealing	1.5%	2	1.4%
Enfield	1.8%	3	1.8%
Greenwich	1.5%	2	1.4%

Baselines for local authorities (grouped by region)			
Local Authority	**Average Growth 1995-6 to 2002-3**	**Baseline Group (1 lowest, 7 highest)**	**National Historic Growth Baseline**
London (continued)			
Hackney	2.5%	5	2.7%
Hammersmith & Fulham	3.8%	7	5.8%
Haringey	0.6%	1	0.7%
Harrow	1.1%	1	0.7%
Havering	2.1%	4	2.1%
Hillingdon	1.5%	2	1.4%
Hounslow	3.6%	6	3.4%
Islington	4.9%	7	5.8%
Kensington & Chelsea	0.9%	1	0.7%
Kingston upon Thames	1.3%	2	1.4%
Lambeth	2.8%	5	2.7%
Lewisham	0.8%	1	0.7%
Merton	2.1%	4	2.1%
Newham	1.8%	3	1.8%
Redbridge	1.1%	1	0.7%
Richmond upon Thames	2.4%	5	2.7%
Southwark	2.0%	4	2.1%
Sutton	1.7%	3	1.8%
Tower Hamlets	7.7%	7	5.8%
Waltham Forest	0.9%	1	0.7%
Wandsworth	2.0%	4	2.1%
Westminster	2.9%	5	2.7%
North East			
Alnwick	2.2%	4	2.1%
Berwick upon Tweed	0.2%	1	0.7%
Blyth Valley	1.0%	1	0.7%
Castle Morpeth	1.6%	3	1.8%
Chester le Street	-3.4%	1	0.7%
Darlington	1.2%	2	1.4%
Derwentside	0.5%	1	0.7%
Durham	2.7%	5	2.7%
Easington	2.1%	4	2.1%
Gateshead	0.3%	1	0.7%
Hartlepool	2.1%	4	2.1%
Middlesbrough	1.7%	3	1.8%

Baselines for local authorities (grouped by region)			
Local Authority	**Average Growth 1995-6 to 2002-3**	**Baseline Group (1 lowest, 7 highest)**	**National Historic Growth Baseline**
North East (continued)			
Newcastle upon Tyne	1.3%	2	1.4%
North Tyneside	2.2%	4	2.1%
Redcar & Cleveland	0.8%	1	0.7%
Sedgefield	0.6%	1	0.7%
South Tyneside	1.3%	2	1.4%
Stockton-on-Tees	2.0%	4	2.1%
Sunderland	3.3%	6	3.4%
Teesdale	1.2%	2	1.4%
Tynedale	1.3%	2	1.4%
Wansbeck	0.6%	1	0.7%
Wear Valley	0.8%	1	0.7%
North West			
Allerdale	1.9%	3	1.8%
Barrow in Furness	3.0%	5	2.7%
Blackburn with Darwen	1.4%	2	1.4%
Blackpool	0.5%	1	0.7%
Bolton	3.1%	6	3.4%
Burnley	2.0%	4	2.1%
Bury	1.0%	1	0.7%
Carlisle	1.5%	2	1.4%
Chester	1.8%	3	1.8%
Chorley	2.3%	5	2.7%
Congleton	0.8%	1	0.7%
Copeland	-5.4%	1	0.7%
Crewe & Nantwich	2.3%	4	2.1%
Eden	3.8%	6	3.4%
Ellesmere Port & Neston	2.5%	5	2.7%
Fylde	1.3%	2	1.4%
Halton	3.0%	5	2.7%
Hyndburn	0.9%	1	0.7%
Knowsley	1.6%	3	1.8%
Lancaster	1.7%	3	1.8%
Liverpool	2.5%	5	2.7%
Macclesfield	2.4%	5	2.7%
Manchester	1.8%	3	1.8%

Baselines for local authorities (grouped by region)

Local Authority	Average Growth 1995-6 to 2002-3	Baseline Group (1 lowest, 7 highest)	National Historic Growth Baseline
North West (continued)			
Oldham	0.7%	1	0.7%
Pendle	0.8%	1	0.7%
Preston	5.7%	7	5.8%
Ribble Valley	1.2%	2	1.4%
Rochdale	1.5%	2	1.4%
Rossendale	0.1%	1	0.7%
Salford	1.4%	2	1.4%
Sefton	2.4%	5	2.7%
South Lakeland	1.6%	3	1.8%
South Ribble	2.3%	4	2.1%
St Helens	1.5%	2	1.4%
Stockport	1.8%	3	1.8%
Tameside	1.7%	3	1.8%
Trafford	4.5%	7	5.8%
Vale Royal	1.2%	1	0.7%
Warrington	4.9%	7	5.8%
West Lancashire	0.9%	1	0.7%
Wigan	1.7%	3	1.8%
Wirral	1.0%	1	0.7%
Wyre	2.2%	4	2.1%
South East			
Adur	3.3%	6	3.4%
Arun	1.1%	1	0.7%
Ashford	2.8%	5	2.7%
Aylesbury Vale	2.5%	5	2.7%
Basingstoke & Deane	4.7%	7	5.8%
Bracknell Forest	3.4%	6	3.4%
Brighton & Hove	2.3%	4	2.1%
Canterbury	1.9%	4	2.1%
Cherwell	4.3%	7	5.8%
Chichester	1.7%	3	1.8%
Chiltern	1.9%	3	1.8%
Crawley	2.2%	4	2.1%
Dartford	10.1%	7	5.8%
Dover	4.7%	7	5.8%

Baselines for local authorities (grouped by region)			
Local Authority	**Average Growth 1995-6 to 2002-3**	**Baseline Group (1 lowest, 7 highest)**	**National Historic Growth Baseline**
South East (continued)			
East Hampshire	0.7%	1	0.7%
Eastbourne	2.3%	5	2.7%
Eastleigh	2.8%	5	2.7%
Elmbridge	2.7%	5	2.7%
Epsom & Ewell	2.8%	5	2.7%
Fareham	2.2%	4	2.1%
Gosport	1.5%	2	1.4%
Gravesham	1.7%	3	1.8%
Guildford	1.5%	2	1.4%
Hart	5.2%	7	5.8%
Hastings	1.3%	2	1.4%
Havant	1.8%	3	1.8%
Horsham	1.8%	3	1.8%
Isle of Wight	1.2%	2	1.4%
Lewes	1.6%	3	1.8%
Maidstone	1.2%	2	1.4%
Medway	3.2%	6	3.4%
Mid Sussex	1.4%	2	1.4%
Milton Keynes	3.2%	6	3.4%
Mole Valley	2.8%	5	2.7%
New Forest	1.9%	4	2.1%
Oxford	1.6%	3	1.8%
Portsmouth	2.1%	4	2.1%
Reading	3.8%	6	3.4%
Reigate & Banstead	3.8%	6	3.4%
Rother	0.8%	1	0.7%
Runnymede	3.5%	6	3.4%
Rushmoor	5.6%	7	5.8%
Sevenoaks	2.4%	5	2.7%
Shepway	2.4%	5	2.7%
Slough	1.1%	1	0.7%
South Buckinghamshire	1.9%	4	2.1%
South Oxfordshire	7.2%	7	5.8%
Southampton	3.8%	6	3.4%
Spelthorne	2.9%	5	2.7%
Surrey Heath	1.8%	3	1.8%

Baselines for local authorities (grouped by region)

Local Authority	Average Growth 1995-6 to 2002-3	Baseline Group (1 lowest, 7 highest)	National Historic Growth Baseline
South East (continued)			
Swale	2.5%	5	2.7%
Tandridge	2.0%	4	2.1%
Test Valley	1.9%	3	1.8%
Thanet	2.6%	5	2.7%
Tonbridge & Malling	2.6%	5	2.7%
Tunbridge Wells	1.2%	2	1.4%
Vale of White Horse	2.3%	4	2.1%
Waverley	0.6%	1	0.7%
Wealden	1.8%	3	1.8%
West Berkshire	3.3%	6	3.4%
West Oxfordshire	1.9%	3	1.8%
Winchester	2.9%	5	2.7%
Windsor and Maidenhead	3.2%	6	3.4%
Woking	2.5%	5	2.7%
Wokingham	3.3%	6	3.4%
Worthing	1.0%	1	0.7%
Wycombe	1.6%	3	1.8%
South West			
Bath & North East Somerset	1.0%	1	0.7%
Borough of Poole	1.5%	2	1.4%
Bournemouth	2.0%	4	2.1%
Bristol City Council	1.9%	3	1.8%
Caradon	1.8%	3	1.8%
Carrick	2.9%	5	2.7%
Cheltenham	1.2%	2	1.4%
Christchurch	2.1%	4	2.1%
Cotswold	2.3%	4	2.1%
East Devon	1.9%	4	2.1%
East Dorset	3.2%	6	3.4%
Exeter	1.9%	3	1.8%
Forest of Dean	1.2%	2	1.4%
Gloucester	2.1%	4	2.1%
Isles of Scilly	1.4%	2	1.4%
Kennet	2.1%	4	2.1%
Kerrier	2.1%	4	2.1%

Baselines for local authorities (grouped by region)			
Local Authority	**Average Growth 1995-6 to 2002-3**	**Baseline Group (1 lowest, 7 highest)**	**National Historic Growth Baseline**
South West (continued)			
Mendip	1.4%	2	1.4%
Mid Devon	2.4%	5	2.7%
North Cornwall	2.4%	5	2.7%
North Devon	1.4%	2	1.4%
North Dorset	1.6%	3	1.8%
North Somerset	3.2%	6	3.4%
North Wiltshire	2.9%	5	2.7%
Penwith	2.7%	5	2.7%
Plymouth	2.8%	5	2.7%
Purbeck	2.0%	4	2.1%
Restormel	1.7%	3	1.8%
Salisbury	1.8%	3	1.8%
Sedgemoor	2.0%	4	2.1%
South Gloucestershire	5.8%	7	5.8%
South Hams	1.9%	3	1.8%
South Somerset	1.9%	3	1.8%
Stroud	0.7%	1	0.7%
Swindon	2.8%	5	2.7%
Taunton Deane	2.3%	4	2.1%
Teignbridge	2.0%	4	2.1%
Tewkesbury	6.2%	7	5.8%
Torbay	1.5%	3	1.8%
Torridge	1.5%	2	1.4%
West Devon	1.6%	3	1.8%
West Dorset	1.9%	3	1.8%
West Somerset	1.1%	1	0.7%
West Wiltshire	2.2%	4	2.1%
Weymouth & Portland	1.2%	2	1.4%
West Midlands			
Birmingham	2.0%	4	2.1%
Bridgnorth	0.4%	1	0.7%
Bromsgrove	3.4%	6	3.4%
Cannock Chase	6.0%	7	5.8%
Coventry	1.6%	3	1.8%
Dudley	1.3%	2	1.4%
East Staffordshire	2.7%	5	2.7%

Baselines for local authorities (grouped by region)			
Local Authority	**Average Growth 1995-6 to 2002-3**	**Baseline Group (1 lowest, 7 highest)**	**National Historic Growth Baseline**
West Midlands (continued)			
Herefordshire	1.3%	2	1.4%
Lichfield	1.3%	2	1.4%
Malvern Hills	3.4%	6	3.4%
Newcastle under Lyme	2.4%	5	2.7%
North Shropshire	1.0%	1	0.7%
North Warwickshire	5.4%	7	5.8%
Nuneaton & Bedworth	1.4%	2	1.4%
Oswestry	1.4%	2	1.4%
Redditch	1.1%	1	0.7%
Rugby	2.4%	5	2.7%
Sandwell	1.3%	2	1.4%
Shrewsbury & Atcham	3.8%	6	3.4%
Solihull	4.1%	7	5.8%
South Shropshire	1.9%	4	2.1%
South Staffordshire	2.1%	4	2.1%
Stafford	1.2%	1	0.7%
Staffordshire Moorlands	0.9%	1	0.7%
Stoke on Trent	0.6%	1	0.7%
Stratford on Avon	2.0%	4	2.1%
Tamworth	2.5%	5	2.7%
Telford And Wrekin	2.0%	4	2.1%
Walsall	1.6%	3	1.8%
Warwick	1.9%	3	1.8%
Wolverhampton	0.9%	1	0.7%
Worcester	2.0%	4	2.1%
Wychavon	1.3%	2	1.4%
Wyre Forest	1.6%	3	1.8%
Yorkshire and the Humber			
Barnsley	1.8%	3	1.8%
Bradford	0.7%	1	0.7%
Calderdale	0.7%	1	0.7%
City of York	2.8%	5	2.7%
Craven	1.3%	2	1.4%
Doncaster	1.9%	3	1.8%
East Riding of Yorkshire	1.5%	2	1.4%
Hambleton	2.8%	5	2.7%

Baselines for local authorities (grouped by region)			
Local Authority	**Average Growth 1995-6 to 2002-3**	**Baseline Group (1 lowest, 7 highest)**	**National Historic Growth Baseline**
Yorkshire and the Humber			
Harrogate	1.8%	3	1.8%
Kingston-Upon-Hull	1.5%	2	1.4%
Kirklees	1.8%	3	1.8%
Leeds	2.2%	4	2.1%
North East Lincolnshire	1.7%	3	1.8%
North Lincolnshire	2.2%	4	2.1%
Richmondshire	1.5%	2	1.4%
Rotherham	1.3%	2	1.4%
Ryedale	1.2%	1	0.7%
Scarborough	1.0%	1	0.7%
Selby	1.1%	1	0.7%
Sheffield	1.6%	3	1.8%
Wakefield	4.2%	7	5.8%

ANNEX C

Technical Parameters of the LAGBI Scheme

The table below summarises the decisions made by the Government on the technical parameters to administer LABGI.

Baselines	7 Groups based on modified version of National Historic Growth Model
National Adjustment Factor	1.4%
Scaling Factor	70%
Ceilings	3%,6%,9% of modified EPCS
Tiers	Proportional split of modified EPCS