

# BRIEFING PAPER

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**SUBJECT:** GO SOUTHAMPTON: PROPOSAL FOR A CITY CENTRE BUSINESS IMPROVEMENT DISTRICT

**DATE:** 16 JUNE 2016

**RECIPIENT:** OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

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## THIS IS NOT A DECISION PAPER

### SUMMARY:

A Steering Group of Southampton businesses and business organisations has been investigating the feasibility of establishing a Business Improvement District (BID) in Southampton City Centre. In accordance with Regulation 3(2) of the Business Improvement Districts (England) Regulations 2004 legislation, on 8 January 2016 the Chair of the Southampton BID Steering Group served 84 days' notice on the Council and the Secretary of State of the intention to request the billing authority to put the BID proposal to a ballot. On 21 June, Cabinet will be receiving a report to approve the proposal, instruct the ballot, vote 'yes' for Council properties in the BID area, and delegate responsibility to the Chief Operating Officer to make future decisions regarding the BID.

The purpose of this report is to

- Provide information on the proposals for a Business Improvement District (BID) in Southampton City Centre; and
- Set out the implications for the Council.

### BACKGROUND and BRIEFING DETAILS:

1. Over 200 English BIDS are now in operation, including local BIDs in Bournemouth, Salisbury, Winchester, Eastleigh, Basingstoke and Chichester.
2. The Go Southampton BID has an ambition of supporting Southampton City Centre to increase its standing and national reputation. It aims to maximise the benefits to the City through the investment that is currently taking place and planned for the next decade, particularly by adding a place management and promotional element to support the realisation of the City Centre Masterplan, which will be creating £3 billion of investment and over 7,000 jobs.
3. Part 4 of the Local Government Act 2003 and The Business Improvement Districts (England) Regulations 2004, permits local business communities to set up a BID. A BID is a business-led and business funded body formed to improve a defined commercial area. Proposed improvements are captured in a Business Plan, against which businesses within the area vote. Under the BID regulations, the Council has a duty to receive BID proposals as part of the process to ballot. The Council has a role in ensuring compliance and has the power under the regulations to veto a BID proposal after ballot where it believes the BID proposals:
  - are likely to materially conflict with any of the Council's formal policies;
  - place an inequitable and significantly disproportionate financial burden on any class of non-domestic ratepayer as a result of manipulation of the BID area or BID levy.

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4. A ballot is run by the local authority or outsourced by the authority to a third party (with local authority oversight) - in this case to Capita. All businesses eligible to pay the levy are balloted. A successful ballot requires a favourable vote from 51% of eligible businesses – both by number, and also by aggregate rateable value. This ensures that the interests of large and small businesses are protected. There is no minimum turnout threshold. The vote for a BID is carried out by secret postal ballot, and eligibility to vote is based on one vote per hereditament situated in the BID area.
5. In Southampton, there was a negative BID ballot in 2009 for an area including Bedford Place, Above Bar and East Street. However, as a result of (i) the improving economy,(ii) a positive feasibility study and (iii) applying the learning from the previous ballot, a second attempt is now proposed.
6. Subject to a ‘yes’ vote at ballot, the Go Southampton BID would commence on 1st April 2017 and its first term would run for five years. To continue thereafter, a renewal ballot process would be required to secure a further BID term of up to five years. The BID proposal (attached at Appendix 1) sets out businesses’ priorities for improvements for the area and area services, as well as how the BID will be managed and operated.
7. A company called ‘The Means’, specialists (with a successful track record) in BID development has been recruited to drive forward this work. A Steering Group has been set up which includes representation as follows :
  - Shopping Centres: Marlands, WestQuay
  - Hospitality: Grand Harbour Hotel, Delicious Dining, Mettricks, Greene King
  - National retail: Cath Kidston, Boots
  - Local Independent: East Street Traders
  - Culture and Arts: Culture Southampton
  - Business Organisations: Hampshire Chamber of Commerce
  - Project Management: Marwell, Kirstie Mathieson
  - Advisers, PR and Communications: Carswell Gould, Lee Peck
8. The BID objectives as detailed in Appendix 1 include the following:
  - a. **A Better City Centre Experience** (cleaner City Centre with improved pavements and streets; Safer City Centre with a measurable reduction in crime and anti-social behaviour; Co-ordinated and better events programme; better transport including improved traffic management and parking).
  - b. **Better Marketing and Stronger Businesses** (‘better welcome’ including high quality, real-time visitor information; ‘bigger welcome’ including raising Southampton’s profile as a place for business and leisure both nationally and internationally; ‘local and longer’ driving new business and actively promoting the evening economy, and ‘data and innovation’ including collecting and sharing key metrics on City Centre activity to support business growth).
  - c. **Stronger Business Community** (‘better economies of scale’, including business to business activity; ‘better voice for business’ including advocates for business; skills and talent retention and actively supporting new investment in the City).

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9. The BID would operate with the principles of adding value to existing work, leverage of at least 25% additional resources, providing measurable impact, and not being used to off-set spending reductions.
10. The BID levy will be payable by hereditaments within the BID area on the Non Domestic Ratings List with a rateable value of £15,000 or over, unless exempt under BID Arrangements.
11. The BID levy will be 1.5% of rateable value. However, hereditaments within the main serviced areas of WestQuay, Marlands, WestQuay Retail Park and Studio 144 will be charged 1.4% in recognition of the significant existing contributions to joint marketing and security through their service charges.
12. The proposed BID area is illustrated in Appendix 2 and encompasses the City centre including Bedford Place. This area includes 617 hereditaments generating a projected annual BID levy outturn of approximately £1,087,500. This equates to a five year levy budget of approximately £5.5 million.
13. The BID Steering Group, supported by The Means, has been working with Council and Capita Services to ensure that all aspects are in place to assist the Council in fulfilling its regulatory duties in respect of approving the BID proposal. An Operating Agreement and Baseline Agreement are being agreed, and the draft documents will be attached to the Cabinet Report.
14. The Operating Agreement builds on the BID regulations, setting out the Council's responsibilities in collecting and administering the BID levy on the BID's behalf, and the BID Company's responsibilities when operating the BID. The Agreement would be between the BID and the Council, to be reviewed and signed in the event of a successful ballot, prior to the BID's start date and effective from 1st April 2017.
15. The Baseline Agreement outlines Standard Services within the BID area which are provided by the Council that may overlap with the BID's area of activity. The purpose is to prevent the delivery of existing services being transferred from the Council to the BID company (except if/where the Company is selected as a contractual supplier of services to the Council). The Council will enter into Baseline Agreement by 6 March 2017. The services covered are being drafted and will cover services and benchmark levels in the areas of:
  - **Environment:** Cleaning services, park maintenance, maintenance of historic environment, community safety (eg CCTV, PSPO enforcement, any warden presence)
  - **Car parking:** level of provision, maintenance, safety, enforcement
  - **Events:** Tourism / marketing related events, cultural events, sporting events
  - **City Marketing / visitor information**
  - **Economic Development:** where there are areas of spend in relation to City Centre management
16. If the ballot is successful, a legally constituted BID company will be established. The Bid Company will be responsible for delivery of the business plan and will be accountable to its levy payers, including the Council as a levy payer. As a private company limited by guarantee, the BID will be required to submit annual accounts to Companies House. Procedures governing the administration of the

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BID levy are outlined in the regulations and the Operating Agreement between the BID and the Council.

## Consultation

17. Significant consultation is being undertaken by the Steering Group members and The Means with businesses of all sizes and sectors in the BID area to gauge support and shape proposals to meet local business demands. The BID priorities have arisen directly from significant direct consultation, questionnaires and a major event, which contributed to the Feasibility Report in December 2015 (at Appendix 3).
18. Over 100 City Centre business interviews took place between September and November In response to the question, 'to what extent do you agree that a BID should be tested at ballot in Southampton?', 8% disagreed, 20% neither agreed nor disagreed, and 72% either agreed or strongly agreed . In response to the question, 'in principle, do you think that a BID is a good idea?', 75% responded 'yes', 18% responded 'undecided' or 'don't know', and 7% 'no'.

## RESOURCE/POLICY/FINANCIAL/LEGAL IMPLICATIONS:

19. The projected BID income would be in the region of £1,087,500 per annum, which would be available for allocation by the BID company against specified BID strategic priorities. An indicative budget is given in Appendix 1.
20. There are six hereditaments in the BID area that have 'Southampton City Council' as the Property Contact Name on the ratings data: The Civic Centre; Sea City Museum; Tudor House; Cemeteries Department, Bugle Street; and 108/112 East Street. The Council would have a vote for each one and, if the ballot is successful, the Council's annual financial BID liability would be £20,865. This would leverage more than £1 million investment from businesses to ensure a thriving City Centre and improved quality of life for residents.
21. In accordance with the BID legislation, the Council will be responsible for the billing, collection and transfer of the extra levy to the BID Company. This will be undertaken by Capita Services and charged to the BID Company. One-off ballot costs will be in the region of £7,500 and these will be recovered from the BID company if the ballot is successful.
22. Council's Cabinet and Capital Board have previously approved a loan facility to the Chamber of Commerce, on behalf of Southampton BID Steering Group, of a total of £152,000 made available from contingencies. This includes £77,000 development costs in preparing the BID proposal to the point of ballot, and an additional £75,000 to fund start- up costs and forward fund the BID until its commencement in April 2017 should the ballot be successful. Should there be a 'no' ballot, the £75,000 would not be drawn down. In the event of a successful ballot outcome, the full £152,000 would be re-paid over the term of the BID.
23. The Local Government Act 2003 and the Business Improvement Districts (England) Regulations 2004 (The Regulations) provide the statutory powers and framework to enable a Business Improvement District (BID) to be created. The Council is obliged to approve the BID proposal unless there is a conflict between the BID's proposal and the Council's formally adopted policies.
24. The Council has implied legal powers under the above legislation and a general power of competence under section 1 of the Localism Act 2011 (subject to overriding fiduciary duties) to enter into arrangements to facilitate the BID arrangements

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including levy collection and may enter into a Baseline Agreement for the Provision of Standard Services and an Operating Agreement to confirm agreed arrangements. Local Authorities are required to provide a schedule of baseline services under Schedule 1 of the BID regulations. Should a ballot be successful the BID Body proposes to form itself into a Company Limited by guarantee under the Companies Act 2006. Proposed Council payments and contributions would fall within the Council's general power of competence and any state aid issues are unlikely to apply and should in any event fall within the de minimis threshold exemptions.

25. When making decisions the Cabinet and officers must ensure that they understand that the interests of the Council as owner of hereditaments in the BID and certain duties under the Regulations may not coincide. Although this is unlikely in practice it may be necessary put in place arrangements to deal with a conflict of interests albeit that a person does have rights of appeal in the event of the Council exercising it.
26. In due course, if the BID does not deliver the envisaged benefits, there could be indirect reputational risks for the Council. However, by supporting the BID process and remaining involved in the day to day running of its activities, the Council will be seeking to mitigate any potential future risk.

## **OPTIONS and TIMESCALES:**

27. Detailed within the Cabinet report

## **Appendices/Supporting Information:**

Appendix 1: Go Southampton BID proposal

Appendix 2: Go Southampton BID Boundary

Appendix 3: Evidence of Consultation

**Further Information Available from:**

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