

Decision Maker: Renewal and Recreation Portfolio Holder for Pre-decision Scrutiny by the Renewal and Recreation PDS Committee

Date: 11 October 2011

Decision Type: Non-Urgent Non-Executive Non-Key

Title: PROPOSED BUSINESS IMPROVEMENT DISTRICT FOR ORPINGTON

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Chief Officer: Marc Hume

Ward: Orpington, Petts Wood and Knoll, Cray Valley East

1. Reason for report

- 1.1 This report is seeking Council support in principal for the establishment of a Business Improvement District (BID) in Orpington town centre, along with authorisation for officers to work alongside the Orpington Business Forum on the BID project and for the release of £44,310 from Section 106 funds to support this process.
 - 1.2 A Business Improvement District (BID) is a mechanism for raising funds, based on an additional levy paid by ratepayers within a defined area. The ratepayers vote on a BID Proposal that clearly defines how the additional income will be spent within the BID area during the term of the BID – which is usually 5 years. BIDs were introduced to the UK in the early 2000s and have now become an established way of managing many town centres and business areas.
 - 1.3 Although this approach may be appropriate for other town centres in the borough Orpington has been selected first because there is a well established representative group of businesses in the town – the Orpington Business Forum (OBF) - and there is a history of positive partnership working between the businesses, the Council and other town centre stakeholders. Members of the OBF have expressed a desire to pursue a BID on behalf of the town.
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2. RECOMMENDATION(S)

That the Portfolio Holder:

- 2.1 Supports in principal the formation of a Business Improvement District (BID) for Orpington Town Centre and approves the use of officer time to work towards the establishment of the BID.
- 2.2 Notes the allocation of £10,000 from Outer London Fund Round 1 monies for this Financial year for BID development in Orpington.
- 2.3 Authorises the draw down of £44,310 from the Section 106 funding from the Nugent development, which added to the Outer London Fund money will be available to cover the costs of the BID project and footfall counting equipment.
- 2.4 Notes the projected timescales for the establishment of an Orpington BID as outlined in paragraph 3.13, and the potential financial and personnel implications of the BID.

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Vibrant Thriving Town Centres.
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Financial

1. Cost of proposal: Estimated cost £54k in total - £28k in 2011/12 and £26k in 2012/13.
 2. Ongoing costs: Non-recurring cost.
 3. Budget head/performance centre: Town Centre Management and Business Support
 4. Total current budget for this head: £54k
 5. Source of funding: £10k from the Outer London fund and £44k from Section 106 funds
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Staff

1. Number of staff (current and additional): 2 existing
 2. If from existing staff resources, number of staff hours: Approx 720 hrs
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Legal

1. Legal Requirement: No statutory requirement or Government guidance.
 - 2.
 2. Call-in: Call-in is applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Up to 488 Business Rates payers in the BID area and average of in excess of 280,000 weekly visitors to the town centre
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes.
2. Summary of Ward Councillors comments: 2 responses were received, as summarised below:
 - 1) Cllr TONY OWEN (Petts Wood and Knoll) said he was partially reassured that this would be an initiative wanted by the businesses. However Cllr Owen wanted to be clearer on what the BID levy fund would be used for, and would like to see a business plan with clearly stated achievable objectives before the process starts.
 - 2) Cllr LYDIA BUTTINGER (Orpington) said she is very supportive of the proposal. Cllr Buttinger states she believes that BIDs would add a big boost to Orpington as one of the principle shopping areas in Bromley Borough. Cllr Buttinger sees the proposal as the next step forward for the Councils overall strategy for Orpington, after its recent investment in Orpington High Street, which has laid the foundations for improving the vibrancy of the area.

3. COMMENTARY

- 3.1 A Business Improvement District (BID) is an established national initiative whereby local businesses / stakeholders within a defined area vote upon whether they wish to contribute an additional element of their business rates towards their own defined priorities.
- 3.2 Businesses would not generally opt for paying an additional levy without a clear business advantage being present. However, businesses do value town centre management services and the BID mechanism is seen as being a way of leveraging additional resources into a town centre, which is fair, accountable and is within the control of the businesses themselves
- 3.3 Over 110 BIDs have been established, mostly in town centres, across the UK during the past 5 years - which suggest that this formula for creating a sustainable funding base for managing and promoting town centres and business areas is increasingly popular with businesses. However, for a BID to be established at least 51% of hereditaments (rateable properties) have to vote in favour. A successful ballot requires both a majority of all votes cast and also a majority of the rateable value represented by the votes. As this is a democratic and business-led process it should be recognised that there is always a risk that the majority of businesses may be inclined to vote against the initiative. Careful and comprehensive consultation with the businesses is therefore a necessary pre-cursor to starting a ballot campaign to ensure that there is a reasonable chance of success.
- 3.4 If the BID is successful, all the businesses (above an agreed level) are required to contribute through a levy – which businesses perceive to be fair. For example Tesco stores Ltd could have an annual liability in any future Orpington BID of around £24,600 (working on the basis of a 1% levy). However, the levy for the majority of businesses would be in the region of a few hundred pounds per annum.
- 3.5 The BID levy is usually set at between 1% and 2%, proceeds from which are handed to the independent BID company, which is a not for profit partnership organisation. The BID company allocates this budget towards the agreed provision of additional services in the area e.g. additional security provision, additional litter/graffiti control, marketing/promotion initiatives, events or business support. The priorities for the BID are arrived at through consultation, and set out in the BID proposal and business plan – upon which businesses vote as part of the ballot. The plan voted for has a lifespan of 5 years and further proposals will have to be reaffirmed through a vote.
- 3.6 Local Authorities play an important facilitating role and in particular are charged with various legal responsibilities. These include the provision of the ratings data to calculate the BID levy, the collection and enforcement of the BID levy via a ring-fenced BID Revenue Account that is then passed straight to the BID company, the organisation of the formal BID ballot, and the preparation and commitment to a baseline service agreement, which defines what Council services to the town centre (e.g. cleansing) will be delivered regardless of commissioning by the BID company.
- 3.7 Although the BID approach may be applicable to all the main towns within the London Borough of Bromley, Orpington is currently in the best position to start this process, as there is a well established and supported business forum active in the town. There is also a good history of cooperation and partnership-working between the businesses, the Council and other stakeholders. A number of the key businesses in the town are used to taking responsibility for town centre issues and making modest financial contributions to town centre management initiatives. It may be that if a BID were successfully established in Orpington the approach could be rolled out to the other town centres in the borough.

- 3.8 The Town Centre Management function for Orpington town centre, whilst working in partnership with local businesses and other stakeholders, has for the past few years been funded almost exclusively by the Council as is the case in other town centres in the borough. A nominal division of the Town Centre Management budget for 2011/12 shows that Orpington requires approximately £67k per annum, including staff costs, events, promotions and Christmas lights. £11k of this cost is covered by Orpington's proportion of the income target (made up of contributions from businesses and promotions / rides), leaving the Council to provide in the region of £56k of the controllable costs. Currently the Town Centre Manager asks all local businesses for financial contributions, for example towards Christmas lights and events, but it is often the smaller independent businesses who contribute the most – whereas all businesses gain.
- 3.9 Since January 2011 the Orpington Business Forum (OBF), with support from the Town Centre Manager, has investigated the BID process as a possible way forward for the town. An initial feasibility study was carried out in March 2011. The study drew partly on the findings of the Council-commissioned Orpington Business Survey and also telephone interviews with individual key businesses, to understand the issues facing the town centre. These can be summarised as follows:
- Retail decline – voids, decreasing footfall, poor retail mix
 - Threat of out of town centres
 - Lack of parking / drop off
 - Limited leisure offer
 - Poor perception of the town
 - Fear of crime
- 3.10 Some positive responses to the situation which have been suggested include:
- Introduction of anchor points on high street
 - Upgrade to green space and floral displays
 - Allow al fresco dining
 - Improve toilets and baby changing
 - Higher quality market throughout the year
 - More events to capitalise on footfall generated by library
 - Attract higher income residents
 - Use of banners
 - Incentives to attract new businesses
 - Regular chewing gum removal
 - Improve management of anti-social behaviour
 - Cost savings through collective purchasing – particularly of services (e.g. waste/recycling)
- 3.11 The study concluded that should businesses wish, a number of these responses could be realised through a BID and that there was scope for the establishment of a BID in Orpington. Presentations on the concept and practice of BIDs in town centres were given to the OBF executive and membership, following which the concept of a BID was endorsed and the executive members have been mandated to further explore this option for the town.
- 3.12 Initial feasibility work has confirmed that the town is of a scale to make a BID proposal financially viable. There are a total of 488 rateable properties in the town centre. To protect smaller businesses, and to mitigate the costs of collection, the BID levy can be constructed in such a way that all businesses with a rateable value below a certain threshold (e.g. £10k) can be excluded. A threshold of £10k would leave 328 eligible businesses (67% of rateable properties). With a levy set at 1% the indicative budget for an Orpington BID would be in the

region of £142k per annum. This would in effect be an increase of 112% on the existing TCM budget for the town. The table below shows the effect of varying thresholds and rates of levy:

Threshold	No of props	Total RV	Levy @ 1%	Levy @ 1.5%	Levy @ 2%
No threshold	488	£14,992,170	£149,922	£224,883	£299,843
£5,000	405	£14,777,600	£147,776	£221,664	£295,552
£10,000	328	£14,233,500	£142,335	£213,503	£284,670
£15,000	251	£13,268,250	£132,683	£199,024	£265,366
£20,000	185	£12,098,500	£120,985	£181,478	£241,970

Source: Partnership Solutions 'BID Feasibility Study Orpington Town Centre' March 2011

- 3.13 It should be noted that although higher rates of levy would increase the overall budget for the BID, rates at the higher end of the scale would be less palatable for many businesses.
- 3.14 Given the serious financial choices currently facing the Council, the sustainability of the current model for funding Town Centre Management, which relies on the Council funding 80% or more of the costs, is in the long run unsustainable. The advantage for Orpington businesses is that the BID would introduce a fair, transparent and sustainable method of funding Town Centre Management-type functions – which would be in place for the 5 year lifespan of the BID and would be within the control of the business rate payers themselves. The Council could, if invited, take a role on the BID board, but the BID would be a wholly independent body.
- 3.15 The rules governing the establishment of a BID are set out in the Business Improvement Districts (England) Regulations 2004. The process is rather lengthy and prescribed, however it provides a robust legal framework within which a formal BID can be operated. The average length of time taken from creation of BID steering group to the BID ballot is 18 months – however this is from a standing start and some ground work has already taken place, as described above. The remaining stages envisaged for the establishment of a BID in Orpington are as follows:

Action / Milestone	Indicative dates
Set up BID steering group – drawn from the OBF Executive and other stakeholders	End October 2012
Secure accurate, up to date list of hereditaments and occupiers and develop CRM database	End December 2012
Undertake an initial business consultation – to understand the priorities of business rates payers for the potential BID proposal	Jan – Feb 2012
Develop and roll out promotional campaign – including developing a brand, promotional leaflet, website	Feb 2012
Hold consultation event	Feb 2012
Develop baseline agreement for provision of services and the operating agreement for the BID	Feb 2012
Draft BID Business Plan for consideration by Steering Group	Feb 2012
Send Final BID proposal to billing authority for formal approval (needs Member approval)	March 2012

Creation of BID Proposal and budget, plus campaign launch event	March 2012
Intensive BID campaign	March - June 2012
Notification to Secretary of State and billing authority of intention to hold ballot (84 days before ballot)	Mid-April 2012
Publication of notice of ballot (42 days before ballot date)	Early June 2012
Issuing of ballot papers (28 days before ballot date)	Mid June 2012
BID Ballot day	Mid July 2012
Announcement of ballot result	Late July 2012
Legal formation of BID company	Aug – Sept 2012
BID start date	October 2012

- 3.16 Timings are indicative and dependent upon level of business response to consultation, and therefore may be subject to change. The aim would be to complete the process and undertake a successful BID ballot by end of March 2013 at the latest.
- 3.17 Based on the above suggested schedule it is expected that a further report will be provided to Members before the end of March 2012 in order to review the results of the BID Consultation, to seek formal approval for the BID proposal and to confirm the plans to hold a ballot. The report will also confirm the financial costs of implementation during 2012/13 financial year and provide further details on personnel implications arising from the BID.

4. POLICY IMPLICATIONS

- 4.1 The introduction of a Business Improvement District for Orpington seeks to support the Council's key Building a Better Bromley objective of 'Vibrant, thriving town centres', since the outcome of a successful BID campaign would be the establishment of a BID company with the success and vibrancy of Orpington town centre as its main purpose. The BID would provide the means for a sustainable funding stream which the businesses could use collectively to enhance the town centre.

5. FINANCIAL IMPLICATIONS

- 5.1 The total estimated costs, excluding staff costs, for the project are in the region of £47k split over 2 financial years as per the table shown below:

BID draft project budget	2011/12	2012/13	Total project cost
Business consultation and feasibility costs	£6,000		£6,000
Promotional campaign and BID Proposal preparation	£8,000		£8,000
BID proposal creative design and branding	£5,000		£5,000
Implementation of BID campaign and ballot	£2,000	£4500	£6,500
Printing (surveys, Proposal documents etc)	£2,000		£2,000
Events / Meeting costs	£500	£500	£1,000
Installation and licensing of Software for CRM database	£1,000		£1,000
Web domain registration & hosting	£100		£100
Ballot costs		£5,000	£5,000
Contingency	£1,500	£1,000	£2,500
BID Levy collection software (maximum estimated cost for development)		£10,000	£10,000
Total	£26,100	£21,000	£47,100

- 5.2 It is estimated that 100 days of officer time would be required for this project which would cost just under £25k and would be funded from within existing staff revenue budgets.
- 5.3 Of the £47.1k estimated costs for the project £10k will be covered by the Mayor's Outer London Fund, which was agreed as part of the successful Round 1 bid for Orpington. This money will be spent within the 2011/12 financial year. It is recommended that the remaining £37.1k is covered by drawing on Section 106 monies received from the Nugent development which was received specifically for Town Centres and currently has a balance of £44.3k. The S106 monies must be committed by the end of February 2012.
- 5.4 The Portfolio Holder is also requested to agree that the remaining balance of £7.2k be used for the purchase and installation of footfall counting equipment for Orpington – which will allow the more accurate monitoring of the impact of Town Centre Management and BID initiatives in the future.
- 5.5 The sums shown in the table in paragraph 5.1 reflect the need to engage suitable professional expertise in assisting the BID Steering Group and the Town Centre Manager in developing the BID and undertaking very intensive consultation with businesses in the BID area. A suitable partner organisation, with extensive experience in the often complex area of BID development, would increase the chance of success for the BID and will reduce the time taken to the ballot stage than would otherwise be the case if all tasks were completed in-house. The partner organisation will be engaged through the Council's usual procurement procedures.
- 5.6 Under any successful Orpington BID the Council's would retain a financial commitment to the town centre in the form of the BID levy based on the rateable hereditaments occupied by the Council in the town. It is estimated that at a 1% levy this would mean the Council's liability under BIDs would be approximately £1,900 per annum (subject to inflationary increase). Below is a list of Council-occupied properties, with their rateable value and the likely BID contribution from each (at a 1% levy):

Property name	Location	Rateable Value	LBB Department Responsible	Estimate BID liability at 1% (p.a.)
Library	Walnuts Square	£63,500	R&R	£635
Social Services office	Walnuts Square	£36,500	ACS	£365
Saxon Centre	Lychgate Road	£12,500	ACS	£125
Priory / Museum	Church Hill	£74,000	R&R	£740
Total				£1,865

- 5.7 There would also be ongoing costs relating to the collection of the BID levy. Further work needs to be undertaken to identify the exact costs of collection in the case of Orpington, but in most cases the local authority will recharge the BID Company, which will need to be factored in to calculations about the financial viability of various BID levy models for the town.
- 5.8 Based on 2010/12 budget outturn the Orpington Town Centre Management has a net controllable annual budget (after business contributions) of £56k, including staff salaries. Should the BID be successfully established, the Council may no longer be obliged to make this contribution. The full year saving could be approximately £54k after excluding the £2k cost of the Council's BID liability. There could therefore be a potential saving of up to £270k over the 5 years of the BID.

6. LEGAL IMPLICATIONS

- 6.1 The Local Government Act 2003 and the Business Improvement Districts (England) Regulations 2004 set out the procedure for establishing a BID. Another report will be submitted to the Councillors at the point at which the BID steering group submits a proposal that a formal ballot of businesses be held. Members will have the opportunity to endorse the proposal and formally request the Chief Executive to hold the ballot. If the vote goes in favour of the establishment of a BID, a company will be established to manage the same and the Council will enter into a contractual arrangement with it to pass over any levy which it makes on the affected businesses to the company. There may be employment law implications for staff who are currently employed to work within this area.

7. PERSONNEL IMPLICATIONS

- 7.1 The BID steering group, drawn from the Executive of the Orpington Business Forum, will formally take the lead on the development of the BID. However, the Town Centre Manager for Orpington, with support from colleagues in the Leisure & Culture Division and where appropriate external expertise, would lead and execute much of the work involved. It is expected that up to 100 days of officer time will need to be invested in the project, with up to half of the Town Centre Manager's time involved during the development period.
- 7.2 Should the BID be successfully established, there will clearly be personnel implications for the Town Centre Management & Business Support Team. The BID company would include in its proposal the way in which it wanted to manage the BID within the terms of the BID Proposal. However the likelihood is that the post created to manage the BID would cover broadly similar functions as a Town Centre Manager so the TUPE regulations may apply. The full personnel implications which will become clearer as work towards establishing the BID is carried forward – and this may include consultation with staff and staff representatives. An update on personnel implications will be brought back to Members as part of a progress report on the BID in spring 2012.

Non-Applicable Sections:	None
Background Documents: (Access via Contact Officer)	1. "BID Feasibility Study: Orpington Town Centre" Partnership Solutions. 2. Summary results of Orpington business survey 2011