

Birmingham Business Improvement Districts

Update for

The Economy, Skills and Sustainability Overview and Scrutiny Committee

Introduction

As requested by the Deputy Leader and the Cabinet Member for Development, Transport and the Economy, this paper provides the Economy, Skills and Sustainability Overview and Scrutiny Committee with an update on the Council's work with BIDs over the last year. It has a particular focus on the proposed future operating model for the administration and collection of the BID levy which it is anticipated will be subject to a Cabinet Report in March.

Background

The council has been proactive in the establishment of a network of Business Improvement Districts (BIDs) across the city as a business-led approach to improving the management and marketing of the city centre and its local centres. The City played a leading role in the National BIDs Pilot and, in 2005; the Broad Street BID (succeeded last year by the Westside BID) became Birmingham's first BID as well as being one of the first ten BIDs in the UK. The replication of the BID model was unique to Birmingham and as result the city currently has 11 BIDs with a number having entered second terms and the potential for further growth. It is estimated that to date the BIDs have raised in excess of £20 million of additional private sector income that has been invested in enhancing their localities and so improving the environment for business and the local communities using the centres.

In establishing this network of BIDs, the Council has provided financial support (largely through external funding such as WNF) and considerable officer support. Such support through life of a BID has continued including financial support via the costs for the administration and collection of the levy being funded by the Council through the Policy Contingency Fund. This support both financial and officer resource has been in recognition of the value that the Council places on BIDs as a driver of the city-wide and local economies, as a vehicle for local management and a partnership between the council and local business.

Whilst this commitment to BIDs wholeheartedly remains it needs to be acknowledged that maintaining the historical level of support has been challenging given the Council's financial challenges and reductions in available staff resources.

Proposed future operating model for the administration and collection of the BID levy

As part of the Council's championing and support for a network of BIDs the Council has followed the principle that it would not charge for the costs associated with the administration and collection of the BID levies - under the current BID legislation the Council is responsible for this. These costs are covered by the Policy Contingency Fund forming part of the approval for each BID to progress to ballot.

The BID Regulations allow for “a reasonable” charge to be made for this service and the details of this service should be set out in an operating agreement between the two parties. It would appear that local authorities have taken different approaches including flat fee, percentage of income and cost per unit. There is also a mix in terms of local authorities recharging full costs, no costs and partial costs. The position is more complicated for Birmingham with more BIDs than any other local authority plus there being both city centre and local centre BIDs – with the latter by the nature of local centres having considerably lower income which is not in proportion to the collection costs if they have a lot of hereditaments.

British BIDs “Industry Criteria and Guidance Notes for BIDs” recommends “The costs of collecting the levy should be kept to an absolute minimum, or ideally should be at no cost to the BID. The Local Authority must have provided a detailed explanation of any administration costs to be reclaimed. Any such costs must be explicitly detailed. If charges are necessary, they should not exceed £35 per hereditament, or 3% of levy income, whichever is the lower.” However the British BIDs Nationwide Survey 2014 indicated that there are authorities that charge with costs above these. It is also not always apparent what costs such as IT and not just actual collection costs are being included.

The Council’s 2015/16 budget savings for Revenues included costs associated with BIDs that could be recharged. This was shared with the BIDs by officers who were tasked with engaging the BIDs on a future operating model. It was said that such a model should not undermine the viability of BIDs and that charges should be proportionate recognising that some BIDs (predominantly the local centre BIDs) receive a much smaller annual levy than others. As part of the dialogue, information on the costs incurred by the Council in the administration and collection of the BID levy were set out, discussed. From these discussions a number of key points emerged;

- The costs being incurred by the City Council for the administration and collection were high;
- As business –led organisations BID levy payers expect value for money and clarity on what they are paying for;
- The impact of recharging on BIDs with lower levels of income would be significant and affect their viability.
- Charges should be fair and proportionate
- BIDs were established through ballot with Council support that including the funding of the associated administration and collection costs and introduction of charges during a BID term would be very difficult to manage.
- There needs to be sufficient lead-in period from adoption of a new policy to accommodate planned BID ballots.
- The Council providing levy income in advance is seen as critical.

Whilst a future operating model was to be consulted upon the Deputy Leader advised that the Council was not proposing to introduce any form of charging within an existing BID term.

A paper taken to EMT in July proposed consultation on a charge of a cap of 5% income, based on the Council continuing to part fund the costs through the Policy Contingency Fund but using such funding on the principle of fairness and proportionality. This would be introduced for BIDs setting up

in 2017 – recognising that BIDs seeking renewals plan to go to ballot around 6 months ahead of the their end of term and have a 12 months lead into preparing for the ballot.

The consultation included a paper sent to all BIDs requesting feedback by the end of September, and a meeting with the Deputy Leader and the Cabinet Member for Development, Transport and the Economy to which all BIDs were invited.

As of the end of November four written responses were received; from Colmore Business District, Sutton Coldfield BID, Northfield BID and the Jewellery Quarter BID. However comments made at meetings with the BIDs were taken on board in the paper drafted on the consultation feedback. The key points were;

- The principle of recharging is accepted by some BIDs whilst others consider it is counter to the value that BIDs bring to the city and localities.
- Consistent message that if there needs to be a charge this should be reasonable.
- The proposed charging model is not considered reasonable generally by the BIDs - firstly as they consider the costs it is based on are high due to the Service Birmingham Revenues Contract, and secondly 5% is above the industry guidance of maximum of 3% of income.
- This would impact on BIDs ability to maintain their operating costs within 20% of total expenditure expected as an industry standard, and reduce their expenditure in local improvements. This could then impact on the ability of BIDs to secure a yes vote at ballot.

A paper on the feedback from the consultation was prepared and has been carefully considered by the Deputy Leader and the Cabinet Member for Development, Transport and Economy. Consideration has been given to the need for the Council to make financial savings balanced with the significant value that BIDs bring to their localities. The savings made by the Council through recent negotiations on the Revenues Service Birmingham contract have also been taken into account. Therefore the intention is that a future operating model would be based on charges capped at 3% of income in line with industry guidance from British BIDs. This will be subject to approval with report planned for March Cabinet. BIDs have been informed of this and are welcome to make further comments for inclusion in the Cabinet Report and these have been requested by February 29th.

Savings on the costs within the Service Birmingham Revenues Contract

Birmingham City Council contracted out its Revenues Service in April 2011; a detailed Contract is in place with Service Birmingham, clearly identifying what activities are to be provided, together with the costs for the service. This includes the billing, collection, recovery and enforcement of Council Tax, Business Rates and BIDs and runs until March 2021.

The charging for the first six BIDs - Broad Street, Colmore, Kings Heath, Erdington, Retail and Southside were included in the contract price for the provision of the Revenues Service. Where the City Council required Service Birmingham to provide for additional BIDs, and collect the BID levy, the Contract charged at an agreed cost per hereditament, per annum (subject to Indexation within the Agreement). When the Contract was negotiated it was agreed that the BIDs' administration would not be individually priced, particularly as they were in their infancy. The City Council wanted a

standard figure within the contract that was known, which ensured the City was protected and aware of the expected charges without having to wait for a separate assessment and change request each time – Revenues report that this has worked in BCC’s favour as the costs are coming out higher than is currently being charged.

It was agreed that set-up and on-going costs would be dealt with through the City Council’s Change Control Procedure, which requires that Service Birmingham prepare an assessment of costs through a change request which is fully evaluated by Revenues staff. The costs for each BID varies dependant on the system requirements and the number of levels and sub levels that need to be created and verified.

As a result of challenge and intervention Service Birmingham have reduced costs from their original estimates, and as a result of streamlining processes less time is needed to be spent on activities, which has resulted in reduced costs. However, issues such as redesign of bills, additional information, recovery letters, summonses, etc. all affect current practices and processes and have to be assessed and costed accordingly at the time of receipt.

The original workload for Service Birmingham IT associated with setting up and supporting new BIDs was considerable. However, Service Birmingham IT has since been able to automate some of this work and this has enabled a significant reduction in IT charges.

In addition the Revenues IT software supplier is providing an improved module to deal with BIDs. As previously reported, the BIDs database was a duplicate of the business rates database which necessitated double handling of all amendments, this additional handling of amendments lead to increased costs within the Revenues back office. (It should be noted that the original BID’s software was procured at a time when there was only one BID within Birmingham and as a pilot was no doubt in line with the requirements at the time and the potential for the growth of BIDs in the city was not foreseen). This too, in turn, has led to a reduction in the billing, collection and recovery costs for the BIDs.

The original Service Birmingham charges for the BIDs’ administration, billing, collection and recovery per annum for 11 BIDs was £344,838 (excluding IT set up costs). With the savings now secured from Service Birmingham this has reduced to £201,891. This comprises of a reduction from £199,100 to £108,900 for the annual IT costs and most recently from August 2015 a reduction in the collection costs from £145,738 to £92,991 with the cost per heridatment reduced from £35.80 to £17.90.

BID Ballots in 2016

In 2015 the city had three BID ballots; with yes vote for Westside (which followed on from the Broad Street BID) and Southside BID2, and a no vote for the proposed Lifford BID where an anti-BID campaign emerged during the ballot period.

In 2016 the city has five BIDs going to ballot – Acocks Green 2, Northfield 2, Sutton Coldfield 2, Erdington 3 and Retail 3. The local centre BIDs have all commissioned the same consultant to assist with their feasibility and preparatory work. The Council is working with all the BIDs on their

preparatory work and seeking a range of approvals including holding the ballot and voting yes - once the BID has evidenced local business support through their feasibility work. This requires work from a range of Council departments;

- Revenues providing data from business rates and collection costs
- Property Services information on Council ownerships and BID voters/payers
- Fleet & Waste providing baseline services as a draft MoU/SLA
- Highways providing baseline services as a draft MoU/SLA
- Legals and Revenues for draft Operating Agreement and data protection agreements
- Planning & Regeneration working with the BID on their ballot preparation and timeframe and seeking the required Council approvals through a Cabinet Member/Chief Officer Report.
- Elections Office and Planning & Regeneration for ballot arrangements with ERS.

Agreements between the Council and BIDs

From 2015 the Council has taken a new approach to the agreements required for management of the levy and establish baseline services. This replaces previous arrangements that attempted to bring everything into one agreement. The issue of establishing baseline data across multiple BIDs and services became increasingly complex as the information could not be gathered at local level plus there was growing concern that services could be subject to funding cuts. The challenge to the Sparkbrook and Springfield BID outcome was made on a number of points but upheld by DCLG on only one - the lack of information on baseline services.

To assist local authorities with this issue and give clarity to BIDs, British BIDs has set out guidelines which the Council is following. This requires the following draft documents to be available on their website before the ballot period.

- Operating Agreement
- Highways SLA
- Cleansing SLA
- Police SLA – arranged directly between the BID and police

Draft new Operating Agreements have also been prepared for current BIDs and are currently under discussion. Final Operating Agreements will need to be signed by all BIDs to allow new Data Sharing Agreements to be issued. This is to comply with legislation for all Council services that share data within services or with the private sector.

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