

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

CABINET MEETING: 19th May 2016

CARDIFF BUSINESS IMPROVEMENT DISTRICT

REPORT OF DIRECTOR OF ECONOMIC DEVELOPMENT

AGENDA ITEM:

PORTFOLIO: Economic Development and Partnerships and Community Development, Co-operatives and Social Enterprise

Reason for this Report

1. To update Cabinet on the development of Cardiff Business Improvement District proposals in Cardiff.
2. To agree a position on the vote with regard to the City of Cardiff Council's hereditaments in the city centre.
3. If a BID is introduced, to consider an exemption for any paying members payers from any potential future Late Night Levy should such an approach be introduced in Cardiff.
4. To consider a new approach for the City of Cardiff Council's City Centre Management related functions.
5. Confirm that the proposed BID does not conflict with area plans and schemes.

Background

Business Improvement Districts

6. A Business Improvement District is a legally and geographically defined partnership for area improvement and service delivery, funded by levy-paying businesses within that agreed boundary. It is managed and operated by a BID Company – a non-profit company run by and for its members.
7. BIDs are business-led initiatives supported by government legislation, which gives local business the power to get together, decide what improvements they want to make in their city centre, how they will manage these. BID's have the power to raise and spend funds locally.

8. 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. The only requirement is that it should be something that is in addition to services provided by local authorities. Improvements may include, but are not limited to, extra safety/security, cleansing and environmental measures.¹
9. A BID's mandate is for a maximum of five years. A BID wishing to continue beyond that must reaffirm its mandate through re-ballot, based on a further proposal.
10. The process of developing a BID involves widespread consultation with businesses to ascertain what improvements they want and would be prepared to pay for. A BID proposal is then produced and a 28 day postal ballot held where businesses vote 'for' or 'against' the proposed programme. For the BID to go ahead, two conditions must be met; firstly, a majority of those voting have to vote 'yes' and secondly those 'yes' votes have to correspond to more than 50% of the total rateable value of all votes cast.
11. The local authority has a statutory responsibility to support the development of BIDs and facilitate their establishment. This includes conducting the ballot and collecting and enforcing the levy. The authority must also confirm that the proposed BID does not conflict with area plans and schemes. If the local authority is of the opinion that the Business Improvement District arrangements are likely to conflict to a significant extent with an existing policy, place a financial burden on rate payers or the burden from the levy is unjust, it can decide to veto the proposals. The local authority can only veto proposals within 14 days from the date of the ballot.²
12. If a yes vote is achieved there will be a requirement to ensure the BID body has good governance in place – the activities of the BID body will be scrutinised by the levy payers who fund the BID. In particular the BID will need to ensure the correct arrangements are in place relating to membership of the BID body, board elections and annual reporting mechanisms. Typically the local authority will also be represented on the board.
13. The Welsh Government has supported the development of some BIDs in Wales, as a key component of its commitment to encourage economic development and to deliver its new regeneration framework, Vibrant and Viable Places.³
14. However, despite submitting two bids for support to the Welsh Government for funding, the City of Cardiff Council were unsuccessful in attracting Welsh Government funding to support the development of a

¹ <https://www.gov.uk/guidance/business-improvement-districts>

² <https://www.gov.uk/guidance/business-improvement-districts>

³ Welsh Government Business Improvement Districts Handbook

BID, and subsequently sought to identify internal funding to take forward the process.

15. The BID is complimentary to the Council's Corporate Plan aim to "*work with partners in the public and private sectors to create an environment which supports the development of new business and the growth of current businesses, as well as attracting inward investment.*" It also supports the Council's objective that "*Cardiff has more employment opportunities and higher value jobs.*"
16. The BID, in developing a based partnership to support improvement in the city centre, also supports the Council's Co-operative Council aspiration, and brings together stakeholders to help manage and improve the city centre environment.
17. There are currently eight BIDs in Wales covering areas in Swansea, Merthyr Tydfil, Newport, Bangor, Caernarfon, Colwyn Bay, Neath and Llanelli. Cardiff is also the only Core City in England and Wales not to have established a BID, and competitor cities are already benefiting from the additional investment. BIDs have also proven successful in those areas where they have been introduced, as outlined by a success rate of over 90% at renewal.⁴ There are now over 200 BIDs established across the UK.
18. Whilst the vast majority of BID ballots are generally approved there are still a number of areas where a positive vote was not achieved.

City Centre Management

19. Cardiff city centre is the commercial, retail and visitor heart of the Cardiff city-region and plays a vital role in the life and economy of South Wales. The city centre has seen rapid and substantial changes over the last decade, most notably through the completion of the St David's retail development and the pedestrianisation of St Mary Street, and supports tourism and a day time economy of over £1.2bn. The city centre also supports a night time economy worth £400m annually to the city.
20. The city centre has also seen an increase in residents living in the area in recent years and is now home to around 10,000 people.
21. The management and promotion of the city centre is critical to the city's economic performance. A Business Improvement District (BID) is a mechanism that has been recognised as being successful in bringing local businesses and other stakeholders together with the aim of improving their trading environment and enhancing their profitability.
22. The City Centre Management Arrangements Report taken to the Cabinet Meeting of 29 January 2014 highlighted the need to rationalise existing public and private arrangements in the city-centre and to establish a new approach which delivers both a strong private sector leadership role and

⁴ <http://www.rics.org/uk/news/news-insight/comment/making-a-bid-for-business/>

value for money for both the businesses in the city-centre and the taxpayers of Cardiff.

23. The City Centre Management Arrangements Report taken to the Cabinet Meeting of 29 January 2014 resolved to delegate authority to the Director for Economic Development in consultation with the Leader of the City of Cardiff Council, the Section 151 Officer and County Solicitor to:

- a) Work with local businesses in the development of a Business Improvement District Proposal for Cardiff City Centre, and to bring any proposal before a future Cabinet meeting for approval prior to the ballot taking place.
- b) Undertake a detailed review of the Council's City Centre Management related functions with a view to creating a new approach in partnership with the private sector which consolidates activities and spend, and to report back to a future Cabinet meeting with options for consideration.

24. Subsequently MOSAIC, a company specialising in the development of BIDs, were appointed in March 2015 following a competitive process to work with the city centre business community to develop a proposal to take to ballot. An initial Task Group was formed to represent city-centre stakeholders. This group comprised members of the business community, as well as other stakeholders including the Council and Police.

25. The Task Group members comprise:

- Simon Phillips - Marks & Spencer & Task Group Chair
- Marie Fagan - Hilton Hotel & Task Group Vice Chair
- Cliff Vanstone - John Lewis
- Natasha Williams - S.A. Brain
- Nick Newman - Brewhouse / Cardiff Licensees Forum
- Bruno Nunes - Peppermint Bar / Independent Business
- Phil Sheeran - Motorpoint Arena
- Stephen Widnall - Rightacres Property Co Ltd
- Ken Poole – Head of Economic Development, City of Cardiff Council
- Paul Williams - City Centre Manager, City of Cardiff Council
- Nigel Griffiths - Chief Inspector South Wales Police
- Stephen Madeley - St David's Partnership
- Andrew Phillips - Castle Quarter
- Steven Salamon - Wally's Deli
- Neil Wicks - National Museum of Wales

Issues

BID Proposal and Business Plan

26. Throughout the summer and autumn of 2015 MOSAIC, led by the Task Group, consulted with business throughout the city centre to begin the

process of developing a business plan. This process involved face to face discussions, an online survey and events in the city centre where businesses could meet the Task group members and discuss plans for the BID.

27. The process was used to establish a number of key considerations, notably:

- The BID boundary map
- The proposed BID Levy
- Proposed areas of investment
- The BID Business Plan

28. Subsequently a summary business plan was developed, which is attached as Appendix A which includes a proposed BID boundary. It is proposed that all eligible businesses will pay a levy of circa 1% of the rateable value of the business. Smaller businesses with a rateable value of less than £25,000 will be exempt from paying the levy. It is possible for businesses that are exempt such as those below £25,000 in rateable value and those in sectors outside Retail, Leisure, Culture, Tourism, Office and Commercial to make a voluntary investment which entitles them to all the projects and services outlined in the Business Plan as well as full rights in the governance and management of the BID Company. Based on the 1% levy the estimated revenue for the Business Improvement District is £1.5 million annually.

29. The summary business plan highlighted three key areas for investment from the BID:

- Welcoming - Providing a Capital welcome that is cleaner, safer and greener
- Vibrant - That is lively, entertaining and easier to know about and to get to
- Influential - Business working better together, reacting quickly, with resources, whilst helping to reduce costs

30. In delivering these areas the BID proposes (but is not limited to) the following activities:

Welcoming

- Funding a dedicated cleansing and waste team to deal directly with business concerns; carry out tactical cleaning of frontages, doorways and hot spots that can quickly and efficiently target problem areas over and above those currently provided by the Council; and responding to business call outs and report/liaise with the City of Cardiff Council.
- Work with the City of Cardiff Council to ensure their cleansing and collection schedules support the needs of the city centre businesses.
- Support a team of uniformed BID-branded Cardiff Ambassadors. This team will provide a warm welcome to the BID area and provide information for visitors and businesses.

- Investment in the management of the evening and night time economy, and strengthen business participation with crime reduction partnerships and support new or improved business crime management initiatives.
- Provide additional planting and lighting initiatives and help install floral displays to achieve a more attractive 'softer' environment across the whole of the BID area.
- Work with Cardiff Business Safe to continue to grow the existing RadioNet Scheme.

Vibrant

- Invest in city centre entertainment and provide additional funds to support existing events that boost business and establish new events in current quiet periods.
- Work with the Principality Stadium, Stadium Events Group, Cardiff Council and tourism partners to ensure businesses have an open and positive input to the bidding, planning and management phases of major events held across the city centre. The BID would help coordinate a cross sector business group to discuss securing major events and commitments towards value for money, timing, frequency, impact and promotion.
- Work in conjunction with other partners to build on and add value to the Christmas season in Cardiff city centre.
- Ring-fence over £100,000 per year exclusively for supporting the priorities of independent businesses.
- Forge closer links between businesses, universities and colleges to build a greater understanding of how to create an exciting and appealing offer, to manage issues as they arise, and hopefully encourage more students to choose Cardiff and stay here once qualified.
- Work with businesses to establish a strong and viable evening economy that encourages people of all ages to stay in the city after work, or to visit the city more regularly in the evening.
- Working with the Council, transport and parking operators, the BID will seek to make it easier to access and to navigate around the city centre.
- Promote information about routes into the city.
- Support cyclists through improved secure facilities.
- Work with partners responsible for the place marketing and management of Cardiff and support a strategy to widen Cardiff's appeal to help promote to a wider audience beyond the immediate catchment area and into national and international markets. Key targets would be business tourism and conferences.

Influential

- Provide a collective voice for over 700 businesses and several sectors, and will communicate and negotiate with other key representative groups.

- Undertake research in to the key issues that affect businesses and to help influence city decision-making.
 - Lobby the City of Cardiff Council and other regional agencies on behalf of BID businesses.
 - Provide a focus point for strengthening business networks, communications, incubating new ideas and collaboration between all city centre businesses regardless of sector.
 - Work with local authorities and economic development agencies to assist them with attracting local, national and international investors.
31. More detail is available within the Summary Business Plan attached as Appendix A.
32. It is proposed that the BID ballot date (the final day of the ballot) will be 30 June 2016. In advance of the ballot a final Business Plan will be sent to all eligible voters within the city centre as well as the Local Authority. The final Business Plan will comprise an update to the Summary Business Plan to include further financial detail and to reflect the latest ratings list for the BID area.
33. In advance of this the BID proposer will also need to send the following information to the local authority:
- A copy of the BID proposal
 - Details on the consultation undertaken
 - The proposed business plan (including estimated cash flows, revenues and overall budget for the duration of the BID)
 - The financial management arrangements for the BID body
34. For the ballot to take place officers will need to confirm receipt of the above information.
35. On 21 April MOSAIC also wrote to the Council to confirm that the entire cost of holding the BID ballot will be covered by the BID Proposer and that this money is budgeted for, and that all potential levy payers and the Billing Authority will receive, before the ballot commences, BID Business Plan which sets out the BID Proposals, the consultation that has been undertaken and financial management details. A copy of this letter is attached as Appendix C.

City Centre Management

36. Recognising the importance of the city-centre the Council has a City Centre Management team who are responsible for dealing with issues within the city-centre, above and beyond the services provided by the Council across the city. The team is responsible for engaging with businesses, and acting as an interface between businesses and the Council. The team is also responsible for the delivery of specific city centre related schemes, including city-centre mobility schemes and the management of the night time economy.

37. In the Cabinet Report of 29 January 2014 it was identified that pressure on resources suggests that a new approach is required to maximise the effectiveness of city centre management. It was proposed that bringing together the current partnership groups as well as other stakeholders would help to maximise the efficiency of the overall city centre management functions and deliver more for the collective resources of all partners.
38. The Business Improvement District provides an opportunity to bring together key stakeholders in the city centre to maximise efficiency of decision making. In light of this it is proposed that the current City Centre Management arrangements are aligned with the proposed BID. 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. Under such an approach staff employed in City Centre Management would remain employed by the City of Cardiff Council. This arrangement would be reviewed after the first year of operation.
39. This approach is typical of other areas where City Centre Management roles are heavily integrated with the appropriate Business Improvement District.

Night Time Economy

40. One of the critical elements of city centre management is how the night time economy is managed. This was noted in particular in the March 2016 Scrutiny Report "How to reduce Crime and Disorder in the Night Time Economy in a time of austerity"
41. The Scrutiny Report noted that "The crux of this Inquiry is the unsettled picture of resources for managing the Night Time Economy in Cardiff and the impact that further cutbacks caused by austerity could have on the effectiveness of this process. The Inquiry has heard clear evidence that the status quo is positive, as demonstrated by views expressed re operational and policy mechanisms, detailed further on in this report, and by the reduction in violent crime and disorder in Cardiff city centre. However, the status quo has come about through flexible resource use which is no longer viable due to austerity cutbacks."
42. With particular reference to the role of the Business Improvement District the Scrutiny Report recommended:

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.

43. A Business Improvement District would provide a robust mechanism, with resource, to address issues raised by the Scrutiny Committee. Reflecting this Summary Business Plan includes numerous commitments to manage the night time economy.
44. In particular the BID Task Group have made a commitment to dedicate an equivalent amount or greater than would be collected through the Late Night Levy to contribute towards managing the night time economy. The BID Task Group, however, also outlined that this approach would be dependent on an exemption from any Late Night Levy (should this be sought to be introduced) from any businesses contributing to the BID.
45. Representatives from the licensees' community in the city centre raised some concerns over the prospect of committing to support the night time economy through the BID whilst also contributing through the Late Night Levy. Therefore, in order to secure the commitment of resources dedicated to the Night Time Levy the BID would seek assurances from the Council that any paying members of the BID would be exempt from any future Late Night Levy (should this be sought to be introduced) on the basis of the contribution outlined above.

BID Support

46. As part of the BID process the Council are required to undertake baseline service statements which set out current levels of service provision within the BID area for both statutory and non-statutory provision. These allow the BID Company to understand the level of services currently in place so that it can provide services and projects that are additional. These statements are not legally binding but do provide an outline of the commitment to provision of services.
47. The City of Cardiff Council will be the organisation responsible for collecting the BID levy and subsequently will incur costs to administer the collection. The council will charge the BID to cover the costs of these activities.

48. In order that the BID company can begin delivering projects it is proposed that a sum will be provided in advance of future payment of the Levy on the basis that this sum will be taken from future collections of the levy. This will enable the BID to begin delivering projects and services should the ballot be successful
49. The Council as the relevant billing authority will need to enter into an Operating Agreement with the BID which sets out the arrangements for collection, and distribution of the funds collected. This will set out the timing of the distribution of funds after collection. The costs of undertaking the collection will be recharged to the BID. A draft Operating Agreement is attached as Appendix B. The full operating agreement will be determined should a BID company be established.
50. Whilst many ballots are undertaken by the local authority, the Cardiff BID ballot will be undertaken by Electoral Reform Services.
51. If established, a board of directors will also be appointed for the newly established BID. Typically there is representation on the board from local government, though voting powers are limited by legislation to 20%. It is proposed that the Council's representative is the Director of Economic Development.
52. In the event of this arrangement being put in place the Director of Economic Development will also update local Councillors covering the area of the proposed BID on issues that will affect local residents.
53. In addition, and to reflect the growing resident population, the Director of Economic Development will also seek to establish formal links with resident groups to update them on City Centre management issues.

Reason for Recommendations

54. To establish the Council's position on the Business Improvement District, and if approved to outline the support provided.

Financial Implications

55. The attached report provides an update on the proposals to develop a Business Improvement District (BID) in the city centre and outlines the potential role and impact on the council, if businesses identified as potential bid levy payers vote to proceed with a BID.
56. The council has appointed consultants to lead on the necessary work required to develop the proposal, make the necessary arrangements to hold a ballot and in the event of a 'Yes' vote, assist with the implementation phase of the BID. The fee agreed (£93,776) as part of their appointment covers all support costs (including the ballot) and is fully funded from the council's revenue account. As part of their engagement the consultants have prepared a draft business plan, which sets-out how the BID will operate and the associated resource implications.

57. In the event that the ballot secures a decision to proceed, a non-profit BID company is to be established to oversee the delivery of the BID. The company will be fully resourced from the levy that it places on the BID area. The proposal indicates that the BID could generate around £1.5 million based on a levy of 1%. However, the BID Levy Rules are yet to be finalised and the actual levy collected will be impacted by decisions such as the way exemptions and discounts may be applied and the actual collection rate achieved.
58. The draft business plan allocates over 83% of the first year's levy to deliver project activities and initiatives, 14% has been earmarked to meet the BID company's operating costs, with the balance (just under 3%) set aside to cover contingencies. The sums allocated to each heading may need to be flexed as part of the process to fine tune the business plan i.e. once the final rating list is agreed and BID levy rules have been determined.
59. Within the BID area the council has a number of hereditaments and therefore it could become a levy payer itself. Based on the attached proposal the new BID Levy is estimated to cost the council circa £30,000 in the first full year of operation. The BID Levy costs will need to be met from within existing budgets of those service areas operating within the BID area.
60. The council will have a key role in supporting the BID company through the setting-up and management of a separate 'BID Revenue Account'. The council's Revenue Services will be responsible for billing, collecting and enforcement matters in connection with the BID Levy. In order to support this function specialist software will need to be purchased, installed and tested ahead of the agreed billing date. It is important that sufficient time and the appropriate level of resources are set aside to complete these critical tasks.
61. Detailed discussions have been scheduled to take place with the council's software suppliers in May. This should enable a detailed project plan to be agreed to implement the software required and also firm up on the costs involved. At this stage it is not certain that this software will be functional in time for the start of the BID.
62. The council and BID company's respective roles, responsibilities and obligations will be fully set-out in the Operating Agreement and associated schedules. A draft agreement is attached at Appendix B. It is understood that these arrangements are to be concluded on the basis that the council will be reimbursed all costs incurred in setting-up, operating and reporting on BID Levy matters. The final business plan will need to ensure that the resources set aside for 'Levy set-up and collection', reflect the agreed Operating Agreement.
63. The regulations provide that all BID income and expenditure is accounted for through a separate 'BID Revenue Account'. This includes amounts which remain outstanding following enforcement action, details of which

will be passed on to the BID company to consider as part of their debt management procedures. Therefore, the council will not be responsible for any deficits arising within the BID Revenue Account.

64. The BID Levy, as collected by the council, remains the property of the council and is ring-fenced for the specific purpose of the BID. Therefore, once the details relating to the BID company have been finalised (including the business plan and financial management arrangements), the Council will need to undertake a final review and satisfy itself that all the necessary arrangements are in place. The review will need to ensure that the governance structure is appropriate and robust accounting and reporting arrangements are in operation. The final business plan will need to demonstrate that income, expenditure and cashflow projections are in-line with the proposal and that VAT, taxation matters and audit requirements have all been factored in, as appropriate.
65. The proposal to exempt BID levy payers from any Late Night Levy scheme that may be introduced by the council in future will need to be considered as part of any future report brought to Cabinet on such matters.
66. Any request for an 'advance payment' of levy revenues will be assessed once the final business plan has been reviewed and the financial management arrangements are clearly understood. The cashflow implications associated with any advance and its subsequent repayment will need to be clearly set-out within the business plan.
67. The services of the City Centre Management Team as they relate to the activities of the BID company will need to be baselined and agreed through a service level agreement. The agreement will be based on the existing level of resources committed to the management of the city centre and therefore be contained within existing budgets. A further report will be presented to Cabinet following the ballot and the financial implications of any outstanding matters will need to be fully set-out within that report.
68. Once approved the BID Levy will operate for a term of up to 5 years after which a re-ballot is required to continue the BID Levy, otherwise the Operating Agreement will terminate.

Legal Implications

69. The establishment of a Business Improvement District is to be conducted in accordance with the Business Improvement Districts (Wales) Regulations 2005.

RECOMMENDATIONS

The Cabinet is recommended to:

- a) Note the receipt of relevant information relating to the proposed Cardiff Business Improvement District including a summary business plan and boundary
- b) Delegate authority to the Director of Economic Development to exercise the Council's vote in support of the proposed BID Ballot in respect of the hereditaments in the Council's ownership within the BID area subject to any detailed clarification of the information received being satisfactory and subject to no material change in the Summary Business Plan..
- c) 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 and to bring any agreement to Cabinet for approval.
- d) 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.
- e) 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 negotiate an advance to the BID company should the ballot be successful, and on the basis that any advance would be repaid through levy collection and paid within the current financial year and so that any proposed payment would be brought to a future Cabinet meeting for approval.
- f) 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 negotiate and complete a BID Operating Agreement on behalf of the Council.
- g) To nominate, should a yes vote be achieved, the Director of Economic Development as the Council representative to the board of the BID company.

NEIL HANRATTY
DIRECTOR OF ECONOMIC DEVELOPMENT
19th May 2016

The following appendices are attached:

Appendix A: Cardiff BID Summary Business Plan
Appendix B: MOSAIC Operating Agreement Template
Appendix C: Cardiff Ballot Authorisation Letter