

## DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

### Local Government

**The Minister for Local Government (Mr John Healey):** On 7 January 2008, the Department published a statement on its website about the Local Authority Business Growth Incentives scheme:

(<http://www.local.communities.gov.uk/finance/labgi/statemtyr3pay.pdf>).

This indicated that, following further consideration of the new legal challenges that have been made against the current LABGI scheme and the inherent uncertainty this causes to the remaining LABGI pot, the Government intended to re-consider all aspects of the approach used to distribute resources available for Year 3 of the LABGI scheme.

Alongside our re-consideration of the Year 3 scheme, the Government has re-considered the payments for Years 1 and 2 of LABGI, which were made on the basis of a number of Valuation Office Agency rateable value “change codes”. We have taken the view that there are a number of Valuation Office Agency change codes that have not previously been used in LABGI calculations, which could contain elements of business growth. In light of this, and to avoid the additional delay and uncertainty caused by further legal challenge, the Government proposes to reward authorities on the basis of a wider set of codes than has so far been the case for Years 1 and 2. I will set out the details shortly.

The Government is still finalising its analysis of options for allocating the resources available for Year 3 of the scheme. We continue to be convinced of the value of providing incentives to encourage business growth, a view echoed by the great majority of the responses to our recent issues paper on the reform of the LABGI scheme (Building better incentives for local economic growth: reforms to the Local Authority Business Growth Incentives scheme). We also remain determined to try to achieve this policy aim for LABGI. However, the inclination of a small number of authorities to pursue legal action has created greater complexity, uncertainty and delay. Given this, it will be necessary to retain a portion of the Year 3 funding as a contingency in this final year of the current scheme. I will make an announcement on Year 3 methodology and the size of the contingency retained as soon as possible.