

THE EXECUTIVE

29 APRIL 2003

DIRECTOR OF CORPORATE STRATEGY

BUSINESS IMPROVEMENT DISTRICTS		FOR DECISION
<p><i>This report is presented to the Executive as it has strategic implications.</i></p> <p><u>Summary</u></p> <p>This report outlines the Government proposals contained in draft legislation for giving powers for carrying out fund improvements using the collection of an additional levy. Funds would be spent as directed by these businesses on issues such as environmental matters, CCTV signage. Such areas would be designated <i>Business Improvement Districts</i> ("BIDs").</p> <p>The draft legislation presently provides for BIDs applications to be made from April 2004. The proposed BIDs scheme is currently optional, but is based on a long-established US model and pilot schemes in other parts of London and the UK. In order to take a project like this forward further development work needs to be undertaken. Potential Bid areas are the River Road industrial area and Barking Town Centre.</p> <p><u>Recommendation</u></p> <p>The Executive is asked to agree the pilot areas and to give in principle approval to further work in the pilot areas supporting the development and submission of BIDs applications subject to external funding being available to undertake the necessary preparatory work.</p> <p><u>Reason</u></p> <p>The introduction of the Business Improvement District will help to stimulate economic activity and help to develop the local economy.</p>		
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1. Background

- 1.1 The proposals for the establishment of Business Improvement Districts (BIDs) are included in the Local Government Bill published on 26th November 2002 and currently before Parliament. This Bill set out the general basis for Business Improvement Districts and empowers the Secretary of State to make a wide range of regulations governing their administration. Consequently, at this early stage many of the details of the actual administration are not clear. However, the Government intends to take forward the legislation as time permits and estimates that the earliest that BIDS could take place would be April 2004.

- 1.2 Business Improvement Districts (BIDs) originated in the USA and are formed when local stakeholders combine with the local authority to fund improvements to a defined area that enhance local mainstream provision.
- 1.3 A BID is created when a majority of business ratepayers (a clear majority not only of those voting but those eligible to vote) in a defined area agree to pay a supplementary rate that is then applied to that area, and spent on projects that generate local economic or social benefits. There is a two stage process to establishing a majority. First, a simple majority of businesses in the proposed BID area must vote in favour of the BID. Second, the majority of the businesses in terms of 'rateable value' must vote in favour. The vote is weighted to ensure that no one class or size of business can out-vote others. Although a proposal can come either from the businesses or the local authority, the Council will have a power to veto certain proposed BIDs. The veto is open to appeal.
- 1.4 A BID area can be large or small, depending on stakeholder preferences. BID proposals must describe which type of non-domestic ratepayer in the BID area will pay the supplementary levy (for example it could involve solely retailers or both retailers and commercial properties). Ratepayers in a BID area that are not subject to the additional levy are not entitled to a vote.
- 1.5 The method of calculating the levy is not prescribed in the legislation and must be contained in the BID proposal itself. It could be a simple additional percentage on each bill, or could be a different amount for different types of businesses, or even a simple a fixed sum for each business.
- 1.6 Once agreed, all business ratepayers within the designated area and within the classes identified as subjects of the BID must pay the additional levy. However, the local authority can waive it for particular classes of operation (for example charities).
- 1.7 The legislation also includes provision for 'cross border' bids to be established with other local authorities if the area for the BID project crosses the local authority's boundary. One Council must lead the BID process.
- 1.8 The levy must be ring-fenced and its use is restricted. BIDs, however, can be administered by local partnerships.

2. Current Practice

- 2.1 There have been a number of initiatives. Five of those in London have come together under the heading of "The Circle" and deal with "liveability" issues. Members of "The Circle" include Paddington and Coventry St (Westminster), Bankside (Southwark), Holborn (Camden) and Lower Marsh (Lambeth). These are all partnership based and receive Single Regeneration Budget funds which are then used to lever in private sector funds.
- 2.2 In Barking, retailers have already contributed on a voluntary basis towards benefits that enhance the vitality of the centre. In Barking Town Centre, £50,000 has been raised in each of the last two years and spent on
 - Repainting Town Centre
 - Special cleaning/repairing of paving

- Chewing gum/Graffiti removal.
- Repairing/replacing benches
- Christmas Lights
- New CCTV Camera,
- Town Link Radio.

2.3 Examples of other measures could include more frequent policing, installation of CCTV cameras and litter bins, new street furniture, tree-planting, a rapid response to graffiti and litter, replacing street lamps, mending pavements. The same approach can be applied to other types of problem – by providing local training and employment schemes or funding a more frequent bus service. The important point is that both parties – the authority and business community – are clear what problem they want tackled and what specific measures they want taken to deal with it.

3. Discussion

3.1 The recent London Riverside Business study threw up a number of complaints about the high level of business rates. There is also a common misconception about the role of the council in the collection of the business rate. This view is confirmed by the Town Centre manager who comments:

"All our Town Centres comprise largely small businesses. There is a near-universal assumption amongst them that the local authority sets and benefits directly from Business Rates, and any increase would be viewed with huge suspicion. A major 're-education' would be required before a scheme could be launched with any hope of success."

3.2 However, alongside this is the contrary experience of the industrial estate improvement programme. Operated by *Made in London*, the programme matches pound for pound money raised by the private sector with public money raised through Single Regeneration Budget. Although not all companies either choose or are able to make this commitment, the numbers failing to do so are falling. The experience of the MiL teams is that where companies can see tangible improvements and can have a say in what is actually done, then there is a readiness to pay. The official policy of Made in London (the voice of the London Manufacturers' Action Group) is that BIDs should be encouraged. This is strengthened by the provision in the draft legislation for councils themselves to contribute to the BID funds.

3.3 The government has gone further and indicated that BIDs and the benefit from them should be restricted to those participating. Thus if the London Development Agency wish to influence the course of or benefit from any BIDs set up, it would have to contribute in its own right to the fund.

3.4 A concern of those consulted is the role of occupiers vis-à-vis landlords. In the Riverside study, it was found that a very large proportion of businesses leased their premises. While the occupiers are generally responsible for the rate, there was concern expressed that the increase in values that a BID may engender would benefit the owners and that occupiers may thereby face higher charges. Through the industrial estate programme, this was avoided by undertakings not to increase charges as a result of the work carried out (generally with a time limit). The

government has suggested that similar arrangements be sought with the ultimate sanction (not available under the estate scheme) of occupiers voting against a BID.

3.5 Next Steps

The level of partnership working with businesses is not high, with much of the relationship with the Council being carried out through intermediaries (East London Business Alliance, Benefits for Business, Made in London). However, the council's profile as a "can do", more business friendly organisation is improving especially as it begins to work through organisations such as the Thames Gateway Manufacturing Group and as it begins to run its own industrial improvement programme. Most of this work has been taking place in the area south of the A13 (London Riverside) and there has been little activity in the north of the borough where there are substantial numbers of businesses. To rectify this and as part of the preparation for other initiatives, the Regeneration Unit, together with Havering Council and the inward investment agency, Gateway to London, have initiated a major industrial survey for the north of the borough.

3.6 If the borough were to look to establish one or more BIDS, it should seek to identify a community of interest. That would mean in effect smaller areas rather than larger ones. One area could therefore be what is broadly described as the "River Road Industrial Complex, which covers the area from River Road through to Creekmouth. Another area may well be the Barking Town Centre. A similar approach may be warranted for the north of the borough, with perhaps Chadwell Heath being a discrete area and Salinas Lane/Freshwater Road Industrial Estate being another. In the case of the southern area there is scope to link the development of any potential BID with any change in the delivery structures of regeneration programmes currently being considered.

3.7 It would be essential for the BID to win the endorsement of the Barking and Dagenham Partnership prior to any proposals being made. There would also need to be a great deal of local consultation within any proposed areas before the BID idea could even be mooted (ideally, the impetus for a BID should come from the businesses themselves). In order to take it forward it will involve a considerable amount of work. It is therefore suggested that if the principle is accepted that external funding be sought.

4. Consultation

4.1 The following departments were consulted: Planning, Town Centre Management; Regeneration Finance, Legal Department, and the Chief Executive's Department Revenues Services. It is proposed to consult the Barking Town Centre Partnership separately for agreement in principle.

5. Financial Implications

5.1 The Business Improvement District concept appears to fit with current regeneration partnerships. Both Heart of Thames Gateway and Thames Gateway London Partnership are considering the implications of BID legislation. There are synergies and financial benefits if expertise and resources can be pooled at this stage.

- 5.2 By the time the legislation takes effect, the cycle for other funding streams will be ending. The Council should consider how expertise in project delivery can be best retained rather than bear the cost of the establishment and recruitment to new delivery vehicles.
- 5.3 The structure in the draft legislation makes it clear that the Local Authority would be responsible for revenue collection and the stewardship of BID monies. This carries the overhead of financial administration as well as risks as banker and guarantor. It is not clear at this stage how many BIDs will eventually be established.
- 5.4 There is a risk that a significant minority of businesses may be ambivalent about or anti-BID while being required to pay the levy. There appears to be no mechanism in the bill for enforcement, though the US model allows for a lien on properties. This matter is still unresolved at this stage of the legislative process.
- 5.5 There will be costs developing and then maintaining monitoring systems for a period of up to ten years. It is not presently clear whether these can be recovered from BID revenue streams.
- 5.5 Some of the community development may be carried out through existing work with businesses and there will be an allowance for the cost of administering the referenda, but there is no resource provision either for the drawing up of the BID content or the development of a successful bid.

Background Papers

- Business Improvement Districts in London. Implications for Local Authorities – ALG Conference Summary Report Nov 2001.
- Business Improvement Districts – Progress of the legislation and Guidance 16 October 2002.