

CABINET

MORECAMBE BUSINESS IMPROVEMENT DISTRICT (BID) - FEASIBILITY PROPOSAL

2 September 2014

Report of the Chief Officer (Regeneration & Planning)

PURPOSE OF REPORT				
To consider the proposal for reinstatement of Morecambe BID feasibility funding on the basis of a proposal from Lancaster District Chamber				
Key Decision	X	Non-Key Decision	Referral from Cabinet Member	
Date Included in Forthcoming Key Decision Notice			4 August 2014	
This report is public				

RECOMMENDATIONS OF COUNCILLOR JANICE HANSON

1. Members support the intention of Lancaster District Chamber to lead on BID feasibility and BID Proposal development for Morecambe
2. Members approve the reinstatement of a £40K budget, to be funded from corporate savings achieved to date, to be allocated to the Lancaster District Chamber via a funding agreement.
3. That the Morecambe Area Action Plan (MAAP) Implementation Reserve is updated to include the £40K reinstated budget for the purpose of supporting the Morecambe BID and that delegated authority be given to the Chief Officer (Resources) to update the MAAP Reserve and General Fund Revenue Budget once profiling of expenditure is known between financial years.
4. An appropriate Cabinet member is nominated to sit on the Morecambe BID Steering Group.

1.0 Introduction

- 1.1 At October 2010 Cabinet members approved the allocation of £40K for Business Improvement District (BID) development work for each of Lancaster under the report on "Lancaster Square Routes" (Minute ref 51) and Morecambe under the report on

'A View for Eric', the second Townscape Heritage Initiative for Central Morecambe (minute ref: 52). The Lancaster funding was taken up by the Lancaster District Chamber of Commerce and used to progress BID feasibility under the direction of a Steering Group of local businesses. Subsequently a 3 year Lancaster BID was voted in by local businesses at the end of November 2012 and has been running since April 2013.

- 1.2 Momentum for a Lancaster BID had been established for a number of years prior to the council's funding allocation, but a Morecambe BID had not gained similar traction among the business community. No preferred mechanism to deliver a Morecambe BID was forthcoming and Members agreed to remove the allocation from the council's 2013/14 budget as a saving, albeit with a commitment that the £40K was "to be reinstated when needed" (refer to February 2013 Cabinet report: Budget and Policy Framework Update Appendix A and minute ref: 112)
- 1.3 Morecambe Town Council has since secured a successful bid for £100K from the Portas Pilot – a Government scheme to help rejuvenate high streets. The Portas Pilot implementation is overseen by a Town Team and a Co-ordinating Committee both comprised of members of the local business community. The Town Team has given its backing to investigate a BID as a sustainable mechanism for further improvements in Morecambe's trading environment, and as a legacy initiative for the Portas Pilot (scheduled to end 31 March 2015). The Lancaster District Chamber has agreed to lead on Morecambe BID feasibility stage and the proposal for reinstatement and use of the £40K is attached in Appendix 1.
- 1.4 This report considers The Chamber's proposal and also serves as a reminder of the purpose of BIDs and potential implications for the city council should a Morecambe BID be successfully voted in.

2.0 Background

- 2.1 A detailed summary of the legal basis, characteristics and potential of BIDs was considered by Cabinet in July 2012 (minute ref: 40). In summary, BIDs were introduced to the UK in 2002 as a funding generating mechanism to support improvements in defined commercial areas. BIDs are based on the principle of charging an additional levy - typically 1% to 2% of rateable value - on business ratepayers in a defined area following a positive majority vote by those ratepayers. BIDs are time-limited, running for up to 5 years before requiring a renewal vote. Local partnerships are developed to undertake work on:

- Deciding the BID area and what improvements they want to make
- How the implementing partnership will manage it and what it will cost
- How long it will last

BID Proposal development – the feasibility stage - is usually led by local businesses and normally takes between a year and 18 months.

- 2.2 BID Legislation leaves most of the structural arrangements to local discretion. This includes developing the pre- and post- ballot details of who proposes/manages a BID and decisions on what projects/proposals are brought forward to meet local needs and aspirations. Experience from other BID initiatives shows the most important issue is that of defining and clarifying additionality. A vote will fail if the BID Proposal is perceived to replace what is already being delivered or is revealed to be covering

for statutory service shortfalls. Best practice also advises that BID Proposal development and the ultimate levy resource ownership and implementation are independent of the statutory service providers. However, whatever the BID development/implementation arrangements the local billing authority retains key administrative and financial responsibilities.

3.0 Morecambe BID Feasibility Proposal Details

- 3.1 The Chamber has written to the council noting its willingness to lead on BID development for Morecambe and requesting £40K resources from the council for this purpose – further discussions have clarified that the request is based on a projected expenditure of £10K in 2014/15 and £30K for 2015/16.
- 3.2 Members need to be assured that any feasibility funding awarded has a good chance of leading to a workable BID Proposal. Assurances around the following matters are key:
- i. Engagement with local businesses to promote and achieve a sense of ownership and control over a BID proposal process.
 - ii. Demonstrable understanding of the logistics of developing up to date information on local businesses and rateable values for a BID proposal.
 - iii. Ability to develop projects, delivery arrangements and demonstrate measurable improvements.
 - iv. Understanding the logistics of BIDs, ballot and levy collection and ability to work in partnership with the local authority.
 - v. Enough income can be generated to sustain a viable programme of projects and provide for the necessary costs of administration.
- 3.3 Lancaster District Chamber were key to the progression and implementation of the Lancaster BID which now generates £228K a year to support local projects and initiatives. Lancaster District Chamber have already engaged extensively with Morecambe businesses and are perhaps uniquely positioned to generate momentum and support for a BID. Members should be assured that the key matters (i) to (iv) above can be delivered. Involvement of stakeholders will be via a constituted Steering Group and Members are invited to nominate an appropriate Portfolio Holder to represent the city council on the Steering Group. This Steering Group will advise and direct The Chamber as Morecambe BID ‘Proposer’.
- 3.4 Key matter (v) requires more detailed consideration. Officers have undertaken preliminary work into the potential revenue which could be generated by a Morecambe BID. The table below gives an estimate of the potential annual income generated if the levy was set at notional levels across defined areas of Morecambe (refer to Appendix 2). Members should be aware that this is for illustrative purposes only - final levy generation will depend on the levy % chosen, the proposed BID boundary, exemptions for types/sizes of business, all of which are matters for the BID Proposer to decide.

Area Map Zone	Character Area	Rateable Value	Example Levy Percentages		
			1%	1.50%	2%
1	South of Central Drive	3,337,140	33,371	50,057	66,742

2	North of Central Drive	988,940	9,889	14,834	19,788
3	Primary shopping area	3,563,195	35,632	53,448	71,264
4	Poulton	896,470	8,965	13,448	17,930
5	Morecambe Gateway	368,105	3,681	5,522	7,362
	Total / Levy Generation	9,153,850	91,538	137,309	183,086

- 3.5 In national BID terms – and given a 2% levy is rare and likely to be unacceptable locally - a relatively low level of income will be available. But experience of the Morecambe Portas Pilot has shown that this order of funding can still be a highly valuable and welcome catalyst for local action. A BID proposer must in any case be able to demonstrate that levy revenue would provide tangible and measurable improvements in local trading conditions. Local businesses must also consider it to be empowering them in decisions on the environment where they trade and an enhancement to the services already provided. The Lancaster District Chamber are well aware of the need to focus on issues of a practical and realistic nature for a BID of this scale to succeed.

4.0 Details of consultation

- 4.1 The Lancaster District Chamber has undertaken extensive consultation and discussion with the Portas Pilot Town Team and Morecambe Town Council over their potential role in Morecambe's BID development and delivery. They have been encouraged to lead the initiative and have generated enthusiasm from local businesses keen to get on board.

5.0 Options

- 5.1 The following options can be considered:

	Advantages	Disadvantages	Risks
Option 1: Do nothing	No advantages.	Loss of credibility with business community. No contribution to council's Corporate objectives.	Council may be in breach of statutory duties to support BID proposer as defined in BID legislation.

<p>Option 2: Reinstate £40K feasibility study budget for Morecambe BID and award via funding agreement to Lancaster Chamber</p>	<p>Successful BID should have benefits for the local authority as well as the business community.</p> <p>Clear and credible leadership for the business community to identify with.</p> <p>Potential for more effective use of council resources and innovation in town centre service delivery.</p> <p>Should engender a closer relationship between business community and statutory service providers.</p> <p>Fosters improved and clearer communication and genuine partnership with business</p> <p>Effective opportunity for local businesses to have a voice on subjects relating to the environment in which they trade.</p>	<p>No guarantee that Morecambe BID ballot would ultimately be successful or voted in.</p> <p>Allocated resource for the Chamber as BID proposer to move to 'BID readiness' will need to be supplemented by council officer resources.</p> <p>Relatively long lead in period to ensure best possible chance of success.</p>	<p>Council and officer resources required pre and post ballot.</p> <p>Implications for council and other statutory services of committing to 'baseline' service provision over BID lifetime may reduce flexibility.</p>
<p>Option 3: Explore alternative routes for funding (for example Portas Pilot funds), reduce funding or secure an alternative BID Proposer</p>	<p>Could have same advantages as Option 2.</p> <p>Could reduce impact on council budgets.</p> <p>Could give certainty that Portas Pilot resources will be used by the target end date.</p>	<p>As Option 2 but with the following considerations:</p> <p>No alternative partnership/route to BID implementation that has current credibility with local stakeholders and the local business community.</p> <p>Town Team is working to allocate remaining Portas Pilot resources to projects. The Portas money is also focused on Victoria Street and the BID will inevitably be wider than this focus.</p> <p>Issue of equity between town centres where Lancaster has previously received full £40K allocation from the City Council.</p>	<p>As Option 2 but more difficult and time consuming to reach ballot stage</p>

6.0 Officer Preferred Option (and comments)

- 6.1 There is a clear way forward for investigating the feasibility and progression of a Morecambe BID. The Lancaster District Chamber have confirmed that £40K resources agreed for the Lancaster BID are sufficient for the purposes of BID Proposal development. This follows the experience of successfully progressing the

Lancaster BID through both proposal and implementation stages. **The preferred option is therefore Option 2** – to reinstate the £40K feasibility study budget and award via funding agreement to Lancaster District Chamber. Members should be aware that the £40K is not currently included in the council's agreed budget framework (refer to Financial Implications)

- 6.2 Should Members be minded to approve the recommendation it is intended to make the £40K allocation subject to a formal funding agreement administered by the Regeneration and Planning Service in line with processes used for Lancaster BID. This will ensure payments are staged according to the achievement of key activities/milestones, made in arrears and the BID proposer adopts governance arrangements and formal reporting systems consistent with the level of funding.
- 6.3 Enabling and assisting with the BID Proposal and post ballot BID body arrangements will require significant input from the city council over and above the feasibility cash resource. The duties and potential resource issues are discussed in more detail in Legal and Financial Implications sections. BID legislation allows for administrative costs to be absorbed in the BID levy. This must be discussed and negotiated with the BID proposer so that any charges are appropriate, commensurate with the task, and clear to those who will vote.
- 6.4 To date BID support work has been undertaken by officers within Regeneration & Policy team with assistance from other departments, particularly Revenues Section. A Regeneration & Policy officer will continue to lead and be the initial point of contact for BID development with the Lancaster District Chamber but cross-departmental work is needed over the next year which may have resource/business implications. An officer working group has been convened to support BIDs and manage and review implications arising from BID Proposal development and post ballot arrangements in. Any major resource implications which cannot be absorbed within existing budgets/resource will be referred to Members.
- 6.5 An immediate issue is the Morecambe BID proposed ballot date of March 2016. The timescale is in line with national BIDs best-practice and has also been prudently chosen to avoid a clash with the Lancaster BID renewal campaign which will end in a ballot around November 2015. However, should the Morecambe vote be successful, with regard to Revenues Service required lead in times for levy billing the following scenarios emerge:
 - a) Morecambe levy billing is undertaken to the council's preferred standard rates billing run at the beginning of the financial year, which means implementation in April 2017 at the earliest.
 - b) The first round Morecambe levy billing is undertaken part way through the 2016/17 financial year. Future years would be billed to the standard rates billing timetable.
- 6.6 Clearly the loss of the best part of a year for billing purposes as envisaged in scenario (a) is detrimental to the momentum of the Morecambe BID, although there could be some slippage in the project as it progresses, which would lessen any impact. However, while (b) is preferred by the Chamber, certainly there are implications for Revenues staffing and workload, which in turn could impact on the BID through higher administration charges in the first year. This scenario would need to be managed (refer to Financial Implications)
- 6.7 Members should also be aware there is no automatic exemption from the BID levy for local authorities. The city council will be liable for the levy on the rateable property it

occupies/holds should a ballot be successful (refer to Financial Implications). As a potential levy payer the council is also eligible to vote in a ballot. It will be up to Members to decide how the council's active participation in the ballot may be viewed in the light of the ongoing consultation and development of the BID proposals. The 'weight' of the council's property holding, both in terms of outright rateable value and number of hereditaments, could be significant in the ballot outcome.

7.0 Conclusion

- 7.1 It is generally accepted that BIDs create an effective opportunity for local businesses to have a voice and direct impact on subjects relating to the environment and circumstances in which they trade. Development of BIDs has been proven to help build business confidence, performance and encourage local economic growth. In the current economic climate, the City Council's ability to directly stimulate the visitor economy is limited although it can encourage investment through appropriate use of its regulatory functions e.g. property improvements through the Section 215 scheme. This means that it is increasingly important that the Town's businesses take the initiative in improving the trading environment.
- 7.2 This report has reminded Members of the BID concept and highlighted potential implications for the city council in supporting a Morecambe BID feasibility stage as proposed by The Chamber. Officers have a close working relationship with the staff and Board of The Chamber and a clear way forward has emerged. Members are invited to support the feasibility stage with £40K funding and nominate a cabinet member to represent the city council on the Morecambe BID Steering Group.

Appendix 1a and 1b

Lancaster Chamber covering letter and Morecambe BID Feasibility Proposal

Appendix 2

Potential Morecambe BID Levy Generation Analysis

RELATIONSHIP TO POLICY FRAMEWORK

In supporting progression towards a Business Improvement District for Morecambe the council will be contributing to achieving and/or potentially impacting on a number of its Corporate Plan and Priorities for 2014/15:

Our Vision

A sustainable self-contained and varied group of communities with a population remaining in balance to support its local economy, comprising:

Morecambe and Heysham – a confident community with a regenerated living, working and leisure environment, acting as a focal point on Morecambe Bay to enjoy and interact with the wider landscape.;

A conserved, enhanced and diversified COAST AND COUNTRYSIDE with a network of vibrant rural communities which will lead the North West in its quality of life and environment and design standard and within which sustainable housing, economic and retail development to meet local needs will be supported.

Sustainable Economic Growth

Sustainable economic growth and jobs will be created in key sectors including energy, knowledge, health and the visitor economy.

The attractiveness and offer of the district, as a place to visit or invest or invest in, will be improved.

Lancaster and Morecambe will be recognized as important visitor destinations.

Community Leadership

Communities are brought together and the major issues affecting the district are addressed through working in partnership.

Well run, value for money services that are valued by the public and demonstrate good governance, openness and transparency.

Clean, green and safe places

Impact of crime and anti-social behaviour across the district will be minimised.

CONCLUSION OF IMPACT ASSESSMENT

Diversity: None

Human Rights: It is assumed from nationwide BID activity, and through its continuing use, that activities properly undertaken within the BID legislation are compatible with Human Rights.

Community Safety: Successful BIDs often undertake projects around community safety/business security matters. It is not clear yet whether such activity will form part of Morecambe BID but officers involved in community safety matters and the police are likely to be involved in baselining current community safety provision in Morecambe and developing/advising on additional services which could be funded via the BID levy.

Sustainability: None

Personnel: Council officer resource will need to be applied during BID Proposal and post ballot stages as outlined in the report

Rural proofing: None

Health and Safety: None

LEGAL IMPLICATIONS

The Business Improvement Districts (England) Regulations 2004 prescribe the basic requirements which must be met in order for a BID to meet its statutory duty.

The Regulations require the local authority to undertake a series of formal roles as outlined in the report (levy collection, holding the ballot, provide baseline data, approval of BID proposal). It is likely formal agreements will need to be entered into between the BID delivery body and the council as follows:

- *Operating agreement:* a formal contract between the BID body and the local authority setting out the various procedures for the collection, payment, monitoring and enforcement of the BID levy

- *Baseline agreements*: setting out the standard services (those services which are undertaken as part of statutory functions and services which are additional to those usually provided as part of statutory functions) which the council and other public service providers will continue to provide within the BID area.
- *Complementary services agreement (if applicable)*: those services provided by the council solely for the improvement or benefit of the BID area, funded using the BID levy or other contributions to the BID body.

A number of tried and tested template agreements are available free of charge from national organisations involved in BID best practice. However, it will require legal and relevant service officer resource to review agreements in detail when particular service implications are understood.

The council will have to carry out a policy compliance check to ensure that BID business plans do not conflict with any policies and to ensure that the BID proposal and process adheres to all of the rules set out in the Regulations. The council, as billing authority, has the power to veto any BID proposal where it might conflict with any locally adopted plans. As noted in the report, in practical terms the use of such a veto would be unlikely as the likelihood of a BID being set up which would conflict with the aims and objectives of the council's community strategy will be remote.

Should there be a successful ballot the levy will be a statutory debt subject to the usual principles of rate collection, reminder notices and enforcement action for non-payment. The first point of contact for businesses with billing questions will be the council, rather than the BID delivery body. Experience of BIDs nationally and locally through the Lancaster BID, shows the levy is not a major cause of non-payment but enforcement action may still be required in certain cases. Revenues shared service experience of BID collection/enforcement matters will be valuable in this regard.

As 'billing authority' the city council has powers to veto a BID Proposal where it conflicts with its adopted policy framework. As a BID Proposal normally requires close partnership working with the local authority in practice, the council's use of veto powers is highly unlikely.

FINANCIAL IMPLICATIONS

The proposal is that £40K City Council funding is 'reinstated' and allocated to the Lancaster District Chamber of Commerce to get the Morecambe BID to ballot stage. Based on latest summary information available from the Chamber, the projected expenditure profile is expected to be around £10K in 2014/15 and £30K in 2015/16. Due to the very nature of the work involved it is likely that this could vary between the two years and so it is proposed that the MAAP Implementation Reserve is updated to reflect the additional £40K contribution (funded from corporate savings identified at PRT Q1, included elsewhere on the agenda) to be used solely for the purpose of the BID and that delegated authority be given to officers to update the Reserve and General Fund Revenue Budget (and Capital Programme where applicable) as and when expenditure occurs.

Ballot costs are included in the Lancaster District Chamber's £40K budget. In addition there are a number of costs in relation to BID development and implementation that should have no bottom line impact on the Council:

1. *Administrative costs of identifying BID boundaries and producing a listing of all those rateable properties within the relevant boundaries*: this is judged to be absorbable within current budgets.
2. *Updating the NNDR system to support the collection of BID levy*: this is estimated at £9K following a successful ballot and would need to be included in the General fund

Revenue Budget (or Capital Programme if applicable). The intention is that this is reimbursed from the subsequent levy.

3. *Costs associated with collection of and administering the BID levy:* these must be agreed with the BID proposer so that any charges are clear to those who vote and can be included within the proposal. Based on the Lancaster BID it is currently estimated that this may be in the region of £10K - £15K per annum. If a mid-year implementation occurs, in the first year this estimate could well be higher, however.
4. *Potential costs of supporting the BID Body operation post ballot:* the Lancaster BID has not required any discrete council management input into the post ballot 'operational' side and this is expected to be the case with a Morecambe BID. However, any direct involvement requested and agreed would need to be financed via an administrative fee from the levy.

As set out in the main body of the report (sections 6.5 to 6.6) there is an immediate issue regarding the Morecambe BID proposed ballot date of March 2016. Clearly the loss of the best part of a year for billing purposes as envisaged in scenario (a) is detrimental to the momentum of the Morecambe BID. However, while (b) is preferred by the Chamber there are implications for Revenues staffing and workload which will need to be managed as well as additional costs requiring reimbursement from the levy. In addition, the Chamber's preferred 2016/17 mid-year implementation date would mean that a full revaluation of properties scheduled for 2017 would not be factored into any the proposed levy. It is probably that every rateable value will change both above and below the current threshold level. This could potentially be mitigated by including a condition within the proposal so that it can be voted upon whether the April 2017 rateable value will apply once it comes into force. .

Experience of Lancaster BID shows that initially an upfront payment of full levy resource is helpful in providing cashflow to the BID body. Using the projected sums involved (section 3.4)) at the projected bank rate, this would represent a cost of around £0.5K to £0.9K per annum in lost interest to the Council, if it was not recovered from the levy.

The main bottom line impact in cash terms will be additional cost to the council for the levy on its properties for which it holds rates liabilities within the final BID area. At a 1.5% levy (as per Lancaster BID) the Council will incur an additional charge of around £6.5K per full year. This will need to be included in the General Fund Revenue Budget from the first implementation year should a vote be successful.

OTHER RESOURCE IMPLICATIONS

Human Resources:

Internal council human resources will be used to deliver BID support pre- and post- ballot as outlined in the report.

Information Services:

Following a successful ballot updates to the billing software used by the council to generate and administer rates bills will be required. The implications are outlined in the report and costs will need to be reimbursed through the BID levy. There will be additional resource costs in the form of IS staff time, to work with Capita on the implementation of the software and a period of testing prior to the first year levy billing should a BID vote be successful.

Property:

The city council will be liable for the BID levy on rateable property which it occupies/holds should a ballot be successful. The BID area may encompass city council property leased to commercial tenants. Some of these will pay increased business rates as a result of a

successful BID. The improvement to the environment of the area should be a benefit to these businesses and therefore the increase in rates payable should not have a detrimental affect on the rental income to the council. A successful BID may also improve the take up of the council's empty commercial property, reducing its general business rate liabilities.

Open Spaces:

The BID area may encompass areas defined as 'public open space'. The potential improvement to the environment of any open space included in a BID should be a benefit to the community and businesses.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted. She has concerns regarding the Chamber's preferred mid-year implementation date for any successful bid, based predominantly around the operational management and cost-effectiveness of mid-year billing, and these will need to be addressed in taking the project forward.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

none

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