

Executive

28th January 2016

Draft Report of the Director of Communities and Neighbourhoods

Portfolio of the Executive Member Economic Development and
Community Engagement

BUSINESS IMPROVEMENT DISTRICT FOR YORK CITY CENTRE

Summary

1. A Business Improvement District (BID) is a City-wide partnership initiative, led primarily by local businesses, with the Council as the accountable body.
2. This paper follows the paper presented to Executive in July 2015, where members approved:
 - (i) the draft BID document,
 - (ii) a baseline services agreement of council activities to be provided so that all new Business Improvement District activity is additional to this baseline,
 - (iii) that the Council would collect the BID levy and would charge the BID company a maximum of £25,000 per year,
 - (iv) that the Council would fund the Electoral Reform Society to conduct an independent ballot of City Centre businesses and
 - (v) the Council would provide some set up costs from reserves to ensure effective collection of the BID levy.

3. In November 2015, businesses in the City Centre of York voted in favour of a new Business Improvement District by 76% of the number of hereditaments and 80% in overall business rates value.
4. The York Business Improvement District will raise over £800,000 in BID levies to be invested in the City Centre. Decisions on allocation of this investment will be taken by the business-led BID Board and will focus on areas such as improving the cleanliness of the City Centre, tackling anti-social behaviour and providing business and procurement support for City Centre businesses.
5. As it currently stands, the main ongoing financial implication of the BID for City of York Council is an annual contribution, via levy, of approximately £28,000 a per annum, beginning in the 2016/17 financial year. This cost will rise or fall in line with the overall rateable value of our property portfolio within the BID area. In the July Executive paper, it was outlined that this would need to be taken into account in the Budget as a pressure.
6. There are also implications surrounding the ongoing cost of collection of the BID, and the Business Improvement District will reimburse the administrative cost of collection up to the value of £25,000 a year.
7. To ensure that the Business Improvement District is set up effectively and runs smoothly from day one. It is proposed that the council provides a cash flow loan of up to £50,000 to help support set up costs and running costs in the first month of operation of the Business Improvement District. It is proposed that this loan will be reimbursed in full to the council by Summer 2016.

Recommendations

8. To enable the BID to be created and run successfully, it is recommended that Executive:
 - Note the draft Memorandum of Understanding (MoU) and Operating Agreement, included in Annex A and give the Assistant Director Governance and ICT the authority to negotiate and agree the final terms with the BID board.

- Agrees with the request from the BID board for a cash flow loan of £50,000 that allows the Business Improvement District to become active as soon as possible. This will be reimbursed to the Council from the BID levy by Summer 2016.
- Approves that the formal Council representation on the board is made by Cllr Chris Steward and Cllr Keith Aspden and that officers attend the meetings.

Reason: To support the successful implementation of the Business Improvement District in York.

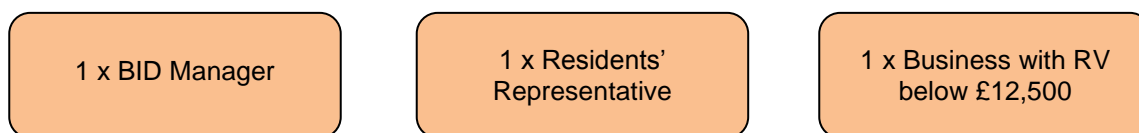
Background

9. A BID is a business-led partnership that enables coordinated investment in the management and marketing of a commercial area, and is a defined geographical area.
10. Governed by legislation to ensure fairness and transparency, a BID is created for a five year period subject to a successful ballot of local businesses.
11. During the term of the BID, all businesses defined within the BID Business Plan geography will be required to pay the mandatory levy, irrespective of whether they cast a vote in the ballot or not.
12. For a BID to be approved the vote needs to deliver a majority in favour, both in terms of the number of businesses, and the rateable value of the business premises.
13. BIDs have been successfully implemented in over 200 towns and cities in the UK, and also in the United States, Canada and Germany. Of the BID Ballots held in the UK, 85% have so far voted in favour of a BID.
14. Each BID proposal is different depending upon local needs and priorities, but usually undertakes a range of activities to enhance the role of their area as a business location, and as a retail and visitor destination.

15. For a BID to be successful it must be driven by businesses and other occupiers, such as universities, hospitals, cultural organisations, in partnership with the public sector.
16. The BID is steered by a private sector board. Typically, a BID company is formed by the private sector, working in partnership and sharing resources with the Local Authority. In the BID prospectus, the board membership was as follows:
17. As outlined in the business plan published and sent to all city centre businesses in advance of the vote, the proposed Board membership is as follows:



With Board advisors in support:



Benefits of the BID for York

18. There are many potential benefits of the BID to York's City Centre. As outlined in the prospectus issued to businesses in advance of the vote which can be found on this link <http://www.theyorkbid.com/> , this BID will:
 - create a single source of funding of over £800,000 to be spent in the area
 - provide a Business Plan that outlines a focus on expenditure to address anti social behaviour, improving the area and providing business support to city centre businesses
 - improve the resilience of the City Centre to changes in the retail market and;
 - provide a City Centre that increases resident wellbeing and presents an improved business offer.

Progress to date

19. Business rate payers in the BID area have voted for a York City Centre BID. This will include all businesses:
 - generally within the City walls (but also include the large retailers on Foss Islands Road)
 - have a rateable value of over £12,500.

20. This encompasses just under 1,150 businesses in the Guildhall, Micklegate and Fishergate Wards. As part of the BID ballot process, all affected businesses at the time of writing were contacted and offered the opportunity to vote on the scheme.

21. A business plan has been published for the BID as part of the ballot process. The full text of this business plan can be found at www.theyorkbid.com.

22. Affected businesses were consulted on the Business Improvement District by City Team York and, following a ballot run independently by the Electoral Reform Society, voted in favour of a BID for the City Centre of York. 76% of all businesses voted 'yes', and the 'yes' vote by rateable value was 80%.

23. The Council has already provided £35,000 to fund a BID Manager, including £25,000 from a recent EIF grant. We have also funded the ballot for the BID.

24. In addition to this, Executive agreed to the following in July 2015:
 - A draft baseline services agreement to provide a commitment of council services that will be continue to be provided in the BID area including street lighting and street cleansing. This is now formalised in the draft MoU and Operating Agreement in Annex A and B.
 - That the council will collect the BID levy on behalf of the York BID Company and that the council will be reimbursed for the cost of collection up to a maximum of £25,000 per annum.

25. Since the successful ballot result, the York BID Company has been registered with Companies House and created on a legal footing. There has also been a role created for the Executive Director of the BID and the recruitment process to find this individual is currently underway.

Memorandum of Understanding and Operating Agreement

26. Now that the BID ballot has been successful, we need to agree a final Memorandum of Understanding with them. The draft version of this document is included in Annex A. This is a routine document and required in all Business Improvement Districts. There are two areas which I would like to draw Executive's attention to. These are (i) the Baseline Services Agreement and (ii) the process around Levy collection.

Baseline Services Agreement

27. The operating agreement includes the Baseline Agreement -the proposed programme of services to be included in the BID - should be clearly in addition to those provided by the local authority, complementing work already ongoing, and not used to replace existing public sector services. This has been developed with heads of service and includes the minimum service provided, as well as details of employees and equipment required. These services are a combination of statutory and discretionary.
28. The document is legally binding for four years, and during that time the Council will be required to continue to provide these services.
29. This can be used to reassure the minimum service delivery to be maintained by the authority and to show which services can be provided in addition as a benefit of BID funds.
30. Many Council activities that typically fall within the Baseline Agreement, such as City Centre Management, Culture and Economic Development are now within the remit of Make it York. As an authority, we are looking at the commitment we make in a number of areas, including:
 - Street Cleaning
 - Streetlighting
 - Highways Maintenance
 - Parking Services

- Make it York

31. Whilst this is a smaller baseline in terms of areas covered, it also refers to the Make it York SLA which includes a much wider number of services for the City Centre, including City Centre management, the markets, business support and cultural festivals.

Levy collection

32. As with almost all BIDs across the UK, the Council are the billing authority, so would collect and transfer funds to the BID company and carry out the administration function. Practicalities as well as cost implications are being explored.

33. It is important that we create a mechanism for collecting the BID that is effective whilst being the lowest cost solution to ensure that the BID has the highest level of funding after administration costs as possible.

34. The York BID's billing period will run from 1st April each year to 31st March of the following year. It will run for five billing periods from 1st April 2016. Our agreed approach is that the BID levy payers will be billed once annually at the same time as they are contacted about their Business Rates.

35. We expect that costs in the first year are likely to be much higher than those in subsequent years. We will create an open and auditable process on the cost of this billing and aim to only charge the Business Improvement District for the administrative costs incurred. We also propose that these costs are capped at a maximum of £25,000 a year.

BID Board

36. In the prospectus that businesses voted on in November, it was confirmed that there were two CYC places on the BID board. These are currently unnamed. Given the importance of the BID, it is recommended that these posts should now be filled by Cllr Chris Steward and Cllr Keith Aspden as leaders of the two parties of administration.

Cash Flow Loan

37. The BID board have requested a £50,000 cash flow loan to ensure that the BID becomes operational as soon as possible. This is because it is inevitable that some of the BID's expenses will precede its levy income. This is a standard arrangement between councils and BID companies and was anticipated before November BID vote.
38. There are two sets of expenses that this facility is intended to cover. The first relates to the set up costs of the BID operation. These include legal, accounting and registration costs of the BID company. They also include the February recruitment of a BID manager and establishment of a working office. The other expenses relate to the period (essentially March and April) when the BID company will be operational but before levy income has been received. To ensure a timely and positive BID impact commitments will be made in this period to events promoting York for which funding will be required.
39. It is expected that the profile for payment of the £800k BID levy will be similar to that for business rates, with the majority of funds being received by the end of May. When paying these sums to the BID company the CYC would offset the value of the sum drawn down. As such there is no material financial risk to CYC from this loan. It will however be a vital component in ensuring the BID makes a strong and timely impact promoting York's business community.

Council Plan

40. The work to establish the Business Improvement District is in line with the Council Plan objectives to create a prosperous city for all where local businesses can thrive.

Implications

41. Financial: Following the successful election of the Business Improvement District, we now have a cost pressure of around £30,000 to pay the levy for buildings owned by the Council. This will be addressed in the Budget.

42. If Members agree to a cash flow loan of £50,000 to be repaid by the Business Improvement District by Summer 2016. This can be treated as a payment in advance and therefore funded within current budgets.
43. Legal: Our legal protections are set out within a draft MoU drawn up by the Council's Legal Team. The baseline agreements and Operating Agreement also appear in these schedules. This MOU is necessary to cover the relationship between the Council and the BID Company. This is included in Annexes A and B. We are now discussing the final details of this and it is recommended that the final sign off of this is given to the Monitoring Office.
44. Crime and Disorder: One of the key BID themes would be to introduce initiatives to try and tackle anti-social behaviour and the culture of afternoon drinking which is attracting large numbers of stag and hen parties to York. Discussions with representatives from the local Police force have shown that they would be keen to support this.
45. Information Technology: Not applicable at present.
46. Property: Not applicable.
47. Other: Not applicable.

Contact Details

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Deputy Leader,
Economic Development & Community
Engagement

Chief Officer

Sally Burns
Director, Communities and Neighbourhoods

Report Approved

11/01/2016

Specialist Implications Officer(s)

Not applicable

Wards Affected: *Fishergate, Guildhall and Micklegate*

All

For further information please contact the author of the report

Annex

Annex A - Draft Operating Agreement and Memorandum of Understanding