
Report to: Cabinet

Date of Meeting: 31st January 2013

Subject: Business Improvement Districts

Report of: Director of Built Environment

Wards Affected: Southport wards

Is this a Key Decision? Yes

Is it included in the Forward Plan? No (Rule 26 Consent received)

Exempt/Confidential: No

Purpose/Summary

To report on the economic, financial and legal feasibility of establishing Business Improvement Districts (BIDs) in Sefton.

To recommend Southport as the first tourism/retail Business Improvement District in the borough.

Recommendations

- (i) To accept the appraisal of potential BIDs made in paras 11-13
- (ii) To recommend that further BID development work is focussed on the Southport Town Centre/Seafront area, as defined in Appendix 3 to this report
- (iii) To agree in-principle support for a BID in Southport
- (iv) To invite the private sector-led Southport BID Development Group to prepare a Business Plan and submit it to the Council in due course
- (v) To agree in-principle use of part or all of Sefton's allocation of £100,000 High Street Innovation Fund for (a) local authority BID start-up costs that cannot be absorbed in any other way by the Council or its contractors, (b) approved development costs of the BID Development Group, and (c) the fixed-term salary and on-costs of a BID Development Officer within Economy & Tourism.
- (vi) To authorise the Director of the Built Environment to co-ordinate further research and preparations into a BID for Southport, and to report back with a refined statement of costs to the Council and a request for High Street Innovation Fund
- (vii) To note the need for a wider vision and investment prospectus to guide the broader development of Southport
- (viii) it be noted that the proposal was a Key Decision but had not been included in

the Council's Forward Plan of Key Decisions. Consequently, the Leader of the Council and the Chair of the Overview and Scrutiny Committee (Regeneration and Environmental Services) had been consulted under Rule 26 of the Access to Information Procedure Rules of the Constitution, to the decision being made by as a matter of urgency on the basis that it was impracticable to defer the decision until the commencement of the next Forward Plan, because in February 2013, the Cabinet will be receiving a Business Plan for a Business Improvement District in Southport, and members must have made a prior assessment of the value and importance of BIDs to Sefton in order to determine the application. This assessment has just been completed and is now available for Members to consider.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		/	
2	Jobs and Prosperity	/		
3	Environmental Sustainability		/	
4	Health and Well-Being		/	
5	Children and Young People		/	
6	Creating Safe Communities		/	
7	Creating Inclusive Communities		/	
8	Improving the Quality of Council Services and Strengthening Local Democracy		/	

Reasons for the Recommendation(s):

To allow preparations for a BID campaign and ballot to commence.

What will it cost and how will it be financed?

Although the post of Event Manager can be funded from within the existing approved revenue budget, the intention is that a further report be submitted to Cabinet for Members to agree an allocation from the High Street Innovation Fund (HSIF) to cover the costs of this post. The post is currently vacant and it is proposed that consideration is given to filling the post (with a re-worked brief) on a fixed term basis, pending a review of the continued need for the post and the availability of funding in the longer term.

The HSIF a £100,000 grant from government allocated to Sefton in March 2012 and has been received by the Council in the current financial year.

Southport BID Development Group has requested funding for a BID campaign over an 18 month period. There is no provision for these costs in the approved revenue budget. It is proposed that Members approve use of the HSIF for this purpose.

The costs of a ballot in Southport are expected to be in the region of £10,000. This will only be incurred if a decision is made to proceed with a BID scheme. There is currently no provision for this within the Council’s approved revenue budget, and a subsequent report to Members will advise how this cost can be funded.

If a BID is approved by ballot the ongoing costs associated with billing and collection may be recharged to the BID Company through the levy, albeit reducing the total income to BidCo.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal None		
Human Resources None		
Equality		
1.	No Equality Implication	<input checked="" type="checkbox"/>
2.	Equality Implications identified and mitigated	<input type="checkbox"/>
3.	Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

No direct impact on service delivery. A Baseline Operating Statement detailing planned levels of service by the Council to businesses in the BID area will be prepared, to help BID proposers clearly state the extra added by their BID Business Plan.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance and ICT Strategy (FD1984/12) has been consulted and any comments on this report have been incorporated into it.

The Head of Corporate Legal Services (LD1301/12) has been consulted and any comments on this report have been incorporated into it.

Are there any other options available for consideration?

Not to proceed with a Business Improvement District – see para 25 below for why this is not recommended.

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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Background Papers:

None

Background

- 1 In September 2012 Cabinet approved consultation on a range of more complex thematic budget options with multiple implications and potential cumulative effects. Economy & Tourism was named as a service area for thematic review.
- 2 In addition to short-term savings, officers have now evaluated a medium and long-term mechanism for securing stronger private sector engagement in the operation and improvement of our town centres – Business Improvement Districts (BIDs).
- 3 This report presents a preliminary economic, financial and legal appraisal of the feasibility of establishing BIDs in Sefton. It concludes that the BID with the greatest chance of success at the ballot box, and as a sustainable management company, is Southport Town Centre & Seafront.

What is a Business Improvement District?

- 4 A BID is a flexible funding mechanism to manage a clearly defined retail, commercial or industrial area.

The Local Government Act 2003 allows local businesses and other stakeholders to form a partnership to improve their area, improvements which must be additional to services the Council already provides.

The BID business plan is put to a ballot and must be agreed both by the Council and by a majority of business ratepayers (and a majority of the Rateable Value) in the area).

The Council, as billing authority, is then authorised to levy an additional rate on all balloted businesses (whether they supported the BID or not), and to pass the revenue onto the BID Company (BidCo).

The BidCo is responsible for delivery of the business plan and is accountable to its ratepayers and to the Council. It is normally a not-for-profit limited company, and is governed by the Business Improvement District (England) Regulations 2004.

Every BidCo is required to periodically re-ballot business ratepayers to renew consent to the levy and the business plan.

- 5 BIDs are a tried and tested method of regenerating town centres, commercial districts and some tourism zones. There are currently 126 formal BIDs in the UK, of which 39 have been successfully renewed. Around 80% of ballots for a new BID return a “yes” vote. BIDs on Merseyside include City Central BID and The Commercial District.

- 6 Tourism BIDS (TBIDs) are new and being actively promoted by Visit England who have established an 'Early Adopters' group to help develop and share best practice. Sefton and its Southport BID are invited members of that group.
- 7 Sefton has previous experience of BIDs. About 120 businesses in Chapel Street, Southport were balloted in 2006 and 2007, but on both occasions declined by the narrowest of margins to become a BID. This is believed to be mainly due to the opposition of the Arcadia Group which had a national policy of not joining BIDs. However, Arcadia's presence in the town centre has since reduced, and the climate has changed considerably in the High Street with much greater interest in collaboration.
- 8 Appendix 1 contains "A selective list of BIDs in England and Wales" with detailed information about them, and Appendix 2 contains "A Local Authority Guide to Business Improvement Districts" (Association of London Government, 2005) for background information on how other local authorities have supported BIDs.

BID Task & Finish Group

- 9 A Task & Finish Group was set up with the Chief Executive's support to evaluate the feasibility of BIDs in Sefton. Its job was to undertake "due diligence" in terms of risks and rewards to the Council, and not to actually set up a BID.
- 10 It met four times over the summer, with officers from Economic Development, Tourism, Planning, Governance & Civic Services, Neighbourhood Co-ordination, Business Intelligence, Finance, Legal Services and Arvato.

BID appraisal

- 11 The Group evaluated the potential of Sefton's town centres to become a Business Improvement District, in terms of their overall *viability* i.e. whether there was a critical mass of sustainable income, the number and types of levy payer, the centre's strategic significance, and the added value of using a BID to grow the centre.
- 12 The key finding was that off all the areas considered, only Southport met both criteria of viability and local support.
- 13 Based on this conclusion, a more detailed BID Appraisal Analysis for Southport was then commissioned from the Council's Business Intelligence Team – see Appendix 3. Using local knowledge, hereditaments classified by the Valuation Office were allocated into two possible Southport BID configurations, and the results mapped. The yield from a 1% levy from each option was also calculated.

Two options for a BID were considered. Both are considerably larger than the 2005/07 proposals for Southport:

- Option 1 (accommodation, attraction, hospitality, retail) = 833 businesses, RV of £29m, 1% levy = £290,400 p.a.
- Option 2 (as above + commercial, light industry) = 1,138 businesses, RV of £32.8m, 1% levy = £328,400 p.a.

(Caution: the estimates given above make a number of assumptions (e.g. the boundary of the BID, eligible businesses, 100% collection rates) and are for discussion purposes only. For example, actual collection rates in Sefton are around 97.5% and could be lower for the BID levy. The figures are shown gross and make no allowance for the cost of billing and collection of the levy. See Appendix 2 for full details of analysis.)

- 14 Whilst the exact shape, scope and reach of the BID has yet to be finally decided by stakeholders, this is sufficient baseline information to start a detailed discussion with Southport businesses on the role, scale and scope of a BID for the town.
- 15 There are many technical issues which influence cost, complexity and levels of compliance, such as billing periods, enforcement options and whether the BID levy is integrated with or separate from the mainstream business rates payment. The advice of Head of Revenues is that the simplest, most affordable and collectable BID levy is:
- Separately administered from business rates
 - An upfront annual levy, billed by the Council
 - “Simple reminder + gentle enforcement” with the involvement of BidCo
 - No reliefs
 - Use baseline Rateable Values and only update at BID renewal stage.

A more detailed analysis of the options can be found in Appendix 4.

Early assistance for the Southport BID campaign

- 16 Southport has a strong core group of retailers, attraction operators and other town centre & seafront businesses, who have worked with each other and alongside the Council in Southport Partnership, Southport Tourism Business Network, and most recently in Southport Town Team.
- 17 This core business group has demonstrated a real willingness to take a leadership role, and met the Leader of the Council on two occasions in September and November. The business group has subsequently indicated they are ready to establish a Development Group and to deliver a campaign culminating in a ballot. A sub-group is preparing a BID Business Plan.
- 18 Under the BID Regulations, the BID Business Plan must be submitted to members for approval. Cabinet must then consider whether to approve the plan and to incur all the costs associated with the start-up phase, including the costs of holding a ballot of business ratepayers in the defined area. Members

are recommended to invite the Development Group to submit a Business Plan for the Council to consider.

- 19 The Group anticipate the ballot of ratepayers could take place by the end of 2013. It reports that the appetite for change and co-operation is currently very strong.
- 20 The Council will best mitigate risks associated with start-up by offering its support during the early stages, and in particular
 - Co-ordination of Council input to the definition of the BID area and eligible businesses
 - Design of the payment and collection mechanism
 - Preparations for the ballot
 - Preparation of a Baseline Operating Agreement
 - Financial and policy appraisal of the BID Business Plan.
- 21 In-house support during the start-up phase of the BID (i.e. to March 2014) can be provided by re-working the vacant post of Events Manager (Grade I) within the Economy & Tourism Service (with consideration to the post being on a fixed term basis from external funding – see para 23).
- 22 If a BID is approved, then the operation of BidCo will create additional ongoing costs for the five year life of the BID, principally the rates collection fee charged by Arvato, and software licensing costs. These ongoing costs, and methods for mitigating them, need further clarification before members can be advised on the best means of handling them (see Appendices 4 and 5).
- 23 As has been pointed out, there is no revenue provision for the start-up and ongoing costs of a Business Improvement District. However, the Dept for Communities & Local Government announced on 30th March 2012 that Sefton had been awarded £100,000 of High Street Innovation Fund. This is intended to promote high street revival and new models of prosperity in town centres. Establishing a BID is compatible with this aim.
- 24 Therefore it is recommended that Cabinet agrees to the in-principle use of High Street Innovation Fund towards (a) local authority costs that cannot be absorbed in any other way by the Council or its contractors, (b) approved development costs of the BID Development Group, and (c) the fixed-term salary and on-costs of a BID Development Officer within Economy & Tourism. A separate report will be brought back to Cabinet for members to agree a specific allocation of HSIF in line with this recommendation.

Summary

- 25 Officer advice is that
 - Southport Town Centre/Seafront is the only presently viable candidate for development of a BID in Sefton

- A private-sector led BID for Southport is an attractive option because it answers the Council's call for businesses to take a greater share of the costs of place marketing and destination management
- With the withdrawal of large-scale regeneration funding for Southport, there are few if any alternatives to an income-generation vehicle
- It is nevertheless reasonable for the Council to contribute to the start-up of a Southport BID because it is an investment that will repay itself many times over in the continued vitality and prosperity of the town.

Putting the BID in context

- 26 For the Southport BID to be a success it needs some context – a broader narrative saying what the town is for and what it needs to do to get there. Other activity and investment is required across the town to bring out its full potential. The most recent statement of purpose was Southport Investment Strategy (2008), which offered a powerful vision of visitor-based prosperity coupled with social inclusion.
- 27 The world has changed considerably in the past five years, and the North West Development Agency which sponsored the Investment Strategy has been abolished, as have most of the public investment funds the Agency directed. While public resources are still available and should be targeted (e.g. Coastal Communities Fund, post 2013 EU funds), there is a pressing need to bring forward a prospectus for Southport which actively creates the conditions for recovery, and elicits private-sector investment.
- 28 Cabinet 's views on this approach and the preparation of a wider vision and prospectus are invited.

The following Appendices referred to in this report can be accessed electronically from the Council's website, via this link:

<http://sb1msgov1/ecCatDisplay.aspx?sch=doc&cat=13415&path=13158,13197>

Appendix 1

A selective list of BIDs in England & Wales

Appendix 2

A Local Authority Guide to Business Improvement Districts (Association of London Government, 2005)

Appendix 3

Business Improvement District (BID) - Appraisal Analysis (Sefton Business Intelligence & Performance Team, September 2012)

Appendix 4

Administrative and Collection Issues for consideration (Head of Revenue, Sefton MBC, September 2012)

Appendix 5

Issues in establishing a BID requiring further research