

**Response to ‘Local Authority Business Growth Incentives –
A Consultation Paper’**

Q1. Do you agree with the principles for the scheme?

Namely:

- 1. The incentive must be applicable to all authorities.**
- 2. The distribution of benefits must be fair.**
- 3. The scheme should be as intelligible and transparent as possible.**

A1. Yes. The Herefordshire Council has a track record of commitment to a partnership led approach to economic development and regeneration. We therefore welcome the opportunity to derive additional financial resources to reward our efforts to secure business growth.

Q2. Do you agree with using an 8 year period for setting the trend?

A2. Yes. The period is the same for all authorities and represents an acceptable medium term period.

Q3. Are there models for setting the baseline that the Government has not considered that need to be considered?

A3. We are not aware of any other models.

Q4. Which of the models is your preferred option and why?

A4. From the four baseline models proposed, the National Historic Growth Baseline and Sub-regional Model Baseline are the most achievable for Herefordshire (based on average business rate growth over the past 8 years of 1.3% per annum), and therefore offer the most potential benefit to Herefordshire. However, it is thought that there is not enough information provided to be able to differentiate between these two models.

National Model	Regional Model	National Historic Growth Baseline	SubRegional Model Baseline
2.5%	2.1%	0.9%	1.1%

Therefore the National Historic Growth Baseline and Sub Regional Model Baseline offer Herefordshire the best chance of achieving the baseline target based on historic performance and therefore a retention of business rates.

Q5. Which of the two preferred options for floors and scaling factors (high/high and medium/medium) do you think provides the best balance between financial support and financial incentive?

A5. It is thought that the medium/medium option gives Herefordshire the best chance of retaining some funds.

Q6. Do you agree with using formula spending shares as the measure for determining ceilings? Do you agree that a 1% ceiling in year one of the scheme rising in line with the scheme (i.e. reaching 3% in year three) provides an adequate balance of incentive and cap on gains?

A6. It is understood that using formula spending shares as a measure will mean that a 1% ceiling equates to c.£1.7m for Herefordshire i.e. the maximum increased revenue from this scheme that Herefordshire Council could retain would be £1.7m. This is regarded as a significant amount that could be gained but needs to be appraised against the level of investment provided by the Council. In exceptional circumstances we would like to see flexibility given to local authorities to raise this ceiling if the latter were to utilise substantial resources of their own to promote local economic growth.

Q7. How do you think that benefits should be shared between different tiers of local government?

A7. N/A to Herefordshire Council as it is a Unitary Authority.

Q8. Would you like to volunteer to be part of the administrative dry run?

A8. Yes. We would welcome this opportunity particularly as we are committed to fostering business growth with our partners in the County. However, if we are to volunteer to be a pilot authority and this involves any calculations going back (particularly prior to 1/4/98 when reorganization as a Unitary Authority took place) over previous years we will struggle as all the information will not be readily accessible.

Additional Queries

Will there be an allowance in the scheme for business rate relief given to a company by a local authority i.e. would this count as a loss of business in the calculations for business rate growth?