

# **Cherwell District Council**

## **Council**

**16 October 2017**

### **Support for Banbury Business Improvement District (BID)**

#### **Report of Head of Strategic Planning and the Economy**

This report is public

#### **Purpose of report**

- A) To seek Council approval, subject to a positive ballot, for:
- a. Cherwell District Council to subsidise part of the annual costs of collecting the Levy on behalf of the BID within a budget ceiling for a maximum five-year period and for the Chief Financial Officer to make the appropriate arrangements;
  - b. Cherwell District Council to provide a bridging loan to the BID to support its establishment and for repayment to occur within a three-year period and for the Chief Financial Officer to make the appropriate arrangements.
  - c. Cherwell District Council to meet the costs of creating the BID Levy collection system and for the Chief Financial Officer to make the appropriate arrangements.

#### **1.0 Recommendations**

The Executive recommends to Council that a number of decisions are taken to prepare for the creation of the Banbury Business Improvement District (BID), subject to a positive 'yes' ballot of businesses. It is recommended:

- 1) That, subject to a positive 'yes' ballot of businesses and approval of budgets by Full Council, authority be delegated to the Chief Finance Officer in consultation with the relevant Lead Member to meet the actual one-off capital cost, estimated to be £20,000 to create the necessary collection system.
- 2) That, subject to a positive 'yes' ballot of businesses and approval of budgets by Full Council, authority be delegated to the Chief Finance Officer in consultation

with the relevant Lead Member to subsidise a proportion of the annual revenue costs to collect the BID levy for a maximum period of five years of £9,000 a year.

- 3) That, subject to a positive 'yes' ballot of businesses and approval of budgets by Full Council, authority be delegated to the Chief Finance Officer in consultation with the relevant Lead Member to provide a bridging loan of up to £50,000 to the Banbury BID to cover the set-up, operational and project costs in its start-up phase to be entirely repaid to the Council within three years. The loan would be subject to an appropriate legal agreement being entered into to govern the drawdown loan facility and all financial requirements being satisfied.

## **2.0 Introduction**

- 2.1 The Council was approached in 2015 by businesses in Banbury to support the establishment of a Business Improvement District (BID) in Banbury town centre.
- 2.2 In 2016, the Council agreed to fund the initial phase of work to prepare a BID for Banbury whereby a feasibility study established the level of business support. Of the 115 businesses responding, 74% were in favour of the BID concept being tested in a ballot, 19% were undecided and 6% were against.
- 2.3 Based upon the expressed business support, the Council agreed to commission the development of a detailed business plan and guiding the campaign through to ballot.
- 2.4 The Council has 15 properties, including car parks and bus station, or 'hereditaments' through which it is eligible to use some or all of its votes for or against the creation of a BID for Banbury.
- 2.5 The Council has been represented at each shadow BID Board meeting and open business forum by the Portfolio Holder for Estates and the Economy and/or officers.

## **3.0 Business Plan**

- 3.1 National regulations apply to the formation of a BID including the necessity for a detailed Business Plan to be produced. A draft business plan has been prepared and was launched at an open business forum on 6<sup>th</sup> September 2017. The draft business plan is available along with associated documents and information sheets at: <https://banburybid.com/information-bulletins/>
- 3.2 The draft business plan will also be sent to all eligible voters along with their ballot paper on 17<sup>th</sup> October 2017.

## **4.0 Levy Collection**

- 4.1 Whilst the Council has provided assistance and guidance to the shadow Board to support the creation of a BID for Banbury it must be led by businesses. The Council will be an active partner and will provide an agency role for the BID in the collection of the Levy from all appropriate businesses.

- 4.2 Following a successful ballot, the Levy will be collected annually by the Council from around 530 businesses (hereditaments), as a separate bill to the business rates.
- 4.3 The Council can choose to recover all, some or none of the costs of collecting the levy from the BID company. The Council propose to charge the BID Company the full cost of collection, but the Council is recommended to subsidise the Company's collection costs for a five-year period.
- 4.4 The initial capital cost and annual revenue costs (for 5 years) of collecting the Levy on behalf of the BID company has been estimated by Cherwell District Council as £24,000. This means that Cherwell District Council estimates it will cost £44 on average to bill, collect and enforce the levy from each of the 545 hereditaments within the BID boundary.
- 4.5 The British Retail Consortium (BRC), a significant representative group containing members such as M&S, Debenhams, Boots, Poundland etc, suggest to their members that a maximum of £35 per hereditament should normally be charged.
- 4.6 Given experience in other Districts, it is proposed to subsidise the BID Company via a grant payment up to maximum level for a fixed period to meet the difference. The reason for that grant subsidy is to reduce the risk of a 'no vote' by business and to assist a successful 'yes' vote.
- 4.7 It is proposed to pay a grant subsidy of £9,000 annually for 5 years to meet part of the levy costs.
- 4.8 The proposed subsidy to the BID company is based on the estimated costs and estimated revenue from the levy. The effect of this proposal ensures that the BID company will have to absorb any differences in the estimated cost of collection of the levy to the actual costs. Cherwell District Council does not bear any risks associated with this above the level of the subsidy.
- 4.9 If the BID is created, it will be for a five year term and this agreement reflects the challenge to the prospective BID Company in establishing itself during that first five year term. After the first year of operation, and in subsequent years, the BID would be reviewed with an expectation that the level of subsidy would reduce with the BID Company aiming to fully fund its own collection costs.
- 4.10 The cost of establishing the financial systems to run the billing required for the Banbury BID is additional to the current billing system operated by the Council. A one-off capital cost, estimated to be £20,000 is required to create the necessary collection system. This cost will only be incurred if there is a positive 'yes' ballot of businesses.
- 4.11 This proposal seeks to balance the Council's financial support needed for the BID to be approved by businesses, with scope to annually review and hopefully to reduce the cost to the Council of subsidising the collection. In proposing this financial support Cherwell District Council recognises that a successful BID operating in Banbury will bring significant wider economic and community benefits to the town from having an enhanced town centre.

## **5.0 Bridging Loan**

- 5.1 The current BID timetable anticipates that the result of the Banbury BID ballot will be known on 15th November 2017. If a positive 'yes' vote, this will provide the mandate for the BID company to be formed and be prepared for full operation from April 2018.
- 5.2 The BID levy would become a statutory debt upon businesses and carry a similar legal status to those relating to the payment of Business Rates. It is therefore proposed that the Council should provide a loan to the BID Company (if it becomes mandated by the ballot) to support the establishment of the BID company to support its initial establishment.
- 5.3 It is proposed that the bridging loan would be to a maximum of £50,000 and for it to operate on a 'drawdown basis'. This would ensure that the BID Company will only borrow funds that it actually requires (thereby minimising the debt which is loaded onto the company). The BID Company would be liable to make its own arrangements if it required any additional funds over the £50,000 which the Council makes available. It is considered that this would present a low risk, given that the BID Company's annual income is estimated to be over £200,000 from the BID levy.
- 5.4 The bridging loan would support the cost of set-up, operational and project costs of the BID from its establishment in November 2017 to the first tranche of BID levy income when BID levy bills are issued on the 1st April 2018. It is proposed that the loan agreement would contain a condition which provided that the repayments be deducted at source by the Council's Business Rates section from BID levy income.

## **6.0 Conclusion and Reasons for Recommendations**

- 6.1 The BID proposal for Banbury has progressed to its set timetable and has published its five year business plan as a basis for a ballot to be held on 14 November 2017.
- 6.2 Subject to a positive 'yes' vote, the BID will become operational from April 2018. Following the recommendations set out in this report, the Council will prepare its systems to collect the Levy and work with the BID to establish itself to contribute to the mutual objective of adding economic 'vitality' to central Banbury.
- 6.3 The recommendations of this report concern the amount of financial support to provide in the forms of a loan and annual subsidy. The recommendations to Council also seek delegation of decisions within previously approved budgets and approval for officers to cast a positive 'yes' vote on behalf of the Council to support the establishment of the Banbury BID for each of its hereditaments with the BID area.

## **7.0 Alternative Options and Reasons for Rejection**

### **7.1 Alternative Options:**

- To reduce or remove financial support in providing the bridging loan and/or subsidising the levy collection.

- To vote against the creation of a BID in the ballot via the Council's 15 eligible hereditaments

7.2 The above options are not recommended because:

- The establishment of the Banbury BID and the implementation of the business plan have been designed to strengthen the 'economic vitality' of the town centre.
- The draft business plan is sensitive to the costs of levy collection and aims to be set at the level set in other BIDs to reduce the risk of a 'no' vote.
- Without the proposed bridging loan the BID would be delayed in its creation and therefore in its delivery of action to strengthen the 'economic vitality' of the town centre.
- It would forgo the opportunity to support a project that has been led by the businesses of Banbury which has the potential to draw additional resources to actions to promote the town to the benefit of the town and its business community.

## 8.0 Implications

### Financial and Resource Implications

The successful introduction of a BID for Banbury stands to generate significant resources for the promotion of the retail heart of Banbury from local businesses, both directly through the Levy and also indirectly through the businesses contributing additional expertise, energy and other added value. This would all be in addition to the services provided by Cherwell District Council and its investment in, for example, the Castle Quay Two development.

The cost of the BID Levy for the 15 Council owned properties will be built into the budget for 2018/19 following a successful ballot.

Comments checked by:

Sanjay Sharma, Interim Head of Finance and Procurement. 01295 221564,  
[sanjay.sharman@cherwellandsouthnorthants.gov.uk](mailto:sanjay.sharman@cherwellandsouthnorthants.gov.uk)

### Legal Implications

There are no legal implications arising from this report.

Comments checked by:

Nigel Bell, Team Leader – Planning & Litigation  
tel. 01295 221687  
[Nigel.Bell@Cherwellandsouthnorthants.gov.uk](mailto:Nigel.Bell@Cherwellandsouthnorthants.gov.uk)

## 9.0 Decision Information

Key Decision -

Not applicable

## Wards Affected

Banbury

## Links to Corporate Plan and Policy Framework

This report directly links to all four of the corporate priorities and objectives set out in the Cherwell District Council Business Plan 2016-17 as follows:

- A district of opportunity
- Safe, green, clean
- A thriving community
- Sound budgets and customer focused council

## Lead Councillor

Councillor Lynn Pratt - Lead Member for Estates and the Economy

## Document Information

Appendix No	Title
None	Business Plan 2018-2023: Banbury Business Improvement District
Background Papers	
None	
Report Authors	Scott Barnes, Director – Strategy and Commissioning. Adrian Colwell, Head of Strategic Planning and the Economy. Steven Newman, Senior Economic Growth Officer.
Contact Information	<a href="mailto:steven.newman@cherwell-dc.gov.uk">steven.newman@cherwell-dc.gov.uk</a>