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**CARDIFF BUSINESS IMPROVEMENT DISTRICT – PRE DECISION SCRUTINY**

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**Purpose of report**

1. To prepare Members for the pre-decision scrutiny of proposals for Cardiff's Business Improvement District following a positive outcome from the ballot held in June 2016. A report on this matter is due to be taken to Cabinet on 27 July 2016, and the Committee will have the opportunity to provide their views and comments to inform this Cabinet report.

**Background**

2. Business Improvement Districts (BIDs) are business led partnerships, created through a ballot process to deliver additional services for local businesses with a dedicated budget. BIDs have a defined geographical area in which a levy is charged on all business rate payers in addition to their business rates bill. BIDs are typically run as not for profit companies and are controlled by the businesses that fund them. There is no limit on what projects or services can be provided through a Business Improvement District.
3. The Economy and Culture Scrutiny Committee has monitored the progress in developing a Cardiff BID during both its 2014/15 and 2015/16 work programmes, having expressed support for the concept being introduced in Cardiff in January 2014. Further information on previous scrutiny can be found below from paragraph 15.

4. There are currently eight BIDs in Wales covering areas in Swansea, Merthyr Tydfil, Newport, Bangor, Caernarfon, Colwyn Bay, Neath and Llanelli. There are over 200 BIDs established across the UK, and Cardiff is the only Core City in England and Wales not to have established a BID.

## **BID Ballot**

5. On 4 July 2016 it was announced that businesses in Cardiff had voted in favour of establishing a Business Improvement District in Cardiff city centre. The full press release can be found attached at **Appendix 1**. The results showed that 84% of those businesses who voted were in favour of the BID.
6. The postal BID Ballot was organised by the independent Electoral Reform Services and ran for 28 days ending on 30 June 2016. Ballot papers were sent out to all eligible voters within the City Centre BID area.

## **Draft Cabinet Report**

7. Following the positive outcome of the BID Ballot, a report is due to be taken to Cabinet on Wednesday 27 July 2016. This is attached at **Appendix 2**. This report makes the following recommendations:

*The Cabinet is recommended to:*

- a) *Delegate authority to the Director of Economic Development, in consultation with the Leader of the Council, the Chief Executive, the Section 151 Officer and the Monitoring Officer to conclude a Service Level Agreement with relation to City Centre Management on the basis of the draft agreement set out in Appendix A.*
- b) *Give delegated authority to the Section 151 Officer in consultation with the Leader of the Council, the Chief Executive, the Director of Economic Development and the Monitoring Officer to approve an advance to the BID company on the basis that any advance would be repaid through levy*

*collection and paid within the current financial year and based on the principles established in this report.*

*c) Nominate the Leader of the Council, in addition to the Director of Economic Development as BID Board Members*

8. Paragraphs 6 – 29 cover key information with regard to City Centre Management arrangements. Members may wish to note the following excerpts:

*“[...] it is proposed that the current City Centre Management arrangements are aligned with the proposed BID.” (para 8)*

*“In ensuring alignment of resources it is proposed that a Service Level Agreement is developed between Cardiff Council and the Business Improvement District whereby the BID management is able to utilise the resources of the City Centre Management team on the basis that current levels of service provision within the city centre are maintained.” (para 9)*

*“Such an approach would provide significant benefits both strategically and operationally. One of the key strategic aspects is the ability to align resources within the city centre. [...] It is important to note that this does not mean the Council looking to understand how the BID can support its priorities, rather how all partners can collaborate to achieve mutually beneficial goals.” (para 10)*

*“The approach will also provide a basis for resident engagement in the BID through the City Centre Management team that can represent wider resident interests across the city centre.” (para 11)*

*“Under the proposed approach staff employed in City Centre Management would remain employed by the City of Cardiff Council.” (para 13)*

*“Strategically there would be a commitment to maintain current levels of services provision of the City Centre Management Team, unless otherwise agreed with the BID Board. Such an approach would mean that the BID Board would be able to*

*influence how the City Centre Management Team allocates its overall resources, whilst overall control would remain with the City of Cardiff Council.” (para 15)*

*“It is also critical to note that the BID cannot be used to replace Council services. Rather, it should be considered a means of supporting improvement in the city centre through a partnership based approach.” (para 17)*

9. A draft Service Level Agreement (SLA) has been produced, and can be found at **Appendix A** of the Draft Cabinet Report. This sets out the current level of service provision and a commitment to maintain this and current allocation of funding. This SLA also sets out governance; working arrangements; reporting arrangements and a commitment to review the SLA on an annual basis until the end of the BID term.
10. Paragraph 22 of the Draft Cabinet Report outlines a significant number of activities that will yield improved outcomes through collaboration between the BID and Cardiff City Centre Management Team. The BID Business Plan referred to can be found attached at **Appendix 2C**.

## **Night Time Levy**

11. A report taken to Cabinet on 15 May 2016 included the following recommendation:

*To note the proposal to exempt BID levy paying members from Late Night Levy (should the Council choose to introduce it in the future) on the basis that the Business Improvement District will allocate a sum equal to or greater than the figure that would be collected from the imposition of a Late Night Levy.<sup>1</sup>*

12. This approach is again supported within the Draft Cabinet Report to be taken on 27 July 2016. Paragraphs 23 – 27 outline how many cities of a comparable size

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<sup>1</sup> <http://cardiff.moderngov.co.uk/documents/s10345/Item%202.pdf>

and nature to Cardiff have rejected the need for a Late Night Levy, or indeed plan to scrap their levy if and when approval for a BID is achieved.

## **BID Support**

13. It is proposed in paragraphs 30 – 35 of the Draft Cabinet Report, that Cardiff Council provide the BID company with upfront funding, allowing delivery of projects to commence at the earliest possible stage. The Council will be the organisation responsible for collection the BID levy, and the upfront sum provided will be retained as future collections are made.

## **Board Nomination**

14. Members may wish to note the following points made in paragraphs 36 – 38 of the Draft Cabinet Report:

*“At the Cabinet Meeting of Thursday, 19th May, 2016 it was resolved that should a yes vote be achieved, the Director of Economic Development be nominated as the Council representative to the board of the BID Company. (para 36)*

*“However a review of BID Boards of other UK cities highlighted the need for elected member representation. In many cases the Leader or lead Cabinet Member for economic development is often provided with a place on the board, albeit with the restriction that local Government can have a maximum of 20% of the total votes available on the board. (para 37)*

*“It is therefore proposed that the Council would nominate the Leader of the Council in addition to the Director of Economic Development for places on the board of the BID. The BID Business Plan current allocates two places for public sector representation, in line with guidance that the BID Board established reflects a broad reflection of the city centre’s businesses and organisations.” (para 38)*

## Previous Scrutiny – Items to Committee

15. In January 2014, the Economy and Culture Scrutiny Committee considered an item on future arrangements for City Centre Management in Cardiff. This item included significant focus on the creation of a city centre BID. In their letter to the Cabinet Member – Finance and Economic Development, the following information was noted:

- *“Members were convinced of the potential benefits of a BID, and aware of views recently expressed to them by local small business entrepreneurs that they would like to have some control over how their investment in the city centre was spent.*
- *“Officers managed to assuage the concerns of Members that small enterprises could find themselves led by medium and large sized firms like St David’s and John Lewis to develop a BID that was more designed for the needs of large businesses than for smaller business owners. Members were informed that evidence from England shows that the numerical majority of small businesses in city centre environments requires local authorities to carefully canvas and represent their interests, or the 50% quorum on voting for a BID might not be achieved”.*

16. The section of the minutes of this Committee’s December 2014 meeting that relate to Quarter 2 Performance of the Economic Development Directorate note that Members were informed that the bid to the Welsh Government for Business Improvement District funding had been unsuccessful. An “invest to save” bid for Council funding was being prepared to enable the BID process to continue.

17. The minutes of the Committee’s March 2015 meeting note that Members were informed that funding had been secured internally to progress a BID. The Council would procure advisors to scope and take a proposed BID to ballot in the New Year. The letter written to the Leader following this meeting states:

*“The Committee welcomes the news that the proposed Business Improvement District (BID) is being progressed via internal sources of funding and that a partner has been appointed to help assist the Council in carrying out the necessary work to progress a BID for Cardiff. [...] We hope the BID will gain the support of the business community in Cardiff and look forward to receiving future updates on this matter”.*

18. The response from the Leader, received on 28 April 2015, informed Members that work had begun with the appointed consultants in establishing a BID in Cardiff and that the process was likely to take around 12 months until completion.

19. Members of the Committee again touched on the Business Improvement District in their scrutiny of Quarter 4 performance in May 2015. Members wrote to the Leader to note:

*“While we have slight frustration that there has not been more progress this year, we are pleased that consultants have been appointed with a view to undertaking a ballot by the end of 2015. We will continue to monitor progress in this area in future meetings and look forward to receiving a more substantial item on plans for the way forward should the ballot find in favour of establishing a Business Improvement District in Cardiff”.*

20. The response from the Leader, received on 30 July 2015, stated:

*“With regard to the development of a business improvement district, work is already underway, and a task group has been formed of local businesses to progress the proposal. If it is deemed suitable the appointed consultants would be able to present to scrutiny at a future date to outline the processes and next steps. It is important that we appreciate that this is very much a business led initiative, but clearly there is a role for the local authority in supporting a business improvement district”.*

21. In September 2015, the Economy and Culture Scrutiny Committee considered an item on the progress made with regard to the BID, the work undertaken with

businesses and to outline the proposed area for a Cardiff BID. Members noted the following:

*“Committee welcomed the demonstration of tangible benefits of a Cardiff Business Improvement District (BID). The Committee expressed its support for the work and its hope that a vote in favour of the introduction of a BID in Cardiff is achieved.*

*“The Committee noted reservations with regard to the potential impact on businesses that fall outside the Business Improvement District area, the impact on advertising citywide events and on residents who live in the city centre.”*

22. In May 2016, the Economy and Culture Scrutiny Committee undertook a pre decision scrutiny item prior to the commencement of the BID ballot. Members wrote to the Leader to note:

*“Members are encouraged that the report makes a commitment to establish formal links with resident groups on City Centre Management issues, and to update the relevant local Councillors on any issues that will impact on their constituents.*

*“Members were pleased that significant amounts of money were to be allocated from the BID to night-time initiatives, and that this was a very positive step toward addressing the issues in the city centre at night,*

*“Members did however note that they were not convinced that all drinking establishments should be exempt from an additional Late Night Levy if they are also members of the BID.”*

### **Previous Scrutiny – Task and Finish Inquiries**

23. In January 2014 the Economy and Culture Scrutiny Committee completed its Task and Finish Inquiry into *Small Business*. As part of this inquiry Members met with local business owners to discuss a range of topics, including the idea of



introducing a BID in Cardiff. The following recommendation was made to the Cabinet as part of this report:

*R15. Consider developing more than one Business Improvement District in Cardiff, to spread the benefits evenly across Cardiff's business sectors and neighbourhoods.*

24. The Cabinet response to this Inquiry report was formally received by the Economy and Culture Scrutiny Committee at their 8 January 2015 meeting. This response stated that the above recommendation was partially accepted. The following narrative was included:

*“The Council is, [...], currently in the process of seeking ‘invest to save’ funding to help support the development of a Business Improvement District.*

*“The intention is to focus initial activities on the city-centre as this is where the scheme will potentially have the biggest impact and generate a significant budget. If this is successful, the intention would be to look at other key retail centres in neighbourhoods”.*

25. The Economy and Culture Scrutiny Committee undertook a further Task and Finish Inquiry – *Cardiff Central Market and Historic Arcades* – which reported its findings in October 2014. A survey of shop owners within the market and historic arcades was undertaken as part of this inquiry, which included questions regarding their awareness and support for a Cardiff BID. The following is an extract from the report submitted to Cabinet:

- *“The overwhelming majority of traders indicated they did not know about these proposals, with 83% of market trader respondents and 93% of arcade shop owner respondents stating they did not know about these plans. It can be seen that some traders would be willing to support a BID, but many stated that they need more information in order to make a decision.*

- *“Members also took the opportunity to discuss the development of a city centre BID with the facility managers off the respective arcades. The representative of the Morgan Quarter arcades indicated that he can see how a BID would work in Cardiff but felt it would be hard to get shop owners on board with it, particularly where it involves paying an additional fee on top of service charges, business rates and rent.*
- *“The benefits to a BID would have to be sold and clearly defined to business owners before they are likely to agree. This was a view also given by the owner of Rules of Play, who stated that they could work in Cardiff, as they do in Swansea, but it would be a difficult concept to sell to traders, and it would need to be clear whether it was the individual trader or the landlord who would get decision making powers”.*

### **Other Committees – BID related Scrutiny**

26. The Council’s Community and Adult Services Scrutiny Committee produced a number of BID-related recommendations as part of its inquiry *“How to reduce Crime and Disorder in the Night Time Economy in a time of austerity”*. The following recommendations were made:

*“R6. As part of identifying and securing sustainable funding for the essential mechanisms that work in Cardiff, task officers to implement a Late Night Levy, with a legal agreement between Cardiff Council and the South Wales Police and Crime Commissioner to make it transparent that the monies raised by the Levy will be spent in Cardiff on tackling Night Time Economy crime and disorder issues.*

*“R7. Task officers to ensure that all relevant sections of the Council involved in managing the Night Time Economy are involved in the conversations to develop and implement the Cardiff Business Improvement District.*

*“R8. Continue to have strong and constructive conversations with the Cardiff Business Improvement District working group to ensure Night Time Economy issues are kept on the table so that proposals to add to and enhance service provision to tackle these issues appear in the final business case.*

*“R9. Clearly acknowledge that the Cardiff Business Improvement District will not pay for existing Night Time Economy services, including those to tackle crime and disorder”.*

## **Way Forward**

27. The Council Leader, Councillor Phil Bale, and Councillor Peter Bradbury (Cabinet Member – Community Development, Co-operatives & Social Enterprise) have been invited to the meeting and may wish to give a statement. Neil Hanratty (Director of Economic Development) will be also be present and will provide a presentation to Members.

## **Legal Implications**

28. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken

having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

### **Financial Implications**

29. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/ Council will set out any financial implications arising from those recommendations.

### **Recommendation**

The Committee is recommended to:

- a. Consider the contents of the report, appendices and evidence presented at the meeting.
- b. Report any comments, observations or recommendations to the appropriate Cabinet Member.

**David Marr**

**Interim Monitoring Officer**

**15 July 2016**