

Business Improvement Districts (BIDs)

RECOMMENDATION

1. It is recommended that Cabinet:
 - agree to consult local businesses over the potential to develop Business Improvement Districts (BIDs) in Derby
 - approve an application for funding to assist in the consultation process and if appropriate the development of BIDs.

REASON FOR RECOMMENDATION

2. To ensure that any options put forward to establish a Business Improvement District in Derby are likely to meet business requirements and be viable, and to ensure open consultation.

SUPPORTING INFORMATION

Legislative Background

- 3.1 Cabinet considered a report earlier in 2003 explaining the principle of BIDs, as proposed in the then Local Government Bill. Part 4 of the Local Government Act 2003 and accompanying regulations are now in place to allow for the establishment of BIDs from 2005/6. BIDs are defined as areas where the businesses within a geographical area agree to pool resources to provide some specific purposes. Once a BID is established by majority vote of businesses, it is a requirement that all businesses in the area make contributions in support of the purpose for which the BID was established. These collectively agreed additional contributions could be levied and collected through the non-domestic rating system each year for those in the defined BID area.
- 3.2 A BID has to get 'dual key' approval from a ballot of businesses in the area. There must be a majority of businesses and a majority of the rateable value of businesses in the area in favour of the proposals. This is to ensure that smaller and larger businesses are both in favour.
- 3.3 The costs of the ballot and the administration of the BID could be charged to the BID should the ballot be successful. If, however, the vote fails on either count (votes or rateable value), then the costs are borne by the proposer of the BID (normally the

Council, but can be another party). The Government regulations define in detail who can propose a BID and what must be included in the proposal.

Developing BIDs in Derby

- 3.4 The use to which the resources generated by the BID were put would be a matter for the board of the BID to determine in line with the plan outlined at the time of the proposal. Any proposals have to be sufficiently attractive to business to ensure support in a ballot, and it is therefore critical that resources are seen as additional to what exists at the moment.
- 3.5 Although BIDs would be self-financing, officers of the Council have identified a cost of £40,000 in developing a BID model and the support structures this would need. External funding has been identified to support the Council's costs in enabling the establishment of BIDs in Derby: £30,000 from Derby and Derbyshire Economic Partnership and £6,000 from Derbyshire Chamber and Business Link. The Council has supplemented these commitments by a limited commitment of officer time. As the external funding has to be used for purposes specific to the BID, there is no cost to revenue budgets and the funding could not be applied to any other use. £20,000 of the funding has to be committed in 2003/4.
- 3.6 The first stage of applying the funding has been through a feasibility study, to ensure that any proposals which the Council might seek to promote would address genuine business needs and gain business support, and were consistent with the Council's plans for developing the City. This study is now proceeding, at a cost of £10,000, using a consultant who has been closely involved with drawing up BID Guidance for ODPM and HM Treasury, is familiar with the pilot BIDs being developed in various local authorities and who is already working with the Council in the current review of City Centre Management.
- 3.7 BIDs could be defined over any area within Derby. They are, however, believed to be particularly relevant to retail businesses, in the City Centre and possibly also district centres.
- 3.8 Any establishment of a BID would have implications for administration of the Council's non-domestic rating systems, including software development implications, which the Director of Finance is currently exploring.
- 3.9 It should be noted, however, that as BIDs can be established independently by businesses, the requirement to support the billing process for a BID is potentially there irrespective of the Council's actions. However we would have the right to veto if it is felt the BID conflicts with our statutory plans or conflicts with any non-statutory plan that has already been adopted.
- 3.10 In any event, there are significant lead times and the Council needs to be prepared in time for April 2005 when the legislation comes into force.

Evaluation

- 3.11 The stance taken by local businesses towards the BID will be critical, and it is thus important that the Council explores the options openly, in partnership with local businesses, at an early stage.

- 3.12 Early evidence from pilot schemes is that local businesses are looking favourably on the opportunities presented by BIDs, and the CBI and other business organisations have been supportive nationally.
- 3.13 The potential for BID contributions would also strengthen the Council's ability to negotiate with affected businesses for contributions towards local initiatives that the Council is being lobbied to fund. They would also provide an effective means of funding enhanced City Centre management initiatives. Given the pressures already identified on the 2005/6 budget, then it would seem important to tap into this potential.

OTHER OPTIONS CONSIDERED

4. An alternative would be for the Council to take a reactive stance, simply waiting for any BID proposals to be put forward for ballot and only then to consider the administrative and policy implications. It is difficult to see any merit in such an approach. It would be contrary to the Council's community leadership role and priorities for change and would also risk administrative problems. The Council could also incur net costs under such an approach, if it had to implement a BID developed exclusively by local businesses, and had not taken advantage of the external funding currently available in order to secure it for later development.

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Background papers:	Guidance from ODPM on BIDs www.odpm.gov.uk
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

- 1.1 External funding available of £36,000 is set out in the report. Matching officer time equivalent to £4,000 will need to be committed as a condition of the funding, from within existing establishment budgets. Other additional officer time and other commitments can be funded from the external funding. The Council has to commit £20,000 of this funding by March 2004. However, there is overall no impact on approved budgets, and the external funding secured could not be used other than for the general purpose outlined. Hence there is a nil net cost to this proposal.
- 1.2 £10,000 of the funding is being committed to the initial scoping study in 2003/4. A commitment will also be needed towards software development costs. Funding needs will become clearer as the project is developed in 2004, and budget virements will be made to reflect the funding received and its uses.

Legal

2. The Local Government Act 2003 (Part 4) has introduced legislation to enable the establishment of BIDs from April 2005.

Personnel

3. None.

Corporate Objectives and Priorities for Change

4. The proposed actions are directly relevant to the following Corporate Plan target for 2003/4:

Develop proposals for the integrated management of the City and district centres to improve their attractiveness and viability.