

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
1 September 2015

**Subject:** DALTON BUSINESS IMPROVEMENT DISTRICT (BID)

**Sowerby and Topcliffe Wards**  
**Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson**

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 At Cabinet on the 7 July 2015 the Authority agreed to offer a secured loan of up to £1.5m on commercial terms to the businesses at Dalton for the purpose of financing the Dalton Highway and Bridge Scheme and repaid for through business rates growth.
- 1.2 The purpose of this report is to seek approval for the Dalton Industrial Estate Business Improvement District (BID), agree that the £1.5m loan is funded from the Economic Development Fund Reserve and seek approval for expenditure from the Economic Development Fund to cover the cost of legal fees in setting up the loan agreement.
- 1.3 A detailed report covering the statutory roles and responsibilities of Hambleton District Council in relation to Business Improvement Districts is also being presented as a separate report to Cabinet on the 1<sup>st</sup> September 2015.

### **2.0 THE DALTON BUSINESS IMPROVEMENT DISTRICT:**

- 2.1 On the 22<sup>nd</sup> June the Chair of The Dalton Steering Group, Jeanne Bianco, wrote to the Secretary of State giving notice, as required by regulation 3(2) of the Business Improvement District (England) Regulations 2004, of the Dalton Industrial Estate Business Groups intention to submit a BID proposal for the Estate to HDC.
- 2.2 The principles of the BID Business Plan, yet to be balloted and approved, are as follows:
  - A basic levy of 5% of the rateable value will be charged for all hereditaments within the BID geographical boundary, although discussions are still ongoing on this point and will be dependent on the final out-turn costs for the scheme.
  - The BID will commence on 1<sup>st</sup> April 2016 and will be in place for 5 years.
  - The sole objective of the BID Business Plan is to deliver a new road and bridge to overcome access and egress issues caused by flooding.
  - There are 28 businesses within the geographical boundary which covers the whole of Dalton Industrial Estate and businesses along part of Dalton Lane.
  - The BID is expected to generate revenues of almost £200,000 p.a. giving £1,000,000 over the 5 year duration of the BID, although this will be dependant on the final levy charged.
  - Management of the BID will be via the Dalton Industrial Estate company which will be a private company limited by shares.
- 2.3 The regulations set out a clear timetable and programme of activity for all parties involved. For the businesses a key objective is that the BID ballot takes place in December 2015, such that certainty about capital financing is fully understood before having to sign the contract for construction in March 2015.

2.4 The key milestones the businesses are currently working to for the establishment of a BID are as follows:-

Dalton Steering Group sign off Final Business Plan	28 August 2015
Approval of Dalton Bridge proposals by Billing Authority (HDC)	1 September 2015
Approval by Billing Authority (HDC) for Electoral Services to hold ballot	1 September
Publication by Electoral Services to hold Ballot	26 October 2015
Ballot Day	14 December 2015
Publication of the result	15 December 2015
BID start date	1 April 2016

2.5 In addition to delivering the basic road and bridge improvements to overcome flooding, the businesses also wish to consider future proofing the Dalton Lane / Eldmire Lane junction to facilitate increased traffic growth. This would be done through a junction upgrade and widening of the proposed bridge and requirements have been included within the design tender documentation.

2.6 In terms of the decisions required from the Council in relation to the proposed Dalton BID:

- The authority needs to satisfy itself that the Dalton BID proposal does not conflict with any existing local authority policy nor propose a disproportionate burden on particular businesses by way of an unfair levy charge on a certain 'class' of levy payers, for example by an inappropriate manipulation of the BID boundary. The Dalton BID Business Plan has been reviewed by officers of the Council within Corporate Finance to fulfil this responsibility.
- The Council as the Billing Authority must appoint a Ballot Holder and it is recommended that approval is given to Electoral Services to run the Dalton BID ballot.
- The Council have the option of charging the BID for administration of the levy and it is recommended that for the Dalton BID the charges incurred by the Council to collect the levy are waived.

### 3.0 **LINK TO COUNCIL PRIORITIES:**

3.1 A key strategic priority for the Council is driving economic vitality. Unlocking the growth potential of Dalton Industrial Estate through key infrastructure will have a direct and positive impact on employment and business growth in this area which is recognised by the Council as a prime location for businesses and employment. The project is identified in the Hambleton Economic Strategy – A Place to Grow, for delivery under the priority theme 'Driving Growth'.

### 4.0 **RISK ASSESSMENT:**

#### 4.1 **Risk in approving the recommendation(s)**

Risk	Implication	Prob*	Imp*	Total	Preventative action
The costs of preparing the loan agreement and HDC administration charges to collect the new BID levy result in additional costs to a scheme where affordability is a key issue.	Scheme costs escalate and become un-affordable for the Dalton Businesses	3	5	15	HDC covers the cost of establishing the loan agreement and covers the administrative charges.

#### 4.2 The key risk is in not approving the recommendation(s) as shown below:-

<b>Risk</b>	<b>Implication</b>	<b>Prob*</b>	<b>Imp*</b>	<b>Total</b>	<b>Preventative action</b>
Key infrastructure to Dalton Industrial Estate is not delivered.	Economic growth opportunities are restricted	5	4	20	Continue to identify and attract other forms of grant funding and examine alternative delivery vehicles.

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

#### **5.0 FINANCIAL IMPLICATIONS:**

- 5.1 The legal basis of the commercial loan will be covered through a commercial loan agreement, which the businesses will need to sign. This will also need to be contractually aligned with the Memorandum of Articles and Shareholders Agreement which forms the basis of establishing the BID Company. The Council will need to procure independent legal advice to prepare this agreement. It is estimated that this will cost around £20,000
- 5.2 The July Cabinet report stated that the loan of up to £1.5m would be funded through either the Council's surplus funds or external borrowing e.g. from Public Works Loan Board (PWLB). It is now recommended that the Council's surplus funds from the Economic Development Fund Reserve are used to finance this project and this will not adversely impact on other schemes coming forward through the Economic Strategy.
- 5.3 The BID Regulations estimate that the administration charges incurred by the Billing Authority are up to £35 per property, based on 28 businesses this would equate to £980/year lost to the authority. The Council will pick up these costs within existing budgets.

#### **6.0 LEGAL IMPLICATIONS:**

- 6.1 The Business Improvements Districts (England) Regulations 2004 will need to be complied with by the Dalton Businesses in establishing a BID and by the billing authority in collecting business rates growth.
- 6.2 A legal agreement will need to be drawn up with the constituted BID in relation to the Loan with detailed terms and conditions. Key features of the legal agreement will be repayment, security and default provisions. Only when the authority and constituted BID are happy with this will the loan be authorised.

#### **7.0 EQUALITY/DIVERSITY ISSUES:**

- 7.1 There are no equality or diversity issues to consider.

#### **8.0 RECOMMENDATION(S):**

- 8.1 It is recommended, subject to the Council adopting a policy in relation to BIDs, that:-
- (1) the principle of establishing the Dalton Bridge Business Improvement District is approved;
  - (2) the Council waives the administration charges to collect the new BID levy;
  - (3) the BID ballot be run by Election Services;
  - (4) the loan of up to £1.5m is funded from the Economic Development Fund; and

- (5) the legal costs associated with the loan agreement of approximately £20,000 are funded from the Economic Development Fund.

DAVE GOODWIN

**Background papers:** None

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