



**Executive**  
23 May 2011

## **Report from the Director of Regeneration and Major Projects**

For Action

Wards affected:  
Alperton, Stonebridge

### **Proposed Park Royal Partnership Business Improvement District**

#### **1.0 Summary**

- 1.1 This paper informs Members of Park Royal Partnership's intention to ballot eligible businesses within the Park Royal industrial estate for the establishment of a Business Improvement District (BID) anticipated to take place on 30<sup>th</sup> June 2011. The paper includes background information about the BID, the progress Park Royal Partnership has made to date and outlines the implications for the Council.

#### **2.0 Recommendations**

- 2.1 It is recommended that the Executive:
- 2.2 Notes that an 'industrial' Business Improvement District (BID) is being proposed in the Park Royal area across three boroughs: Brent, Ealing and Hammersmith and Fulham.
- 2.3 Delegates authority to the Director of Regeneration & Major Projects, in consultation with the Director of Finance and Corporate Resources, to decide whether to approve the Park Royal Partnership BID proposals and business plan such that a ballot will be held.
- 2.5 Notes that the Park Royal Partnership has asked the three Councils to run BID ballots on 30th June 2011 and that the cost of running the ballot to be funded by the three Local Authorities, is estimated to be less than £3,000 in total.

- 2.6 Notes that it is proposed that the three ballots be run by Ealing and that the Council's Returning Officer proposes to appoint Ealing to undertake the ballot on behalf of the Council
- 2.6 Delegates authority to the Director of Regeneration and Major Projects, in consultation with the Director of Finance and Corporate Resources the power of veto in respect of the ballot including the authority to exercise such power should those Officers consider such action appropriate
- 2.7 Authorises the Head of Revenue & Benefits to establish and administer the BID revenue account and to provide for the introduction, administration, recovery and application of the BID levy in accordance with the BID Regulations in the event that the Park Royal BID successfully proceeds at ballot.
- 2.8 Delegates authority to the Director of Regeneration & Major Projects in consultation with the Director of Finance and Corporate Resources to complete any necessary legal agreements and other arrangements required for the operation of the BID Levy, BID ballot and service arrangements including the Baseline and Operating Agreements with the newly formed BID company should the ballot be successful in June.

### **3.0 Detail**

#### **3.1 Background**

- 3.1.1 Park Royal Partnership (PRP) was formed in 1992 to promote economic sustainability on the Park Royal industrial estate that falls within the three local authority boundaries of Brent, Ealing and Hammersmith and Fulham. It supports the estate and its businesses through the development of a sustainable business environment and activities to encourage business growth. Twenty-five per cent of the businesses on the estate pay a membership fee to PRP for their services.
- 3.1.2 The organisation's aims and activities have generally been in alignment with Brent Council's own regeneration priorities. In recognition of this, the Council made a modest annual financial contribution to the PRP, between 2007 and 2009, the Council's Regeneration team worked with PRP to deliver a £7.9 million London Development Agency (LDA) Area Programme covering Park Royal and Wembley to achieve employment, business start up and business growth outcomes.
- 3.1.3 However, following the well documented reduction in public funding for regeneration programmes, including the end of most LDA programmes and the withdrawal of Local Authority financial support, PRP are facing an unprecedented and unsustainable reduction in their revenue. The organisation has significantly reduced its workforce and streamlined its activities but it now needs to identify alternative funding streams to continue to support economic growth, inward investment and improvement of the public realm in the Park Royal industrial estate. PRP views the creation of a Business Improvement

District (BID) as offering the most sustainable solution to meeting these needs.

- 3.1.4 PRP has been provided with some financial “seed funding” support from the LDA to launch a BID proposal for local businesses with the intention of moving directly to a formal ballot on 30th June 2011.

### 3.2 **The Business Improvement District**

- 3.2.1 A BID is a special purpose organisation set up by business ratepayers to commission projects which will lead to improvements in their local trading environment, funded through a local increase in business rates. The funding cannot be used to support or pay for services already provided by the public sector, is ring fenced locally and can only be used to commission and deliver projects or services demanded by local companies. It is an arrangement under which local businesses plan how to improve their own business and trading environment. Businesses identify projects or services that will add value and agree on the level of funds which they will pay to make it happen. The duration of the BID is not more than five years.

- 3.2.2 Since 2004, over 30 commercial and industrial areas have voted for a BID in their locations. Another 100 BIDs are in the pipeline in the UK. In the BID areas that have gone to a vote in the UK there has been an average turnout of 60 per cent with 75 per cent voting in favour.

- 3.2.3 The proposed Park Royal BID will cross the three London borough boundaries of Brent, Hammersmith& Fulham and Ealing and the extent of the area is shown in the map attached as appendix 1. There are currently no BIDs in Brent although both Ealing and Hammersmith and Fulham Councils have successful BIDs operating in their main town centres. However, there are only two cross boundary BIDs in operation across England to date and none that have covered three different local authority areas.

- 3.2.4 PRP has identified six key benefits for the establishment of a BID within the industrial estate and these are outlined below:

1. The Park Royal BID will be set up and governed by a board of locally elected Park Royal business leaders.
2. All businesses, other than those in small premises, will make a contribution into a ring fenced fund to spend within the Park Royal estate. A BID empowers businesses to take control and shape the future of Park Royal by determining what action needs to be taken to maintain the area's competitiveness and to ensure its sustainable growth.
3. Collective investment will enable cost savings to individual businesses within the BID area, e.g. through group purchasing.

4. All projects undertaken by the Park Royal BID company will be additional to existing public services. The objective of the Park Royal BID is to improve service delivery for the benefit of businesses.
5. A real business voice will be created to influence change in the Park Royal BID area. The BID will become the link between local businesses, the three boroughs, London Government and other public sector stakeholders. This will ensure that the needs of businesses are heard.
6. A Park Royal BID significantly increases the chances of securing additional funding in order to provide for example, support to business start-ups, training and infrastructure projects.

### **Governance**

- 3.2.5 A steering group has been formed to oversee the development of the BID prior to the formal ballot in June. The group is lead by the Acting Chief Executive of Park Royal Partnership and includes representation from the three boroughs and fifteen businesses. The group meets monthly.
- 3.2.6 This group has taken decisions as to the eligibility criteria to vote in the ballot, has overseen an extensive consultation process with businesses on the estate to gauge voting intentions and is informing the development of the BID business plan.
- 3.2.7 If the BID ballot is successful a new BID company would be formed. This would be owned by the business ratepayers and controlled by them through an elected Board of Directors. A small team would be employed to run the company and undertake the work set out in the business plan, including a part time director and one full time project manager. The BID would be in place for a period of five years after which another ballot would take place.
- 3.2.8 The Board of the BID company would be made up of 12 members, including a Chair. This would include 11 representatives of the levy payers and the executive Director of the BID company. Board members would be chosen by secret ballot conducted by the BID company. Each Board member would serve a term of three years. Each local authority would be granted a place as an observer.

### **Business eligibility and the ballot**

- 3.2.9 For the ballot to be successful in Park Royal, there needs to be a majority vote on the turnout. This means at least 51% of the eligible turnout voting in favour of the BID. Following BID regulations, a separate ballot has to be under taken in each of the local authority areas. However it has been agreed that Ealing Council will undertake the management of the process on behalf of both Brent and Hammersmith & Fulham Councils.
- 3.2.10 There are an estimated 2,500 business within the Park Royal boundary with a National Non Domestic Rateable (NNDR) value of £136million per annum. Park Royal has decided to hold the ballot on the basis that a one per cent levy would apply for businesses within the BID area. In line with other BIDs, and to

minimise the fiscal impact on smaller businesses, the BID company will introduce a threshold under which businesses do not need to contribute. This threshold is set at a rateable value of £50,000 per annum.

3.1.11.1 Applying this rule, the number of companies eligible to vote in the ballot is reduced from 2500 to around 600.

3.2.12 It should be noted that businesses on the estate occupying more than one property, each with a rateable value over £50,000, will be allowed a vote for each of these properties and yet they will be subject to a levy cap as detailed in section 3.2.16 below.

3.2.13 The BID regulations allow for a 28 day challenge period after the ballot on specific grounds of “material irregularity”. A BID proposer, at least 5 per cent of the voters or the billing authority, can write to the Secretary of State to request him to declare a ballot void.

### ***BID Revenue***

3.2.14 The draft business plan states that the total net revenue to be raised from the levy is estimated at £975,000 per annum. This is based on a total rateable value of all eligible properties of £130m, a levy rate of 1%, less adjustment for multiple premises, a cap on the maximum payment and potential non-payment. Within the Brent boundary of Park Royal there are 264 properties with a rateable value of £50,000 or more, raising £509,469 of the total revenue each year. The levy rate of 1 per cent is on the rateable value, not the actual bill, which would increase by around 2.25 per cent (up to the £1million rateable value). It should also be noted that properties with a rateable value of over £55,000 already pay an additional 2p in the pound levy to fund Crossrail.

3.2.15 It is planned that the levy be increased each year by two percent or CPI, whichever is the lower, in order to maintain the value of the levy in real terms, ie the levy would rise to 1.02% in the second year.

3.2.16 Businesses occupying premises with a combined rateable value of £1m to £2.5m will be subject to a cap of £10,000. Thus a business with three premises, valued at; £500,000; £625,000 and £75,000 will pay a levy of £10,000, rather than £12,000 which is the equivalent of 1% on £1.2m. For those businesses occupying premises with a rateable value greater than £2.5m will be subject to a cap of £20,000.

3.2.17 An outline budget is included within the draft business plan that indicates that only 10 per cent of the revenue is planned for management and administration and a further 10 per cent for contingency. Working from this budget, it is questionable whether the budget is large enough to cover the levy collection charges by each of the local authorities (Brent's estimate alone is over £17,000). This will be clarified with the Park Royal team.

### ***The business plan - key themes and activities***

3.2.18 Prior to the ballot taking place, a BID business plan will need to be sent to the businesses so that they are clear on the basis on which they are voting and

are able to make an informed decision. The business plan will not be specific to Brent and will cover the BID area in its entirety.

3.2.19 The business plan will set out the key activities to be undertaken by the BID company, governance arrangements and budget breakdown. It will also include the Operating and Baseline Agreements for each Borough.

3.2.20 The activities undertaken by the BID are still to be confirmed and therefore the business plan is still some-way from being finalised. However, two recent phases of consultation with businesses eligible to vote on the estate have revealed a number of key areas of need to ensure Park Royal retains and enhances its position as the industrial heart of the capital. These include:

- Security - Install extra lighting in vulnerable areas,
- Transport - Improve access for goods vehicles, measures to unblock traffic flow.
- Environment - Provision of recycling services, provision of alternatives to car use.
- Area Management - Graffiti and fly tipping removal services.
- Value Added Services - Marketing and promotion of Park Royal to attract investment.

3.2.21 It is proposed that PRP will develop alternative measures to continue a high level of engagement with what would predominantly be a large Small to Medium Sized Enterprise (SME) business community on the estate to ensure consultation and improvement planning is inclusive and reflects the collective needs of the area for all organisations trading in Park Royal.

3.2.22 However, there is no further detail at this stage and the final business plan does not need to be sent to eligible voting businesses until 42 days prior to the ballot. As a result, there will not be sufficient time to bring the final business plan to the Executive for final approval by the Council. Under these circumstances, it is requested that the Executive delegate final approval of the proposals and business plan to the Director of Regeneration & Major Projects in consultation with the Director of Finance and Corporate Resources who will then inform the Executive of the decision.

### 3.3.0 **Progress to date**

3.3.1 Brent Council, along with both Ealing and Hammersmith and Fulham Councils have been providing support for the development of the Park Royal BID since September 2010.

3.3.2 Brent Council is represented on the BID steering group by the Head of Regeneration Policy. Attendance at the group by the businesses has been fairly low although written responses are made by some of the non attendees to specific questions that are raised by PRP.

- 3.3.3 Consultation has been carried out with all local businesses within the proposed BID area. This has included information events about the BID, steering group members speaking directly to businesses about the potential benefits of the BID and two postal surveys to gauge voting intentions and understand the needs of businesses on the estate.
- 3.3.4 As of April 2011, 78 responses had been received from businesses within the Brent boundary of the BID with 54 per cent stating they would vote yes in a ballot. It should be noted that the response rate only represents 37 per cent of the eligible Brent votes. However, if the ballot proceeded on this basis with fifty-four per cent of the turn out voting in favour, then the BID would proceed in Brent.
- 3.3.5 As mentioned, PRP are currently in the process of developing a detailed business plan upon which they will base the BID manifesto. It was originally intended that this business plan would be presented within this report so that Members would be fully informed about the proposed future BID activities and its impact on the Brent part of the industrial estate and businesses. An outline of the key themes for activities has been outlined in section 3.2.20.
- 3.3.6 With regards the ballot, each local authority has submitted details of all organisations liable to business rates - National Non Domestic Rates (NNDR) and occupying premises within the BID area with a rateable value of at least £50,000 who are eligible to vote and pay the levy, to the London Borough of Ealing. PRP are working with each borough to establish both a series of baseline agreements, an operating and complementary services agreement. These are outlined in more detail in section 3.4 below.

#### 3.4.0 **Involvement of Brent Council**

3.4.1 As well as attendance at the steering group, the Council has a number of formal roles that it needs to undertake to develop the BID and ensure it is able to operate throughout its five year lifetime. These include:

- Providing data for the baseline agreement and assisting with other aspects of all legal agreements, such as the operating agreement and complementary services agreement;
- Approval of the BID proposal;
- Managing and carrying out all aspects of the BID ballot;
- Billing and collection of the levy.

Each of these roles, and their implications for the Council are explored in more detail below.

#### 3.4.2 **Baseline Agreements**

The baseline agreement covers the existing services provided by Brent Council in the Park Royal area and will detail the additional services provided by the BID company that must be over and above those already provided by the Council. Templates of current baseline services have been completed by

each of the relevant service areas within the Council including Streetcare and Highways Maintenance and are awaiting sign off by PRP.

The final agreement will need to accommodate any changes to the level of service provided by the Council, particularly in light of budget and service reductions over the anticipated five years the BID is in operation.

#### **3.4.3 *Operating Agreements***

This agreement will set out and ensure that there is an effective ongoing relationship between the BID company and Brent Council in terms of collecting and enforcing payment of the BID levy to the BID.

The Council's Legal team shall review the Operating Agreement template so as to ensure it reflects the specific requirements of the Park Royal BID.

The final agreement will also need to closely reflect the agreements drawn up in the other two boroughs to ensure there is consistency of approach with regards levy collection rules within the BID area.

#### **3.4.4 *Approval of the BID proposal***

The BID requires formal approval from the local authority before the ballot can take place. In considering the BID proposal, Brent Council will need to consider; the proposals; details of the consultation that has taken place with those liable for the levy; the business plan; financial arrangements including estimated income and expenditure over the duration of the BID and contingency margin and; whether the BID proposer has sufficient funds to cover the ballot costs. If there is a no vote, the Council is able under the BID Regulations to claim back the costs of holding the ballot from the ballot proposer.

As mentioned earlier, at this stage it is felt that the Council has insufficient information available, not least the fact that there is no final business plan, from PRP to be able to ask the Executive to formally approve the BID proposal at this stage.

#### **3.4.5 *Managing and carrying out the ballot***

It is proposed that Ealing Council undertake the ballot on behalf of Brent and Hammersmith & Fulham Councils. There will be three separate ballots held in each of the local authority areas.

The Revenue and Benefits team have worked with the Council's GIS team and Electoral services to produce a list of all properties within the defined BID boundary that have a rateable value of £50k and above, including the main rate payers' names and addresses. This information was passed to Ealing Council at the end of March 2011.

The ballot will cost the Council a share of £3000 between the three eligible boroughs. Under the BID Regulations, the Council is obliged to pay the ballot costs. However, as mentioned above under paragraph 3.4.4, if a no vote is returned the Council is able to claim these costs back.



### **3.4.6 *Billing and collection of the levy***

This aspect needs to be agreed and set out in the Operating Agreement and as explained, the Council is currently waiting on information from Park Royal to progress this. If the BID ballot is successful, it will be the responsibility of the Council to collect the additional levy and ensure this is incorporated into the existing business rates collection system. There will be an expectation that the BID bills will be sent out as soon as reasonably possible after securing a successful ballot in order for the BID company to start receiving funds. A BID revenue account needs to be set up within Brent Council and regular transfers made into the BID's bank account.

The Revenue and Benefits team have already entered discussions with Capita to extend their current NNDR service to collect the additional levy in Park Royal on behalf of the Council. While the detail of the agreement will need to set out in the Operating Agreement, Capita are able to undertake the work for an annual cost of £17,050 per year. While this does include set-up costs, it clearly does not include Brent Council staff resource from Revenues & Benefits or from Finance to manage the accounts and bank reconciliation which together could add a further £2000 . These costs are fully recoverable from the Park Royal BID company.

The Council will need to maintain a list of payment and non-payment and make this available to the BID company and will also need to monitor changes to the property database and advise the BID company of any amendments.

## **3.5 Benefits of the Park Royal BID**

- 3.5.1 As well as the six key benefits highlighted in section 3.2.4, the Park Royal BID, if successful, could provide a number of opportunities for both Brent Council and the area as a whole.

For example, the BID would almost guarantee a self sustaining future for the management and improvement of the Park Royal industrial estate as it would no longer be dependent on grants from Government or the Local Authority.

- 3.5.2 As the BID would be owned and driven by the businesses themselves, the BID company is likely to be more effective, both in terms of costs and actions, at implementing change in the area that addresses real business need. This can only be positive for the industrial estate and has the potential to attract more businesses into the area at a time when this is will become increasingly important for the Local Authority.
- 3.5.3 The establishment of BIDs are encouraged by the current Government and the Park Royal BID could therefore be an effective mechanism and lobbying voice to attract more Government funding into the area. There are few business-led lobbying groups within Brent and if the relationship with the BID company is managed well, could become an important partnership for the Council.

## **3.6 Issues to be considered**

While the benefits of the proposed BID are undeniable and contribute to the wider regeneration of the Borough, the Executive need to be aware that there are a number of issues that need be considered before Council approval of the final business plan is granted, not least the fact that an Operating Agreement has yet to be developed and agreed between Brent Council and the Park Royal BID team. These include:

- As the Council's funding regime is likely to become increasingly dependent on business rates, the Council needs to consider the impact of the additional levy. If not managed well and ratepayers do not see any tangible benefits within a short period of time, the BID could have a detrimental impact on the general collection of business rates particularly if businesses struggle to distinguish between the business rates and the additional levy.
- There has never been a BID that covers three borough boundaries. There needs to be careful consideration as to how the BID company will manage three different service levels within the estate and manage business expectations. For example, the street cleaning service in Hammersmith & Fulham could be undertaken less frequently than in Ealing but how would business in the Ealing boundary feel if part of their levy pays for additional street cleaning in Hammersmith & Fulham?
- With one generic business plan, how will the BID company ensure their business plan has a positive impact for each of the levy payers and addresses the issues that are pertinent to the individual's business across borough boundaries? Again, the issues facing a ratepayer in the Alperton area could be very different to those in Hammersmith & Fulham.
- There is a very real possibility that a no vote could be returned in Brent. The consultation results show that only 54 per cent of eligible businesses in the Borough will vote yes with a significant proportion undecided. Again, this could pose a reputational risk for the Council that will need to be carefully managed through communications with the business community. There is a possibility that some businesses may perceive the BID to be led, or at least strongly supported, by the Council.
- There needs to be more information provided to outline how the SME businesses on the estate will be consulted on an ongoing basis throughout the lifetime of the BID. The BID company will need to demonstrate how the needs of the SME community will be addressed as they form a substantial proportion of the ratepayers on the estate.

## **4.0 Financial Implications**

- 4.1 It is anticipated that the costs of running the PRP BID ballot will be less than £3,000 and, in accordance with legislation, responsibility for funding these costs falls to the local authorities involved. As the proposed Park Royal BID crosses three local authority boundaries, Ealing, Brent and Hammersmith and

Fulham, it is proposed that any ballot cost be split between the three local authorities. Brent's share of the ballot will need to be met by existing budgets

- 4.2 The Council will need to establish a BID Revenue account and will be responsible for the collection of the BID levy and enforcement of payment. Under legislation, the Council is able to claim back all administrative and enforcement expenses from the BID company. The estimated costs associated with this are anticipated at just under £20,000 a year and more detail is given in section 3.4.6.
- 4.3 The Council would pay over to the BID all amounts actually collected from the levy, rather than the notional amount due, less the administrative and enforcement expenses chargeable to the BID. The Council would not be responsible for any uncollected amounts or liable for any additional costs or losses in recovery. This will be explicit within the Operating Agreement.

## **5.0 Legal Implications**

- 5.1 The Local Government Act 2003 sets out the legal framework for setting up and operating a BID. The Business Improvement Districts (England) Regulations 2004 ("the BID Regulations") provide details of precisely how BIDs should be set up; they detail the voting procedures, the conduct of the ballots, the application of the veto, the revenue arrangements and other issues needed to enable the BIDs to operate successfully.
- 5.2 The Local Government Act 2003, made reference to the possibility that the Government would regulate for 'joint arrangements' where a BID crossed a local authority boundary. However, the BID Regulations did not deal with these joint arrangements explicitly. The Department for Communities and Local Government advise that the arrangements should be treated as individual BIDs within each local authority area. Therefore, separate ballots must be organised and the BID proposal must provide information split by borough and take account of the possibility of only winning in part of an area. In addition, separate BID Revenue accounts would need to be set up for each borough operating a portion of the BID.
- 5.3 The Regulations provide that before a ballot is held the proposer (in this case PRP) must provide the Council with a variety of documents relating to the proposal. The local authority must consider the BID proposal to ensure that it meets the requirements of the BID Regulations prior to issuing the notice of ballot. The Regulations also provide that the Council can veto the proposals after the ballot on two grounds only:
- (i) that the BID arrangements are likely to conflict to a material extent with any policy formally adopted by the Council; or
  - (ii) the BID arrangements are likely to place a significantly disproportionate financial burden on any person or class of persons compared to other non-domestic ratepayers in the geographical area of the BID through manipulation of the geographic boundary or by the structure of the BID levy and that burden is inequitable.

- 5.4 The BID Proposal becomes legally binding once approved by ballot and becomes the framework within which the BID will operate. An Operating Agreement is entered into between the BID and the Council governing how the BID levy monies are collected, administered and passed over to the BID. Where a BID proposes to use its levy to supplement existing services, BIDs enter into baseline agreements with the Council and other third party providers (as the case may be) to ensure that any services the BID provides are additional to those that the Council currently provides in the BID area.
- 5.5 There are provisions in the Regulations enabling the Council to terminate a BID in prescribed circumstances including where the BID authority has insufficient funds to meet its liabilities, and where the Council is unable due to any cause beyond its control, to provide the services needed for the BID to continue.

## **6.0 Diversity Implications**

- 6.1 An INRA has been completed for the proposed BID by Brent Council. However, at this stage no diversity information relating to the businesses to be balloted has been made available to the Council.

## **7.0 Staffing & Accommodation Implications**

- 7.1 The Council needs to be aware of the additional resource in terms of staff time that the BID may consume. This will have a particular impact on Revenue and Benefits staff in relation to setting up and administering the Capita contract. It is also likely that through the Operating Agreement, Revenue and Benefits/Finance staff will have to attend at least two operating meetings a year to review the effectiveness of collection.

### **Background Papers**

Appendix 1: Map of the Park Royal BID boundary

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