
Decision Maker: **Executive**

**For Pre-Decision Scrutiny by the Renewal and Recreation PDS
Committee on**

Date: **5th July 2016**

Decision Type: Non-Urgent Executive Key

Title: **BUSINESS IMPROVEMENT DISTRICT STRATEGY FOR TOWN
CENTRES**

Contact Officer: Lorraine McQuillan, Town Centres and BID Development Manager
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Chief Officer: Nigel Davies, Director of Environmental & Community Services

Ward: Copers Cope; Kelsey & Eden Park; Clockhouse; Penge & Cator

1. Reason for report

In light of the successful establishment of Business Improvement Districts (BID) in Orpington and Bromley Town Centres, this report outlines the feasibility of extending the BID approach to other town centres in the borough – specifically the potential for implementing BIDs in Beckenham and Penge town centres. The report explores the business case for the Council to invest in the introduction of further BID areas, and a summary of issues arising in each town, how a BID could assist with tackling these, potential barriers to a successful introduction of BIDs in these towns and a suggested road map to implementation.

2. **RECOMMENDATION(S)**

**That members of the Renewal & Recreation and Executive & Resources PDS
Committees:**

**2.1 Note and provide comments upon the suggested strategy for the introduction of
BIDs in Beckenham and Penge town centres.**

That the Executive:

**2.2 Notes the outcome of the initial feasibility study on the potential for a BID in
Beckenham and Penge town centres and supports in principal the formation of a BID at**

the earliest opportunity, bearing in mind the constraints and risks outlined in paragraph 3.9.

2.3 Approves the allocation of up to £110k from the Growth Fund to cover the costs of the proposed Beckenham and Penge BID projects (as set out in more detail in paragraph 5.2).

2.4 Notes the projected timescales for the establishment of a BID in Beckenham and Penge Town Centres as outlined in paragraph 3.12, and the potential personnel and financial implications of establishing BIDs in these towns.

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 £110k
 2. Ongoing costs: Non-Recurring Cost
 3. Budget head/performance centre: Town Centre Management & Growth Fund
 4. Total current budget for this head: £154k and £19.294m
 5. Source of funding: 2016/17 existing revenue budget and the Growth Fund
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Staff

1. Number of staff (current and additional): 2
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: Non-Statutory - Government Guidance
 2. Call-in: Applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Beckenham: occupiers of up to 506 rateable properties; Penge occupiers of up to 361 rateable properties
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes
2. Summary of Ward Councillors comments:

Only one comment was received by the time the report text was finalised: Councillor Tickner wrote that he is fully supportive of the Beckenham and Penge BID proposal but asked for an update at the forthcoming Beckenham Working Group.

Any further comments received from Ward Councillors will be presented verbally at the meeting.

3. COMMENTARY

- 3.1 The following paragraphs outline the feasibility for the Council to work with the business communities in Beckenham and Penge town centres to explore the establishment of Business Improvement Districts (BIDs). Background is provided on BIDs generally and how one was established in Orpington and Bromley. Recent initial research into the comparative financial and local economy benefits of BIDs in Beckenham and Penge is explored, with the conclusion expressed that a BID should be implemented in Beckenham and Penge town centres, subject to the results of in-depth consultation with businesses. The remainder of the report explores a draft plan for implementation, including possible risks, a draft project plan and also provides information on the costs and potential budgetary implications of the initiative.

Background

- 3.2 A Business Improvement District (BID) is now a tried and tested model to deliver sustainable investment in a defined area, through a levy of rateable business properties - based on typically 1-2% of rateable values. There are now over 200 formal BIDs in operation in the UK and Republic of Ireland – the majority of which are retail-led and focussed on town centres and over 60 of which are into a second, or even third term. Legislation which became law in 2004 provides the regulatory underpinning for BIDs which means that they can only be established or renewed after a majority of ratepayers vote in favour in an official postal ballot (operated under conditions similar to a political election). Once a BID is established or renewed the occupiers of any eligible property must by law pay the levy annually for the term of the BID (usually 5 years) – providing a level of financial sustainability and certainty not usually present with less formal partnership arrangements. BIDs can deliver any projects or services that are agreed by the relevant businesses and are in addition to services the Public Sector already provides. BIDs deliver the following business benefits:
- BID levy money is ring-fenced for use only in the BID area.
 - Businesses decide and direct what they want for the area.
 - Business cost reduction, for example reduced crime and joint procurement.
 - Help in dealings with Local Councils, the Police and other public bodies.
 - Increased footfall and staff retention.
 - Place promotion and place shaping
 - Facilitated networking opportunities with neighbouring businesses.
- 3.3 Locally within the London Borough of Bromley the Orpington 1st BID was established in 2013 and more recently the Your Bromley BID was established in 2016. Over the initial terms of the BIDs Orpington is expected to benefit from the investment of over £1m and in Bromley over £3m, this includes sources other than the BID levy. The themes for both BIDs are based solidly on the expressed needs of the local businesses. Further information can be found on the BID websites www.orpington1st.co.uk and www.bromleybid.com.

Feasibility Study Methodology and Outcomes

- 3.4 Given the successful establishment of Orpington 1st and Your Bromley BIDs, Members have asked Officers to explore the business case for establishment of BIDs in other town centres. This is not simply due to the intrinsic benefits of the BID model, but also driven by the increasing financial constraints faced by the Council – which threatens the continuance of Council funding for the Town Centre Management function in the medium term. Encouraging the formation of BIDs fits well with the Council's aspirations for thriving, vibrant town centres, whilst encouraging town centre businesses and their communities away from dependence on Council funding. Although there are potential budget savings from the implementation of further BIDs, these are

relatively modest, the main benefit being the potential to deliver additional investment to town centres far exceeding anything available from the public purse alone.

- 3.5 The scale of a BID is based on the number and rateable value of commercial premises within a defined area. This means that it is difficult to justify the establishment of BIDs in most small town centres, as these are invariably too small to deliver a level of income justifying the expense and effort involved in establishing and operating a BID, bearing in mind that there are also ongoing costs involved in collecting the levy and in managing a BID. The focus of our feasibility study has therefore been on Beckenham, as the third largest town centre in the borough, and on Penge (fourth largest) as potential BID areas for possible implementation within 12 to 18 months. Between these two towns there are 867 rateable properties. This is not to say that some of the other district town centres (eg. Chislehurst, West Wickham etc) or industrial estates will not also be looked at from a BID feasibility point of view in the future, resources allowing.
- 3.6 Specialist BID Consultants, The Mosaic Partnership, were commissioned in April 2016 to undertake feasibility studies in Beckenham and Penge town centres. Specifically they were asked to provide a report containing evidence of engagement with the target client group, recommendations on key themes that could be delivered by a Business Improvement District, and the financial potential and geographic limits of potential Business Improvement Districts in each of the two town centres. The following elements were required as part of the feasibility studies:
- Engagement with at least 10% of the business occupiers (including both local managers and, where appropriate, head office representatives) in each town centre using a variety of communication methods.
 - Evidence of engagement across all sectors of the business community existing in those locations (i.e. retail, leisure, office)
 - Results of the business engagement showing the key themes identified by the various sectors of the business community
 - Potential Business Improvement District income based on a levy of 1%, 1.25% and 1.5%
 - Recommendations for the optimum geographic extent of each potential BID indicating zones and their potential BID yield.
 - Recommendations for BID development potential and follow up actions for each town, based on the results of business engagement as to whether there is a business interest, demonstrable need and projects that a Business Improvement District could deliver.

Outcomes

- 3.7 The main recommendation from the Mosaic Partnership report, based on the financial analysis, research and consultation, is that separate BIDs in Beckenham and Penge are feasible and that 'back end' operation for both BIDs should be combined to reduce costs.
- 3.8 The key elements that informed these recommendations are:
- The market research and consultation was carried out in 2 parts – a desktop review of existing plans and reports relating to the town centres and a consultation exercise consisting of a survey, business workshops, engagement with the local authority, key stakeholders and national businesses. There was a 21% response in total to these approaches which is encouraging. At feasibility stage the objective of the market research and consultation is to establish a general understanding of the business needs and identify whether these could be funded through a BID proposal.

- Specifically relating to the business survey approximately 11% of businesses responded (average response rates for this type of survey is 5-7%). 60% of the respondents were from Beckenham and 40% from Penge. The key points arising were:

Beckenham

- 60% retail, 20% commercial, 10% food & drink
- 90% independent
- Over 60% have traded for over 10 years
- Car parking, marketing & promotion & events are key areas of interest
- Most spend at least £500-£1000 on marketing annually
- Over 60% want more events
- Over 80% want more car parking.
- Interest in central procurement – trade waste, recycling, advertising
- Over 80% have previously supported projects
- Only 30% knew about BIDs
- 42% are members of business organisation(s) but 60% are indifferent.

Penge

- 50% retail, 30% commercial, 17% food & drink
 - 100% independent
 - Over 65% have traded for over 10 years
 - Safety & security, car parking, & marketing & promotion are key areas
 - Most spend at least £1000 on marketing annually
 - Over 60% like events but only 30% want more
 - Over 65% want more and cheaper car parking.
 - Over 65% wanted better safety & security
 - Interest in central procurement – recycling, advertising
 - 30% are members of business organisation(s) and 60% are happy with this.
- The research and consultation process shows clear areas of consensus and concern that could be addressed by the BID process in both areas. The main themes are:

Marketing & Promotion; Events; Access; Safety and Security (Penge only)

Within the theme of access the availability and cost of parking was raised as an issue in both town centres. Generally BIDs have limited influence over increasing parking availability and reducing parking charges. However some BIDs have been successful in providing improved marketing around car parking options, providing discount schemes or providing temporary free parking promotions as part of special events or in the run up to Christmas.

- Generally there is support for the BID concept in each town centre with a core of key people in each town centre interested in developing the BID concept.
- A combined BID would be unlikely to be accepted. However there is scope for the 'back end' (eg. office, staff etc) to be combined to reduce administrative costs
- A BID levy of 1.5% be introduced in each area. The BID levy can range between 1% and 2% and due to the size of Beckenham and Penge town centres 1.5% BID levy has been recommended. This may change during the next stage of BID development, but for the purposes of modelling the potential BID income the recommended 1.5% BID levy has been applied.

- Many BID areas apply a threshold to exclude lower rateable value properties, as the cost to collect the levy from these properties can exceed the levy amount itself. For example, the Bromley BID has excluded any properties with a rateable value below £10k. As Beckenham and Penge are smaller towns the threshold modelling has been calculated on excluding properties below £5k. As the threshold level decision is not normally made until the next stage of BID development the potential BID income below has been calculated based on no exemptions and exemptions on properties with a rateable value of below £5k. The potential range of income for both BIDs combined would be between around £225k and £237k per annum (based on a 1.5% levy). This would allow sufficient resources to develop and implement projects and improvements to make tangible differences to each town centre. The following gives an indicative income and expenditure profile based on the amount raised:

	Levy <£5k Exempt £	No Exemptions £
Potential BID Income		
BID Levy (1.5%) Beckenham	140,000	146,000
BID Levy (1.5%) Penge	85,000	91,000
Total BID Levy	225,000	237,000
Additional Income (20% of BID Levy)	45,000	47,400
Total Indicative Income	270,000	284,400
Potential BID Expenditure		
Projects	220,000	234,400
Overhads	50,000	50,000
Total estimated expenditure	270,000	284,400

Most BIDs succeed in generating 20-25% voluntary contributions/fee annually in addition to the BID levy. For example Orpington BID achieved more than 25% additional income in 2015/16.

- The proposed BID areas for each town centre (see Appendix 1A and 1B) should remain, but can be further tested during the development phase
- An independent company should be set up as a single legal entity to manage both BIDs. The company would be not for profit and 'limited by guarantee'. The Board of this company would be elected from the BID levy payers and equally represent the levy payers from each BID.
- The development of a BID is likely to take at least 12 months following a formal decision to proceed.
- The estimated costs for the development of BIDs in Beckenham and Penge at the same time is £110k. Further details on costs are outlined in paragraph 5.2.

Risks and issues for implementation of a BID in Beckenham and Penge

3.9 In terms of proceeding with the introduction of BID in Beckenham and Penge, the key issues to consider are the ease of engagement with local businesses and the timing of a BID consultation and pre-ballot campaign.

The level of engagement with businesses from the start is vital – as although Councils do play a key role in encouraging and implementing BIDs, these are essentially business-led initiatives, and without both the involvement of business champions and broad support in the wider business community, any BID proposal is bound to fail. The Beckenham Business Association and Penge Traders Association are already established, representing businesses interests in the towns. Work has also been ongoing to develop these groups to be more fully representative of rate paying businesses and other key stakeholders in the town centre in order that they may become the core group of business people who will work with Officers to drive any proposed BID forward.

- 3.10 Another factor to take into account is the disruption that businesses in Beckenham Town Centre may encounter as part of the proposed improvement works. Whilst there is no doubt that these works will have a beneficial effect on the town and its businesses, during the period of the works (expected start date September 2016 for a duration of 12- 18 months) businesses may suffer from reduced footfall and income, and therefore may not be open to a suggestion to pay an additional charge – regardless of the potential future benefits. Therefore the timings of any campaign in advance of the ballot and the ballot date itself would have to be carefully considered in relation to the timescales for these works.
- 3.11 As a BID can only be established by a secret postal ballot, there is a risk that this will not result in approval of the BID proposal and in this worst case scenario the potential savings outlined in Financial Implications (below) would not be realised and most of the Council's investment in the project would already have been spent or committed. There are points earlier in the process where the Council and the businesses involved in steering the BID proposal could mutually agree to abandon the project if it was felt that there was insufficient support amongst business rate payers. Again if this occurred, the potential savings would not be realised although there would be a lower financial impact than if the project was to fail at the ballot stage.

Outline Project Plan

- 3.12 It is recommended that a BID consultant be appointed by September 2016 following a procurement process. The BID consultant will assist the town centre working groups to progress through the developments phases of achieving a BID. The BID working group will produce a formal BID proposal and will have the formal function of BID proposer, as defined in the BID regulations. The BID proposer must submit to the Council (who will act as the Billing Authority) a notice in writing, asking them to hold a ballot on the BID proposal. The notice must be accompanied by a:

- Summary of the consultation undertaken.
- Draft of the proposed BID business plan.
- Summary of the financial management arrangements for the BID body.

Unless the proposal conflicts with a formal policy document published by the Council the ballot will be authorised and the ballot holder specified. It is expected that the BID proposal for Beckenham and Penge Town Centres and the required supporting documentation will be brought to the Council's Executive Committee for formal authorisation on behalf of the Council during the Summer of 2017.

- 3.13 It is recommended that the proposed BID for Beckenham and Penge aims for ballot dates to take place by November 2017 at the latest. It may be necessary to stagger the ballot dates in order to ensure sufficient resource is available for each ballot. The expected operational dates for each BID will be Spring 2018. These timings are based on experience of the Orpington and

Bromley BID but will need to be flexible subject to satisfactory levels of support and leadership from the business community.

- 3.14 Assuming Members support the recommendations of this report, Officers will refine the project plan and form an internal project board which will include Officers from relevant Divisions across the Council and provide oversight of the initiative. It is expected that further reports updating Members of progress on the project will be presented at future R&R PDS meetings.

4. POLICY IMPLICATIONS

- 4.1 The proposed project to introduce Business Improvement Districts in Beckenham and Penge town centres is aimed specifically at enhancing the vitality of the town centre, and as such contributes to the Building a Better Bromley key priority of Vibrant, Thriving Town Centres, which includes the explicit aim to encourage the development of further BIDs in the borough.

5. FINANCIAL IMPLICATIONS

- 5.1 This report is seeking Members approval to begin implementing a project to establish a BID in Beckenham and Penge. Should the BID be established following a successful secret ballot, it would provide a mechanism for Beckenham and Penge town centres to receive additional funds of between **£1.35m and £1.42m** over a 5 year period
- 5.2 The project implementation costs to complete the process to establish the BID are estimated to be £110k and are detailed in Table 1 below. For comparison the budget for the Orpington BID (with 350 levy-paying properties) was in the region of £80k and Bromley (with 640 hereditaments) was £110k. There are approximately 860 potentially levy paying business properties in Beckenham and Penge. Although this project will be aiming at the establishment of 2 town centre BIDs (at a cost of approximately £55k each), because these will be undertaken in tandem there are likely to be economies of scale which can be realised.

Table 1: Draft budget for implementation of Beckenham & Peneg BIDS

£'000

BID Development Project Costs – BID Project Manager, marketing, communication, legal, establishment costs	85
Ballot costs	4
Billing system software set up	10
Courier costs	1
Contingency	10
Total	110

- 5.3 If a BID was to be successfully implemented there would be a saving of £72k per annum (£48k staffing and £24k TCM revenue fund), as there would no longer be a requirement for the Council to fund a Town Centre Management Service for Beckenham and Penge after the BID had been established. However, the Council would be liable to pay BID levy of between £5,100 and £5,300 on certain properties (depending on any thresholds applied), as detailed in Appendix 2. Overall, a net saving of up to £67k per annum would be achieved from 2018/19, assuming that the Council did not wish to continue to fund a post for development of further BIDs beyond March 2018.
- 5.6 The Executive is asked to agree an allocation of up to £110k from the Growth Fund to meet the estimated costs of the process involved in establishing the Beckenham and Penge BIDs. This sum may be reduced should officers be successful in securing external funding for the project at a future date. The current unallocated balance on the Growth Fund is £19.294m.

5.7 Members should note that paragraphs 3.9 – 3.11 highlight the risk that the BID will not be established. It is wholly dependent on a favourable outcome of the secret ballot. If the outcome is not favourable, almost all of the £110k would have been spent or committed and the potential savings will not be realised.

6. LEGAL IMPLICATIONS

- 6.1 This report seeks the approval of the Executive to establish two BIDs: one in Beckenham and one in Penge. It also seeks the allocation of £55,000 for each Project to cover the council's implementation costs
- 6.2 Business Improvement Districts (BIDs) were introduced by Part 4 of the Local Government Act 2003 (LGA 2003). Their establishment, enforcement and operation is regulated by the LGA 2003 and the Business Improvement Districts (England) Regulations 2004 (SI 2004/2443) (BID regulations) as amended by the Business Improvement Districts (England) (Amendment) Regulations 2013 (SI 2013/2265)

7. PERSONNEL IMPLICATIONS

- 7.1 It is expected that a working group comprising and led by local businesses will be formed. This working group will formally take the lead on the development of the BID proposal. An external consultant will be appointed to assist this working group and project-manage the various phases of BID development. The Head of Town Centre Management will take the lead from the Council point of view, supported by the Town Centres & BID Development Manager.
- 7.2 Should the BID be successfully established, there will clearly be personnel implications for the Town Centre Management & Business Support Team (2 posts). The full impact will become clearer as work towards establishing the BID is carried forward. Updates on any personnel implications will be provided to Members as part of future reports on the progress of the project.

Non-Applicable Sections:	None
Background Documents: (Access via Contact Officer)	R&R PDS Report 'Proposed Business Improvement District for Orpington', 11 Oct 2011 (DRR11/096) R&R PDS/Exec Committee Report 'Business Improvement District Strategy for Town Centres 2014-2015' 26 Nov 2013/15 Jan 2014 (DRR13/111)