

*The means:* to change places for the better.



## A BUSINESS IMPROVEMENT DISTRICT FOR SOUTHAMPTON?

### FEASIBILITY STUDY REPORT

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## Table of Contents

0. EXECUTIVE SUMMARY.....	3
1. INTRODUCTION & METHODOLOGY .....	5
1.1 The project brief .....	5
1.2 Southampton.....	5
1.3 The Study Area .....	7
1.4 Methodology .....	7
1.4.a Business consultation .....	8
1.4.b Council Officer Consultation .....	8
1.4.c Visioning event .....	9
2. RESULTS OF THE BUSINESS INTERVIEWS.....	10
2.1 Respondents.....	10
2.2 Business and City Health .....	13
2.3 Top issues for businesses .....	17
2.3.1 On-street behaviour, ASB and crime related issues.....	17
2.3.2 Traffic issues .....	17
2.3.3 City Centre Operations .....	19
2.3.4 Visitor information and navigation .....	19
2.3.5 Heritage .....	19
2.3.6 Serviced Areas .....	19
2.3.7 Offices.....	20
2.4 Top projects for improving trading conditions.....	21
2.4.6 Managed Shopping Areas.....	22
2.4.7 Offices.....	23
2.5 Reactions to concept of a BID for Southampton.....	26
3. POTENTIAL PROGRAMME .....	28
4. POTENTIAL BID LEVY OUTTURN .....	30
4.1 The UK Average BID.....	30
4.2 Considerations.....	30
4.3 Potential levy and threshold scenarios .....	31
4.4 Alternative levy rates .....	38

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4.4.1 Charitable Discount .....	38
4.4.2 Night-time economy.....	39
4.4.3 Serviced Areas .....	39
5. FEASIBILITY .....	41
6. CONCLUSIONS .....	43
7. RECOMMENDATIONS AND NEXT STEPS.....	45
8. Timetable.....	47
LIST OF APPENDICES.....	47

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## 0. EXECUTIVE SUMMARY

- This study has sought to establish the feasibility of setting up a Business Improvement District (BID) in Southampton City Centre
- It has engaged with over 100 businesses in the City Centre through face to face interviews and an open Visioning Event on 10<sup>th</sup> November.
- The survey has found an overall healthy city centre, but that there is a potential and an appetite to improve collaboration and perform at a higher level
- Many of the top issues arising from the survey are ones that BIDs have successfully addressed elsewhere and which could form the basis of a BID program.
- There is significant support for a potential BID in Southampton City Centre, with 75% of respondents stating that they felt the BID concept is a good idea, and only 7% saying it is not.
- There were significant shared interests between managed shopping areas, office-based businesses and the rest of the city centre, as well as one or two stand-out issues for different areas. The main issues were around ASB, safety and crime issues; traffic and cost of parking issues; city centre operations management and information sharing; visitor information; finding the right staff and use of heritage assets. In addition to addressing these issues, businesses were keen to see a coordinated marketing strategy for the city centre, improving its image and incorporating aspects as events, a city-centre app, and greater use and promotion of heritage assets.
- A BID in Southampton would be financially viable and sustainable and could expect to raise an annual outturn of between £500,000 and £900,000, depending on the final decisions on levy rates, a cap, thresholds and charitable discounts. A threshold of £3,900 would be the lowest needed to make sure that collection of the smaller levies was economically viable, but a higher rate of around £8,000 or £13,000 is recommended to ensure the number of businesses eligible to vote and pay the levy is a manageable one.
- A voluntary membership option should be considered for businesses that are either under the threshold, or just outside the final BID area.
- Work so far has come up against very little animosity linked to the rejection of a previous BID ballot in 2009 and significant attendance of the Visioning Event on 10<sup>th</sup> November shows a significant momentum being built that can be taken advantage of by moving to begin the development of BID proposals straight away.

### Recommendations

This report makes the following recommendations:

- 1) In light of all available evidence, it is recommended that a BID is taken to ballot in Southampton City Centre.
- 2) Focus immediate effort on strengthening and expanding the BID Steering Group.
- 3) Develop the BID business plan and objectives through a series of meetings or workshops between the Steering Group and key stakeholders for each area of objectives, for example

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with those already involved in community safety such as Southampton Business Against Crime, or servicing the night-time economy, such as Southampton Licensing Link.

- 4) Seek to discuss with Southampton City Council early in the development of the BID business plan the interaction between the BID and the late-night levy
- 5) BID area – It is recommended that the final decision on the BID boundary be made by the Steering Group of businesses, informed by this report, but the one area that *The means* would recommend to, for the most part, be excluded from the BID study area when creating the final BID area is that shaded in light blue in *Figure 2* (around Bedford Place and London Road).
- 6) A levy rate of 1.5% of rateable value for all areas except, pending discussion of the final BID program, West Quay Shopping Centre, the Marlands Shopping Centre and West Quay Retail Park, would be able to deliver an extensive BID programme. An alternative lower scenario would also be possible but would result in fewer services.
- 7) It is recommended that the rateable value threshold is set between £8,000 and £13,000 and that a cap is considered that will affect the levy paid by IKEA.
- 8) It is recommended that the would-be BID creates a 'Business Club'-type mechanism.
- 9) It is recommended that adequate resources are committed to the BID campaign due to the high presence of "multiples"

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## 1. INTRODUCTION & METHODOLOGY

### 1.1 The project brief

Hampshire Chamber of Commerce have been provided with a loan by Southampton City Council with which to explore and implement a Business Improvement District (BID) in Southampton city centre. *The Means* was commissioned in June 2015 by the Hampshire Chamber of Commerce, on behalf of the Southampton BID Task Group to provide advice on the feasibility of developing a BID.

The Task Group was formed out of the Chamber of Commerce's Southampton Business Board and a number of key stakeholders in Southampton are already engaged.

Southampton had a negative ballot result for a BID in 2009. However, with the economy recovering and lessons learned from this past attempt, there is a feeling that now is the right time to explore this again. With a number of key developments either underway, or planned, and in the context of the City Centre Master Plan, which seeks to deliver £3 billion of investment and 7,000 jobs by 2030, a BID could provide much needed effective place management.

### 1.2 Southampton

Southampton is a vital coastal city recognised internationally for its thriving port which handles over 42 million tonnes of cargo per year in addition to the passenger cruise ships that depart and arrive in the port. It hosts two excellent universities and boasts a population of over 240,000.

Southampton lies in a unique position on the South Coast. The wider metropolitan area hosts roughly 1.5 million people and includes a number of close towns and villages such as Gosport, Eastleigh and Botley. Even Winchester, a thriving city in its own right, is a short train ride away.

In terms of the visitor economy, Southampton's city centre hosts a broad offer that is sometimes under-recognised. With zones such as West Quay with its global retail brands (set to expand through its under-development Watermark phase) and the traditional shopping core of Above Bar Street, in addition to traditionally independent areas such as Eastgate and the city centre fringes of Bedford Place, Southampton sits 13<sup>th</sup> in the retail rankings as per Experian's latest review. However pulling this variety together to create a unified offer and sense of place can also be one of the city centre's bigger challenges.

The city centre also offers far more than retail. It has developed a diverse civic and cultural offer with developments such as the Cultural Quarter. New life is being breathed into the centre through restoration of the Guildhall, a new sea life museum and arts complex, simultaneously stimulating the creative economy in Southampton.

The centre also plays host to an established office-based sector who benefit from Southampton's many amenities and enviable transport links. In return they provide a significant audience for customer-facing businesses in the city.

But Southampton needs to look to the future. Southampton City Council have established a Masterplan envisioning seven key projects between now and 2030. To make Southampton's development the biggest

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success story it can be, businesses and the council will need to work side-by-side in shaping this vision, co-ordinating and collaborating across the centre and delivering tangible on-the-ground benefits alongside larger strategic projects. A city centre of this potential and diversity requires a strong management body that is able to 'knit' the centre together and capitalise on its assets, thereby attracting continuing investment. BIDs provide formalised and financially backed city centre management that can bring together the interests of a diverse range of people across an area and provide a strong governance that can attract investment and work effectively alongside local authorities.

Economically the city falls under the Solent Local Enterprise Partnership boundaries which also include areas such as Winchester, Isle of Wight, Portsmouth and the Test Valley. While important for transport, infrastructure, innovation and sector based support the Solent LEP plays a more limited role in place-based initiatives in the city centre except for transport improvements (which while a significant means of improving the city centre economy does not necessarily address issues of place management and marketing). Having said this Solent LEP does recognise a potential underperformance of the visitor economy and the relative success of Southampton city centre will play a crucial role in improvements to this area.

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## 1.3 The Study Area

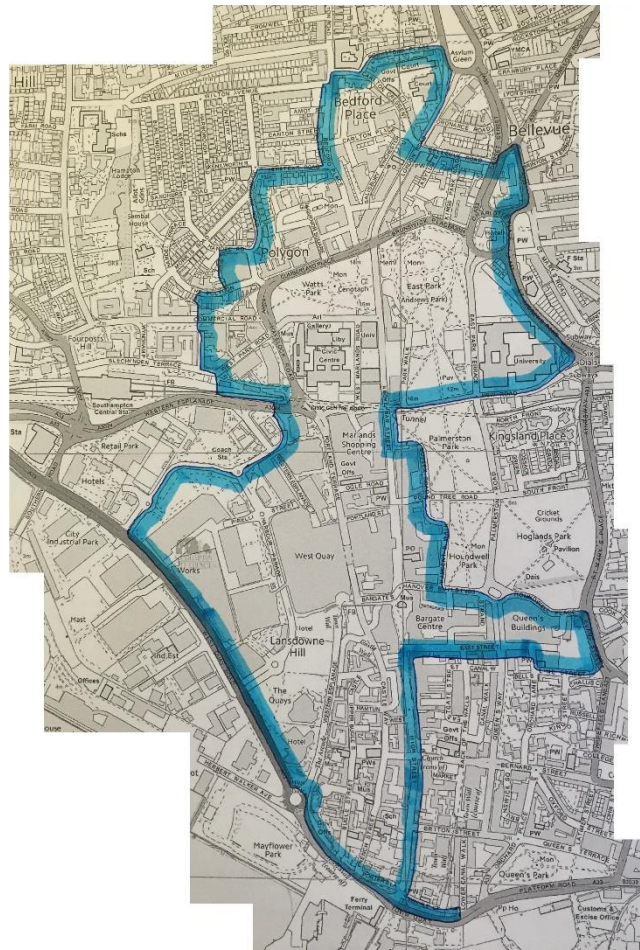


Figure 1: The study area for this feasibility study

Figure 1 shows the boundary within which the feasibility study was undertaken. The boundary is indicated by the outer edge of the blue outline. The boundary was set to be inclusive for the purposes of this study; recommendations on any final BID boundary will be made within this report but the final decision will need to be made by a Steering Group later in the BID development process.

Calculations later in the report regarding financial feasibility are based, unless otherwise stated, on the ratings data provided on properties within this boundary.

## 1.4 Methodology

The feasibility study aims primarily to gauge and compile opinions of businesses and stakeholders in Southampton City Centre, and advise on the financial feasibility and technical requirements of a BID in Southampton.

The study had three main components:



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- a. 97 face-to-face interviews carried out with businesses in the City Centre
  - b. A consultation with council officers
  - c. A Visioning Event on 10th November providing businesses with more information about the BID concept, examples from elsewhere and involving them in workshops to shape the priorities of a potential BID

#### **1.4.a Business consultation**

97 business interviews were carried out in the city centre. They were conducted between September and November with all but 2 interviews taking place on a face-to face basis at individual business premises. The 2 other interviews were conducted over the phone and through an online version of the survey. As much as possible *The means'* 4S principle was adhered to to achieve responses from a representative mix of businesses. The 4 Ss are:

- Size - ensuring a mix of different sized business
- Status - ensuring a mix of independent businesses and wider chains / franchises
- Sector – ensuring respondents from a mix of sectors
- Spatially – ensuring a good geographical spread across the survey area

Where possible the most senior member of staff was interviewed, which in most cases was the store/local office manager, or the owner or company director depending on the size of the business. A full list of the businesses consulted as well as a copy of the questionnaire used can be found in the appendices. The result of the business interviews can be found in Section 2.

The interviews focused on two main objectives:

- gathering opinions on the main issues facing businesses and what projects they would like to see implemented to improve trading conditions,
- raising awareness of BIDs and gauging the level of support among businesses for a BID in Southampton

The questionnaire for the interviews was designed in collaboration with a BID Task Group of the Southampton Business Board.

A 'leave-behind' leaflet was designed for use in conjunction with the interviewing process. This explained the concept of a BID and acted as an invite to the Visioning Event on 10<sup>th</sup> November.

#### **1.4.b Council Officer Consultation**

Southampton City Council will play a pivotal role in helping to ensure that the setup process for a BID runs smoothly. They will be involved in the process in many ways, from being responsible for the fair and effective running of the BID ballot, to administering the collection of the levy should it be successful. They may also be voters in the ballot and levy-payers once the BID is set up.

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Meetings were held with teams that will be involved in these roles and to understand more about existing council services in the area.

### **1.4.c Visioning event**

The visioning event was hosted on Tuesday 10<sup>th</sup> November at the JRC Global Buffet, The Marlands. BIDs are about building a community of businesses engaged with the issues facing them in the local area and their vision for the future. As such, giving businesses the chance to come together early in the process is important. During the event businesses heard the views of other local businesses and the council, learnt more about the BID concept and examples of what the NE1 BID had achieved in Newcastle, were presented with the preliminary findings of the Town Centre feasibility study and discussed with one another priority issues for a BID. The event was attended by about 86 participants, not including attendees from *The means* and guest speakers were Simon Letts, Leader of Southampton City Council and Stephen Patterson, Newcastle NE1 BID, with Spencer Bowman, Mettricks Tea & Coffee, and Tim Keeping, The Marlands giving a local business perspective.

Following the presentations, attendees circulated through tables covering six different topics and fed-back on their priorities. The six topics were chosen in response to the business survey results and were:

- City Operations – discussion around safety, ASB, pedlars, waste management, night-time economy
- Perception and Marketing – discussion around perceptions of the city, events, making use of its heritage, tourist information etc.)
- A Collaborative and Coordinated City Centre – for example, discussion around collaborating on opening hours, with the cruise industry, sharing parking, information on developments etc.)
- Accessibility – discussion around marketing of Southampton’s existing transport links, parking, sustainability, way-finding, links between the train station, the port and the city centre, deals for staff etc.)
- The Overall Physical Image – discussion of the state of buildings, public areas, greenery, treatment of heritage assets, litter, street clutter etc.)
- Master-planning and lobbying – a chance to discuss the role businesses would like to be able to play in visioning and strategy for the City Centre.

These discussions have been written up and taken into account when forming an example business plan. The write-ups can be found in the appendices.

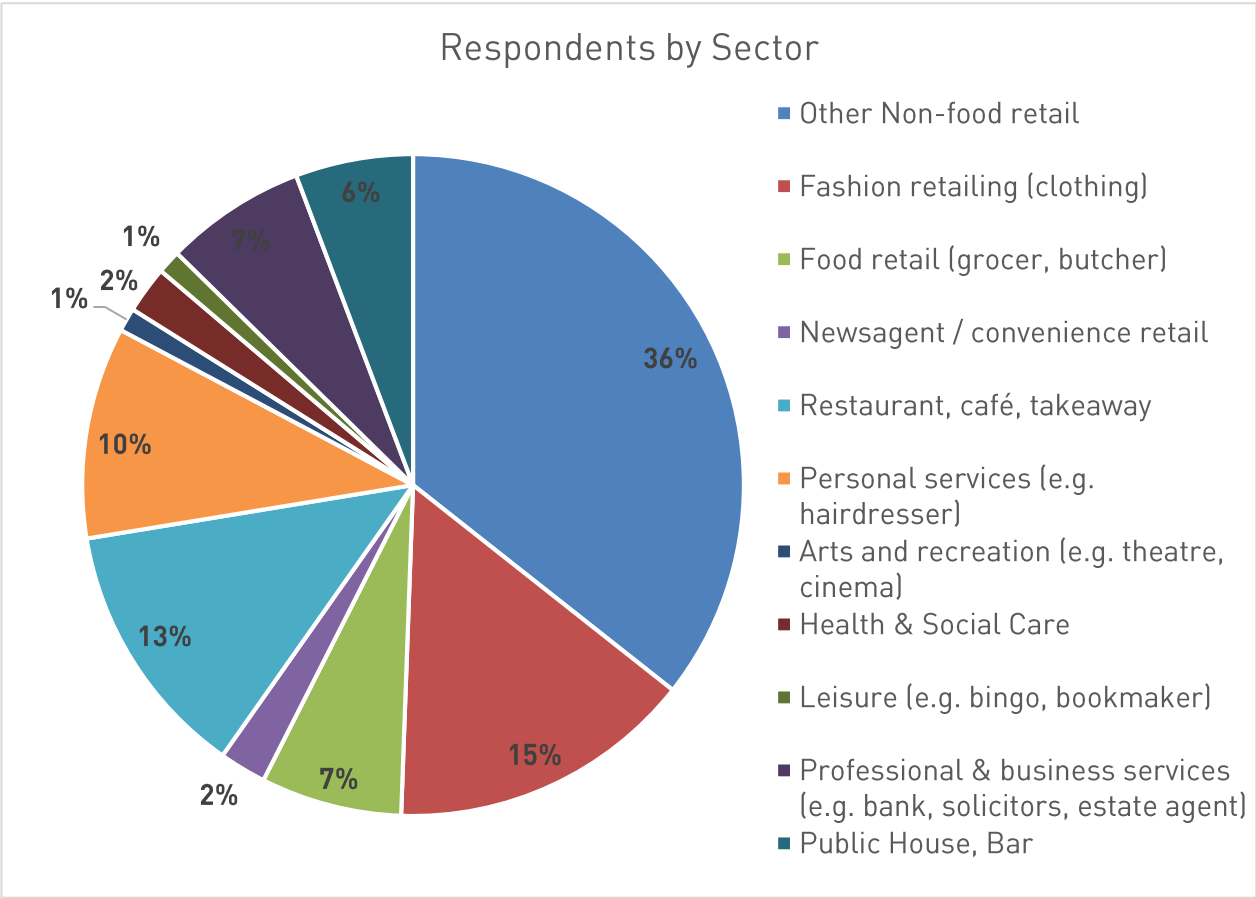
## 2. RESULTS OF THE BUSINESS INTERVIEWS

### 2.1 Respondents

Businesses in Southampton were generally receptive to giving their views. Senior decision makers (managers or owners) were usually in attendance or readily at hand, and happy to take the time away from their duties to complete the survey. With chain or franchise retailers the situation was similar. However in this case, some managers found it difficult to provide definitive answers to all questions because they felt they weren't empowered to make all decisions, deferring to head office. As is customarily the case, office-based businesses were more difficult to make contact with but interviews were able to be set up in advance with a number of these.

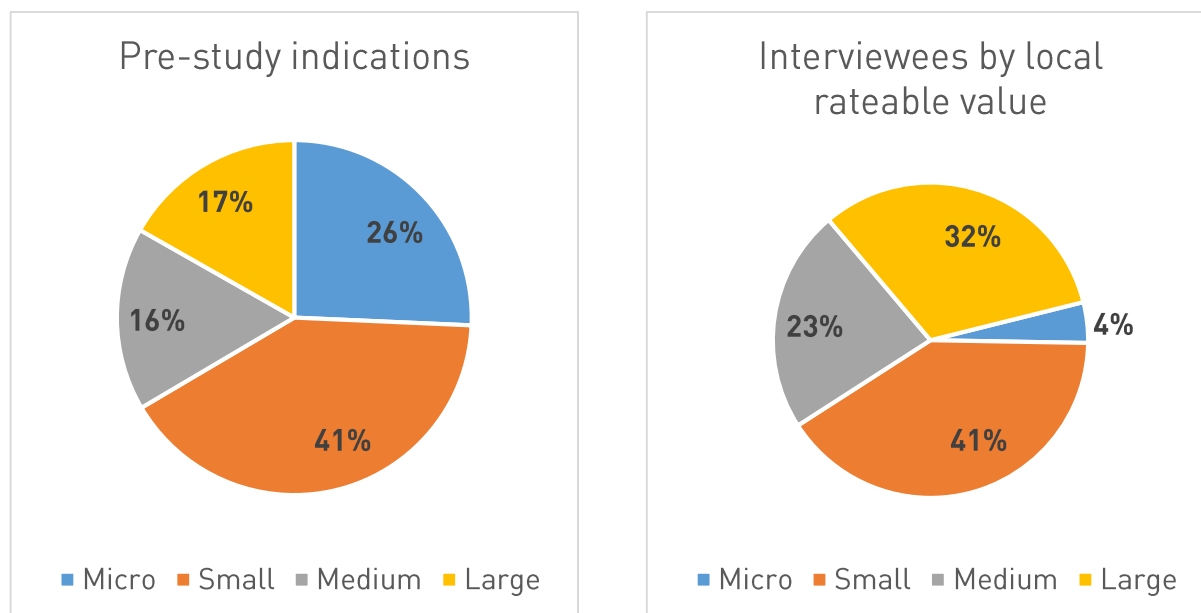
The businesses interviewed covered a broad spread of sectors, shown in *Graph 1*. Despite this, it can be seen that the retail sector accounts for a significant proportion of the respondents, reflecting the prominence of this sector in the centre.

Restaurants and licensed premises that are open past 20:00 in the evening make up 11 of those surveyed. The majority of these premises are also open for business during daytime hours.



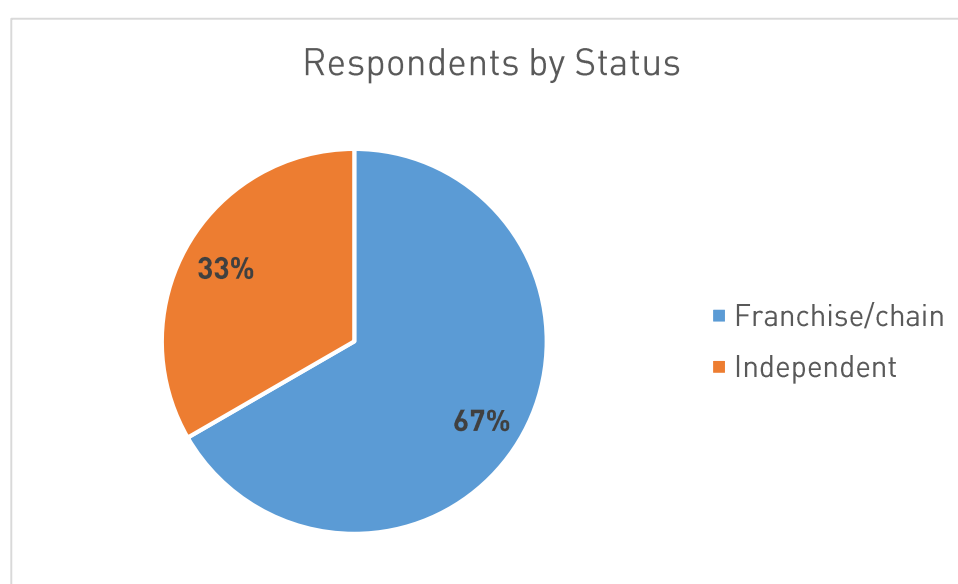
Graph 1: Respondents to the survey shown by sector

Before beginning to survey, business ratings data for properties in the target area was obtained from Southampton City Council. *Graph 2* shows the percentage of businesses within the study area that fall into different size categories, here called micro (less than £10k rateable value), small (£10k - £50k rateable value), medium (£50k - £100k rateable value) or large (£100k plus) based on the rateable value of their local premises, compared to the percentage of businesses that were interviewed that fall into



Graph 2: Left - pre-survey indications of business breakdown by rateable value of local premises. Right - breakdown of businesses surveyed

these categories. The main difference is that businesses with high rateable value local properties are over-represented in the sample by number, while micro businesses are under-represented. This takes into account the significant slice of aggregate rateable value that large businesses represent in the centre, and that a lot of “micro” businesses are small offices that are often hard to reach. A discussion of whether these micro-businesses are included as automatic levy payers in the BID is included later in the report.



Graph 3: Respondents broken down by status

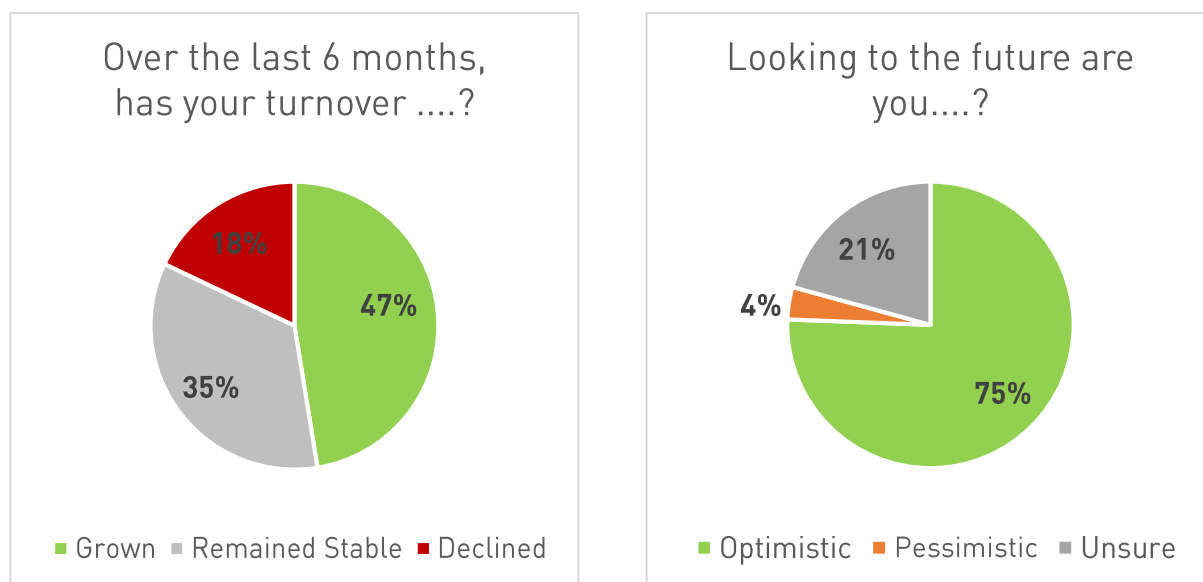
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*Graph 3* shows the percentages of businesses that were interviewed that were either independent or part of a wider chain or franchise. The split between the two groups largely reflects the makeup of businesses in Southampton, particularly in the retail sector, with West Quay, The Marlands, Above Bar Street and the West Quay Retail Park being home to a large number of multiples.

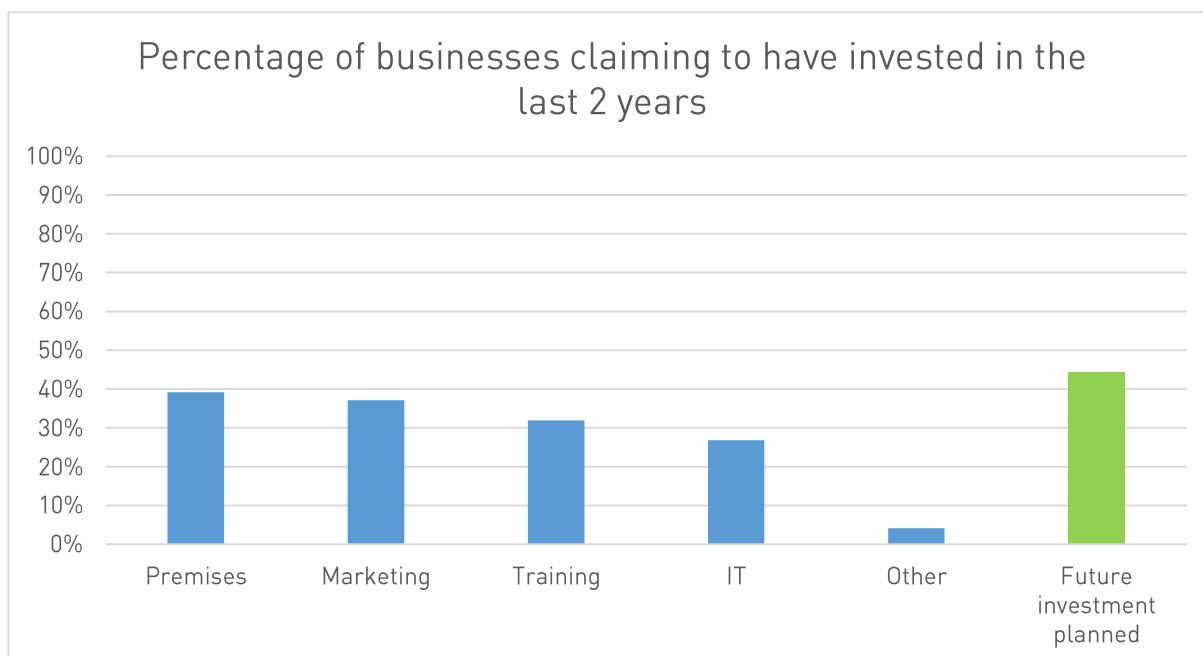
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## 2.2 Business and City Health

A number of questions were asked to determine the collective health of individual businesses within the centre and the state of collaboration with two of the city's major assets, the cruise industry and Southampton Football Club.



Graph 5: Graphs showing businesses' performance over the last 12 months, and their attitudes towards the future



Graph 4: Graph showing the number of businesses who claim to have invested in particular areas in the last two years, compared with those planning future investment

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The first indicator of business health assessed was turnover change. It can be seen from *Graph 4* that the number of businesses claiming that their turnover has grown over the last 12 months significantly outweighs those claiming it has declined by 47% to 18%. However, those claiming it has remained stable sit at a not insignificant 35%.

Businesses with a growing turnover most commonly attributed this either to the health of the wider economy, or to internal business strategies. Businesses whose turnover was declining however most commonly attributed this to factors within Southampton, most commonly the impact of developments and roadworks in their vicinity.

While 47% of businesses state a growth in turnover, a much greater amount of 75% claim to be optimistic about the future, and despite 18% reporting a decline in their turnover, only 4% stated pessimism about their future in Southampton. This suggests a confidence in the potential that exists in Southampton to make greater use of a number of key assets, such as its waterfront and heritage, and optimism about the desire to implement future improvements. The 21% that remained unsure commonly stated that they believed there was the potential for a positive future in Southampton but that they were waiting to see whether some key issues were tackled head on or continued unaddressed.

The second measure of business health used in the survey was a tangible measure of the level of business confidence as shown by willingness to invest. Businesses were asked both about investments made in the past two years, and about planned investments in the future. *Graph 5* shows the percentage of respondents that have invested in different areas of their business. Overall, 62% of businesses claimed to have invested in at least one of these areas, with the most common investments being in their premises and marketing, where nearly 40% of businesses have made investment over the past two years.

The third measure that was used is the longevity of businesses within the centre. Businesses were asked about how long they had been present in Southampton City Centre. *Graph 7* shows a significant base of established businesses, with 41% of the businesses surveyed having survived in the centre for longer than 10 years. The results show that there is also a strong base of new businesses either starting-up or moving to the area and that there appears to have been a reasonable conversion rate from new businesses into medium longevity businesses. The rate of conversion appears to slow slightly for businesses transitioning into the “greater than 10 years” category.

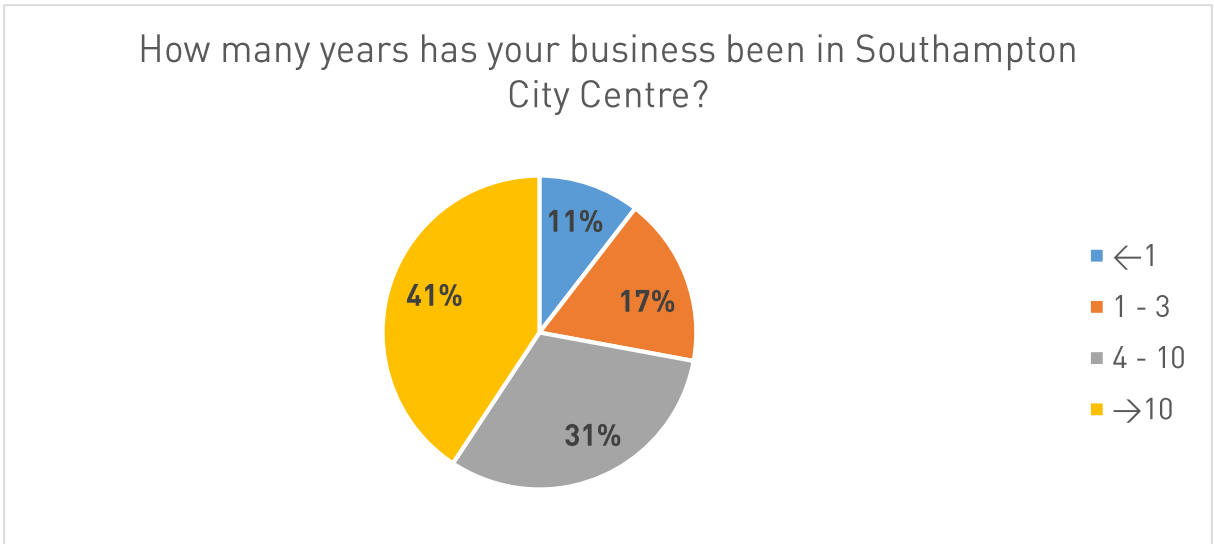
Finally, businesses were asked whether they benefit from customers or staff from the cruise line businesses or Southampton Football Club. *Graph 8* shows that a healthy 78% of businesses think that they benefit to a certain extent from customers from the cruise liners. However, strikingly, over half thought there was scope for them to benefit more. This was linked to a fairly prevalent feeling that Southampton doesn’t make enough of its assets such as its walls and waterfront and that navigation is difficult for visitors, who aren’t given enough help to find the most desirable parts of the city and thereby gain a good impression. For many people this was embodied by the lack of a tourist information centre or beneficial transport links from the port.

Consultation with one cruise business suggested exploring further collaboration with city centre businesses may be possible and a BID could be the facilitator of this.

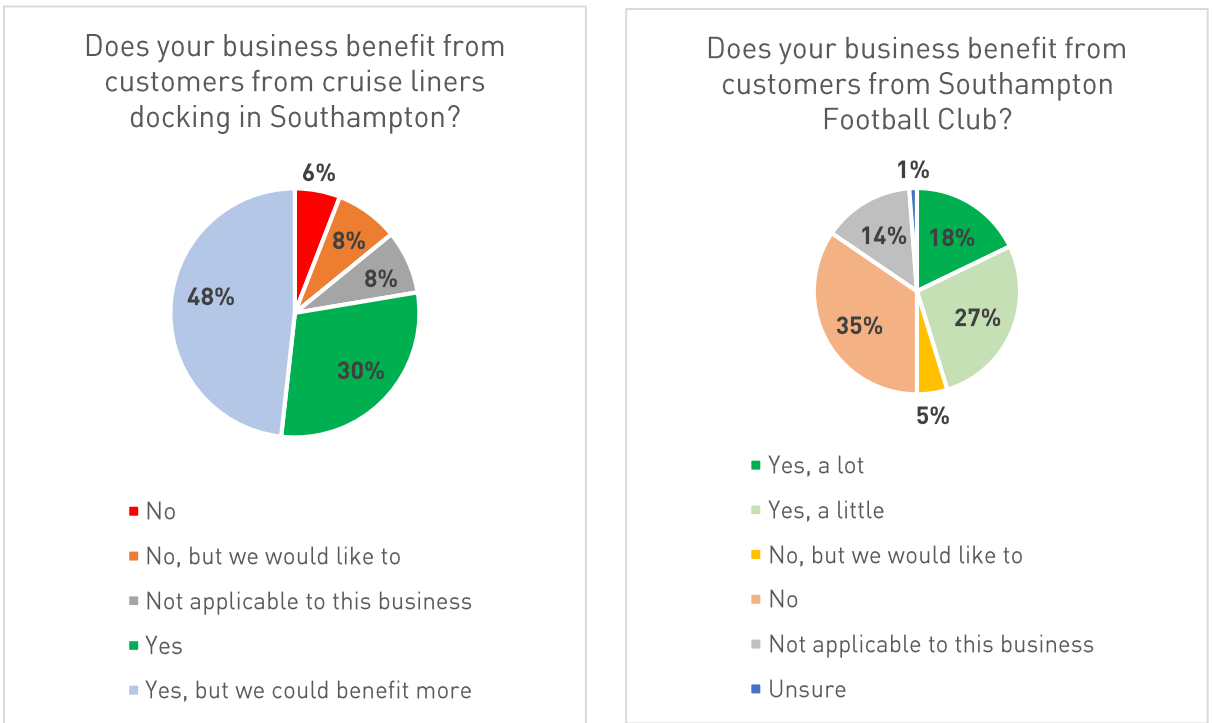
Most cruises docking in Southampton are currently docking for turnaround purposes. Indeed, Southampton is currently the UK’s leading cruise turnaround port, with a relatively small proportion of cruises stopping in Southampton as a tourist destination for their customers. Therefore it seems clear

that the most immediate opportunity here is provision for the needs of crew, while in the longer term there was a desire amongst respondents that Southampton do more to make itself a place where, in the long run, customers of the cruise liners may increasingly view Southampton as somewhere worth visiting, rather than just a port to arrive at and depart from.

Fewer people felt that they were benefitting tangibly from customers of Southampton Football Club, with exactly 50% either feeling that they already benefit or that there is potential for them to benefit more. Interestingly, a number of businesses cited benefits not from the fans themselves, but from the families they leave in the city centre when they go to watch a match.



Graph 6: Longevity of respondent businesses in Southampton City Centre



Graph 8: Respondents' views on whether they benefit from the cruise businesses and Southampton City Football Club



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Overall, the picture that emerges from these results is one of a healthy business community that is optimistic about the future, but which has plenty of potential for improved performance and increased collaboration. There is a strong belief that this potential can be realised and a seeming willingness to act to achieve this.

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## 2.3 Top issues for businesses

Businesses were presented with a list of potential issues and asked whether they believed them to be a significant issue, minor issue or not a problem. This list was created from *The means'* previous experience and with input from the BID Steering Group. Businesses were also given the chance to expand on their answers and to bring up other issues that were not on the list. *Graph 9* shows all the issues, ranked by the total number of responses that classed them as either a 'significant issue' or a 'minor issue'.

### 2.3.1 On-street behaviour, ASB and crime related issues

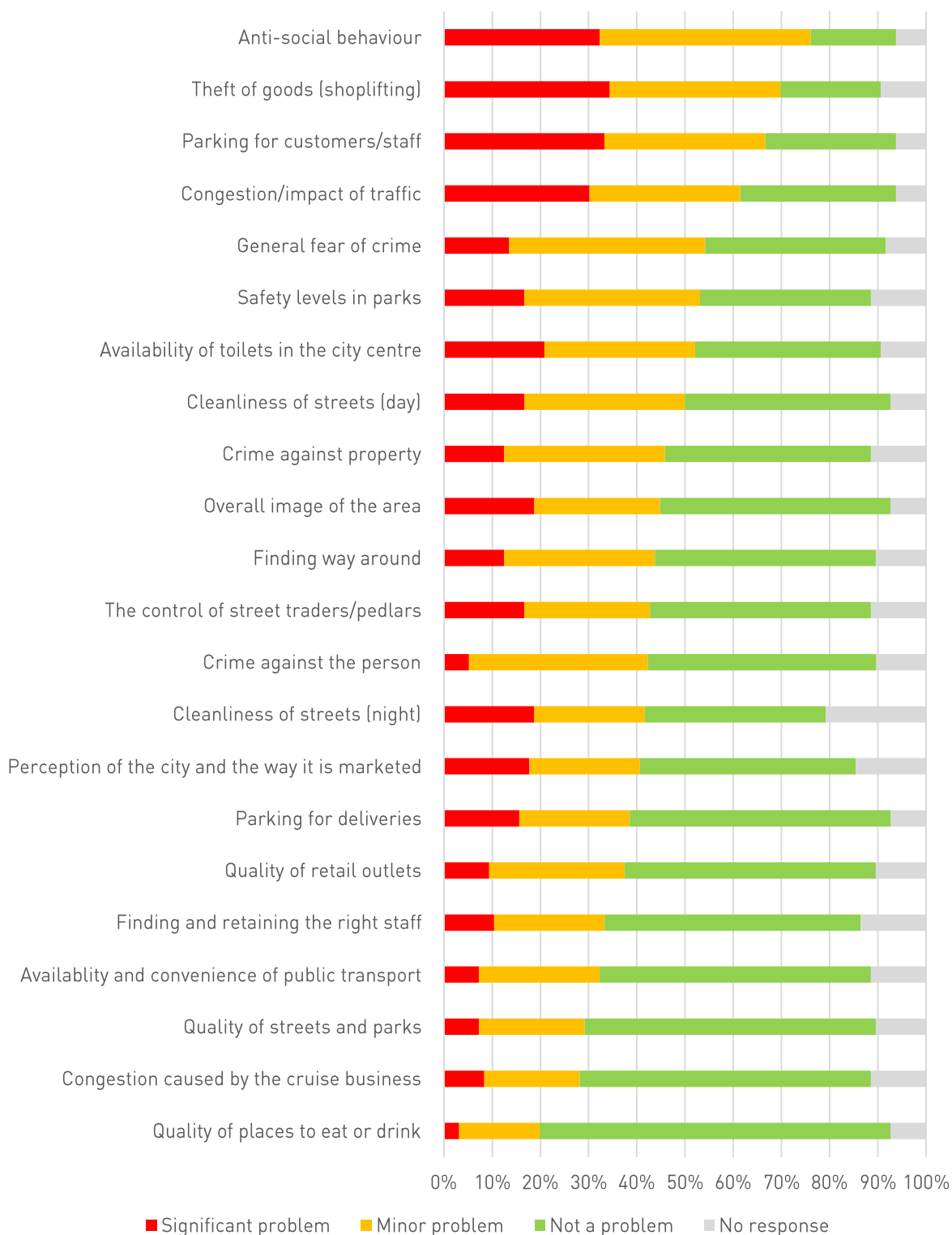
Crime statistics show that between October 2014 and September 2015 anti-social behavior accounted for the largest slice of recorded crime, approximately 37%, in Itchen, the ward that covers the majority of the city centre, with violent crime the next largest category at 12.4% and shoplifting in third at 8.2%. This is reflected in the results of the business survey, with 78% of respondents citing low-level ASB such as street drinking or intimidating behavior, as well as the number of deemed "professional beggars" as a problem, and theft of goods being cited by 74%. 55% of respondents also stated that they felt a fear of crime was a problem, discouraging people from coming to the area or presenting a problem for staff leaving work late. This was linked to the atmosphere created by the aforementioned anti-social behavior, as well as safety and lighting in the centre's parks, which was mentioned as a problem by 54% of respondents.

Linked to this is the behavior of street-traders whether officially licensed as a pedlar or not. It was felt by a number of people that intimidating behavior by people attempting to sell goods of questionable origin was far too common. It was noted by council officers that a Control of Sales Order is already in existence, which overrides the Pedlars License. However enforcement of this requires man-power and it does not seem to be given priority.

### 2.3.2 Traffic issues

Parking and congestion come in third and fourth place on the list in *Graph 9*. In regards to parking, a number of the comments were in relation to recent changes to on-street parking that have meant visitors paying later into the evening until 20:00 (rather than 18:00 as was previously the case). Hospitality businesses in particular felt that this affected their trade because it affected people's willingness to visit or stay in Southampton at a crucial time of day for food and drink businesses. Other comments relating to parking were largely around the cost for employees where companies are unable to provide enough parking places for their staff. Congestion was deemed to be a particular problem on days when multiple big events coincide, for example the docking of a large cruise liner coinciding with a Southampton Football Club home match day. Whether because of actual problems with congestion, or because of a perception of this, it was felt that a lot of people choose to stay away from the city centre on these days.

## How much of an issue do you consider the following to be in the area?



Graph 9: Issues as ranked by business respondents. They have been ranked by the aggregate number of people either citing them as a significant problem or a minor problem

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### **2.3.3 City Centre Operations**

A number of separate issues to do with general city centre operations ranked highly on the list of issues. A lack of toilets in the city centre was mentioned as a problem by 56% of respondents, particularly for people outside of the shopping centres, with a number of businesses commenting that this manifested itself in a tangible and unpleasant way in some side-streets. The overall cleanliness of the streets also ranked highly as an issue, along with the overall image of the area, reflecting various comments about the need to improve the general appeal of the city centre environment, particularly along Above Bar Street, and the East Street and High Street areas.

### **2.3.4 Visitor information and navigation**

44% of respondents cited finding your way around as a problem. This is in relation to visitors and links with many expressions of frustration about the lack of a tourist information centre in the face of a desire to be more appealing to visitors and collaborate with the likes of the cruise businesses. There were also a number of comments that signage from transport hubs such as the docks and the train station could be better, and that signage for heritage assets needs to be reviewed to ensure that visitors are being helped to discover gems of Southampton's physical history.

### **2.3.5 Heritage**

Although no specific questions were asked about Southampton's heritage, and it does not therefore feature in the list shown in *Graph 9*, it is worth a mention because it became a recurring issue that cuts across many of the other topics discussed. It was also raised on multiple occasions during the workshop at the Visioning Event on 10<sup>th</sup> November. It was felt that Southampton's heritage assets were not always looked after or advertised as well as they could be.

People wanted to see the old city walls clear of litter, tidy and well-lit. There were comments regarding the signposting, which sometimes leads people to poorly kept areas, or areas of the walls that are next to servicing areas for businesses, as well as the information panels that are faded and need replacing. In addition it was felt that better signage could be in place at the port, and that history relating to the port itself could be made more of, for example a 'Titanic Trail'. It was also felt that various spaces, such as the Bargate, could be opened up to make a visitor attraction and that Southampton's historic spaces should be exhibited more by events in the city. Finally, people felt that assets were not advertised enough, partly due to a lack of tourist information in the city.

### **2.3.6 Serviced Areas**

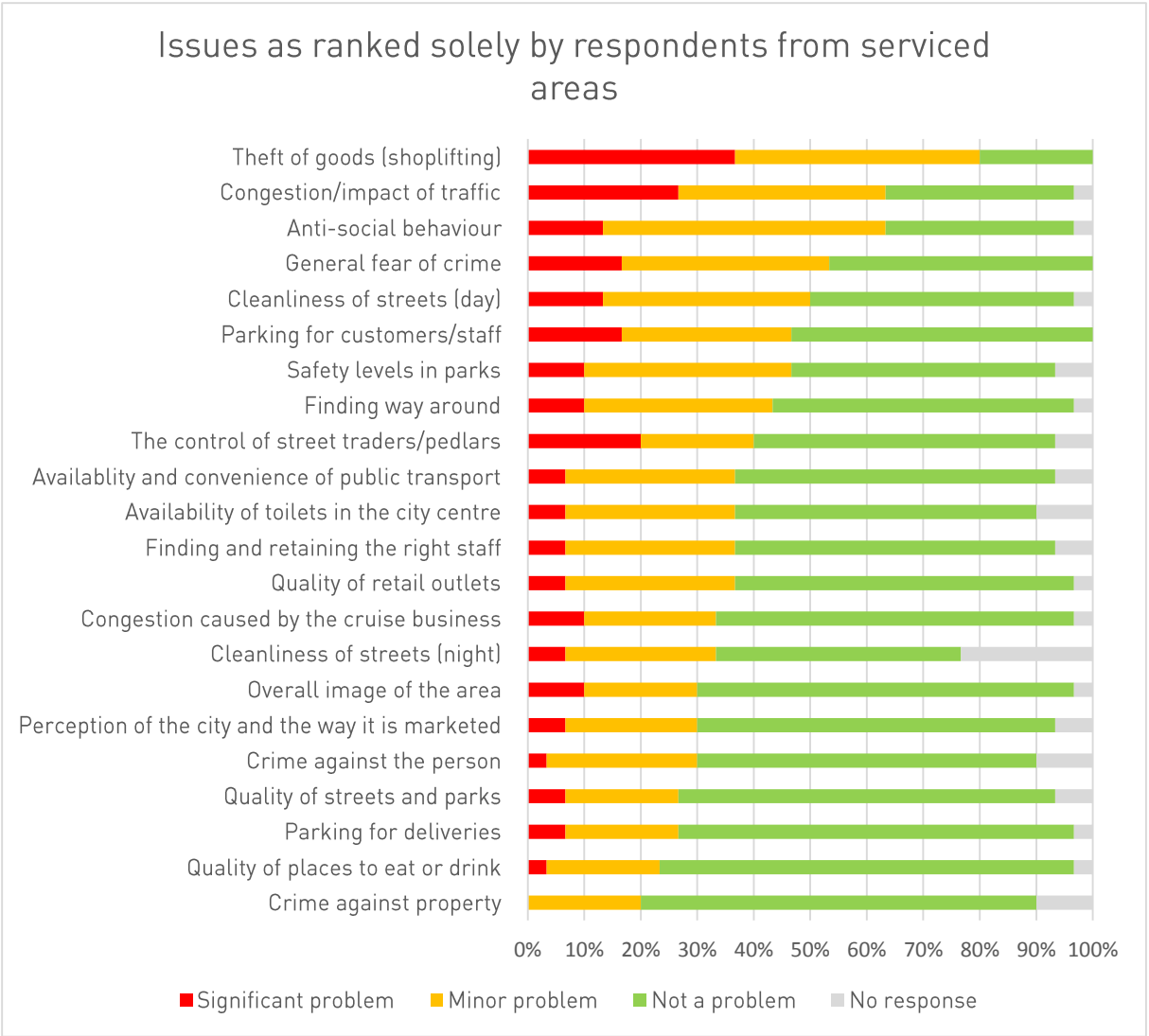
*Graph 10* shows responses solely from tenants in the managed shopping areas.

It can be seen that the top issues are very similar, with respondents being concerned by the level of anti-social behavior and crime in the area as well as traffic issues and the cost of parking. Traffic issues, such as congestion putting people off coming in to town or parking costs, particularly for staff, were issues that respondents felt affected them directly. Issues of anti-social behavior, safety-levels and general crime were issues that respondents felt affected the image of Southampton as a whole and people's likelihoods of returning, thereby having a knock-on effect on their own businesses.

Throughout the development of BID proposals, consultation with these groups will need to be continued, particularly the West Quay Retail Park, who are currently under-represented.

2.3.7 Offices

Office-based businesses make up about 30% of those in the study area, or about 12% when the area north of Cumberland Place is excluded (a discussion of the merits of including this area is included later in the report). It is therefore important to consider what value a BID could offer to these businesses, as some of their needs are likely to differ from more consumer facing city-centre businesses. The three main issues talked about by the office sector were the availability and cost of parking for their staff, safety issues and anti-social behavior that affected their staff when leaving or arriving for work, and finding and retaining staff in Southampton with the right skills and attitudes, showing that there are some areas where their interest overlaps with that of consumer facing businesses as well as additional areas that can be tackled.



Graph 10: Issues as ranked solely by respondents from the managed shopping areas

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## **2.4 Top projects for improving trading conditions**

While *Graphs 9 and 10* identified the core issues that businesses would like to see addressed in the area, the next identifies additional improvements or projects that businesses would find helpful in improving trading conditions on top of these basic 'hygiene' points. *Graph 11* shows these ranked by the number of respondents that rated them as either 'Very helpful' or 'A little helpful'. There was broadly a lot of enthusiasm for all of the suggested projects, but the top 5 responses are discussed below.

### **2.4.1 Cheaper parking**

Parking again ranked highly; specifically cheaper parking. In addition to comments about wanting to reverse recent changes to on-street parking charges, people were keen on exploring different options such as sharing available parking more effectively, or arranging deals for particular groups of people, such as staff who require parking spaces in order to work in the area.

### **2.4.2 Information on new developments / impacts**

When respondents claimed that their turnover was declining, it was often accompanied by comments about nearby developments (or lack of) or road closures that they felt affected their business. In addition to this, people wanted to be able to plan to take advantage of events or developments, or to be able to make informed decisions for their business' future, but didn't always feel that they received adequate information. The eventual fate of the empty Bargate Centre is one example where many people felt they would like to have more regular information about future plans. Therefore, 88% of respondents stated that they would like to receive more information on developments (or events) and their potential impacts on an area. A lot of information that people want will already be available, for example through the council's Southampton Magazine, which is now on its 5<sup>th</sup> issue, but there is potential for a BID to, for example, co-ordinate further content that its businesses particularly want to know about, provide an effective way to disseminate widely to businesses within the city centre and pull together regular information for businesses on the more day-to-day impact that any developments are likely to have, and help businesses to work with the relevant bodies on the most effective way to mitigate these.

### **2.4.3 A City Centre app for visitors**

84% of respondents thought that a city centre app could be helpful. An app would not be created for its own sake but rather as an option for addressing some of the other issues and potential projects that have been raised. An app, for example, could be used to provide instantly available tourist information for visitors, host audio tours or information on local history, act as a portal to information on developments and upcoming events, provide maps of the area and help people find attractions, market special offers or a city-wide loyalty card, facilitate business to business contact, provide information on where parking is available or even act as a way to pay for this parking.

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#### **2.4.4 More events across the City Centre**

83% of respondents wanted to see more events across the city centre. While different businesses were keen on events that targeted different demographics, it is clear that many businesses would like to create a buzz and an atmosphere that makes people's experience memorable and gives them cause to come back. Businesses again mentioned Southampton's heritage and a desire to make better use of this, with a number of positive comments about Music in the City and the way it has opened up intriguing spaces to the public that are not normally accessible, such as a number of old vaults.

There were mixed feelings about the Christmas market and whether it was of a good enough quality for Southampton but there was a definite desire for Christmas activities in general, such as improved lights.

#### **2.4.5 Strategy for new retail**

Ranked fifth on the list was a strategy to bring in more and new retail to the Town Centre. This wording is taken directly from the survey, however a number of respondents who noted this as helpful commented that this was not just about retail, but also the variety of hospitality businesses available. In some areas this was about increasing the diversity of the offer, whilst in other areas the initial priority was to fill voids and improve quality, for example by providing opportunities to students to try their hand at setting up new businesses, simultaneously improving the retention rate for students living in Southampton after they leave University. It was noted that Southampton's mid-range multiple retailing offer is already very good, with two shopping centres and a retail park within the centre. Where people felt that an emphasis was needed was on the variety and quality of independents on offer.

Three out of the next four initiatives in *Graph 11* are related to the marketing and image of the area – a discount or loyalty card for staff and residents, a coordinated marketing strategy for the area and improvements to public spaces. It was felt by a number of respondents that responsibility for marketing Southampton's city centre needed to be taken on by one organisation in the future, to ensure a coordinated plan of action. The issue of Southampton's image is a particularly important one because it universally effects businesses, whether it is retail businesses who need to attract spending customers on the ground, or an engineering firm that needs to attract skilled individuals to live and work in Southampton. It is also an issue that impacts on businesses across geographical areas, inside and outside of the serviced shopping centres.

Essentially, many of the issues that respondents ranked highly are matters of 'basic hygiene' for a city centre, such as safety, adequate provision of toilets and general cleanliness. The areas listed in this section provide some potential focus areas for projects that build on this 'basic hygiene' with the aim of creating a thriving centre. Throughout the interview process it became clear that many respondents saw any potential projects as needing to be part of a wider strategy and coherent vision for the centre and its different constituent parts. As well as deliver individual projects, a BID needs to consider how these will feed into a wider and long-term vision, and what role the BID wishes to have in shaping this vision. This was one of the topics for conversation at the Visioning Event on 10th November and a write up of this, along with all the other topics, is available in the appendices.

#### **2.4.6 Managed Shopping Areas**

*Graph 12* shows responses solely from tenants in the managed shopping areas. The top priorities are broadly similar to those in the area as a whole. The main difference is the much higher priority given to

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increasing collaboration with cruise businesses. It is also interesting to note that having a coordinated marketing strategy for the city centre was scored as helpful by 93% of respondents, reflecting the way in which they see the success of their businesses linked to the overall success of the surrounding city centre.

When ranked by just “Very helpful” responses, cheaper parking jumps up to joint second place. This was particularly in relation to staff parking, and one of the ideas regularly mooted as a desired employee benefit, or an offer on a city discount card was a deal on parking for workers in the city.

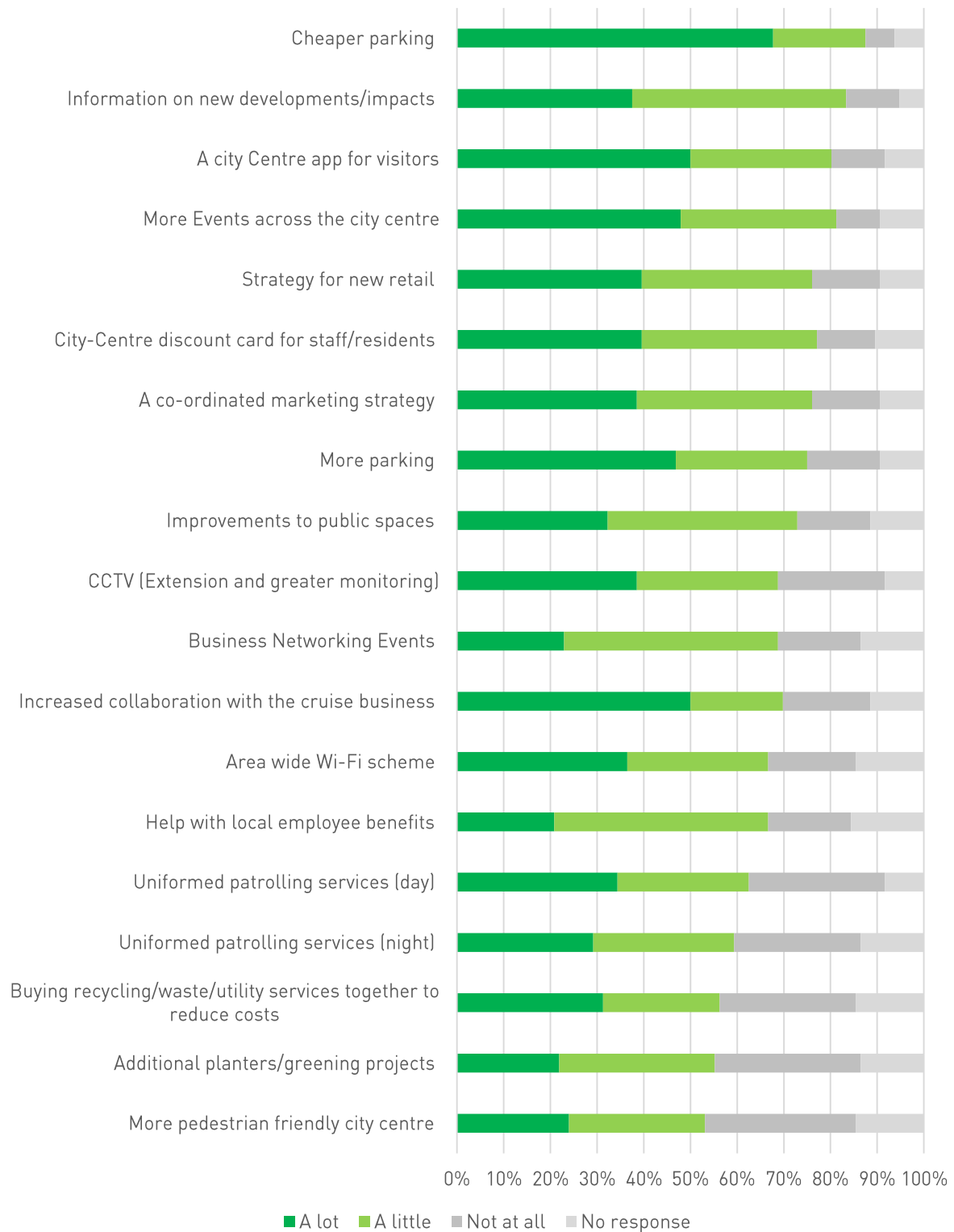
#### **2.4.7 Offices**

Office businesses priorities here largely fitted within the context of the issues they raised. Their top priority was again reducing the cost of parking, while their next priorities were around help with improving their employees’ experience. Help with providing a programme of local employee benefits was ranked highly, as was a city centre discount card for staff. To help with recruiting the right staff, one large office business suggested help with expanding the talent pool from which they are able to recruit by helping them co-ordinate with other companies to expand the pre-work skills training programme they currently run with a local university. Linked to this, a cruise business expressed an interest in linking with the education establishments of Southampton to provide distance learning courses for crew while they are away on ship.

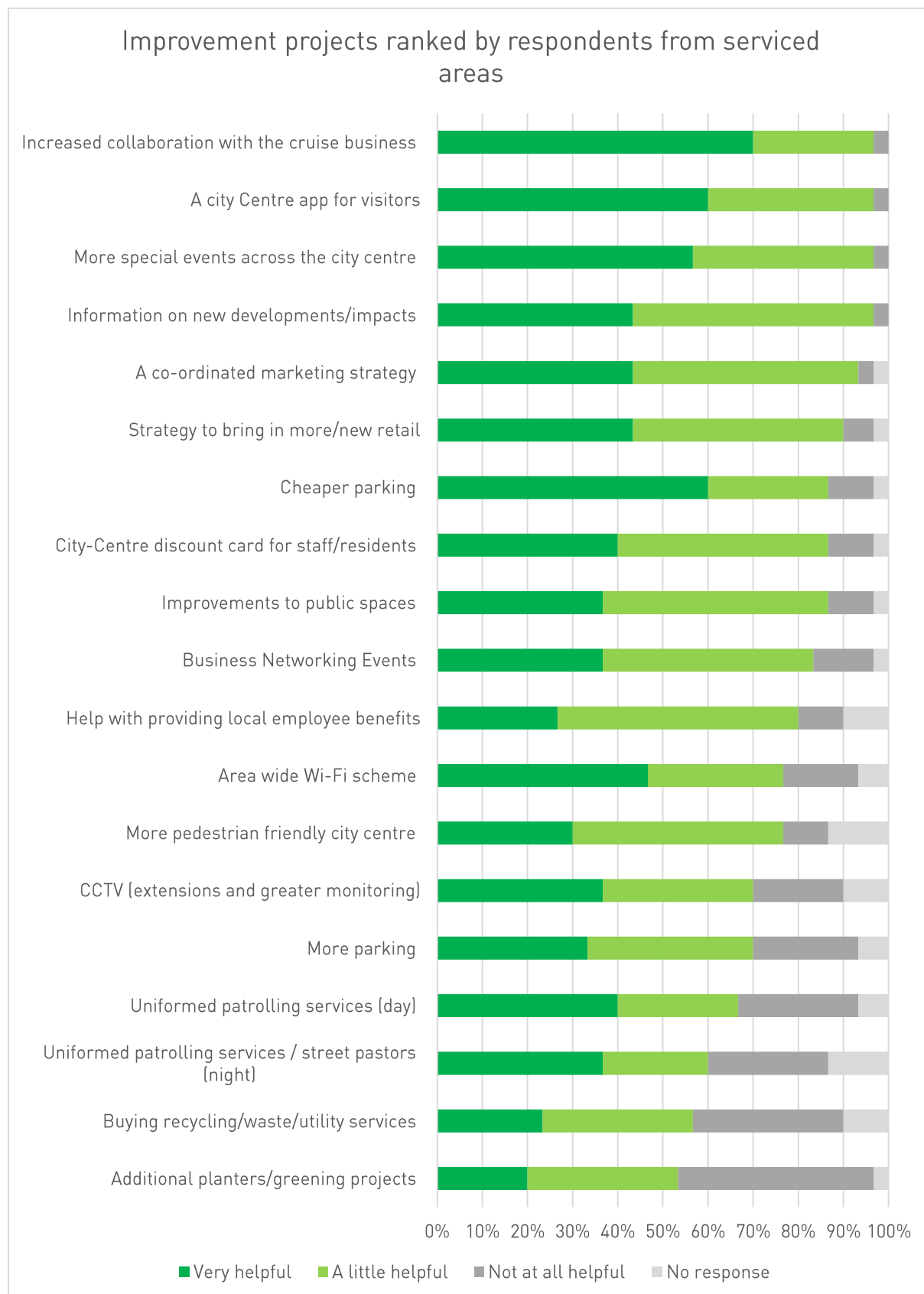
It was also suggested that encouraging more local trade between businesses would be beneficial and in this light, networking and other events across the town that bring people together also scored relatively highly.



## How much do you think the following could improve trading conditions?



Graph 11: Projects for improvement ranked by their helpfulness by business respondents from across the area



Graph 12: Projects for improvement ranked by their helpfulness by business respondents from across the managed shopping areas

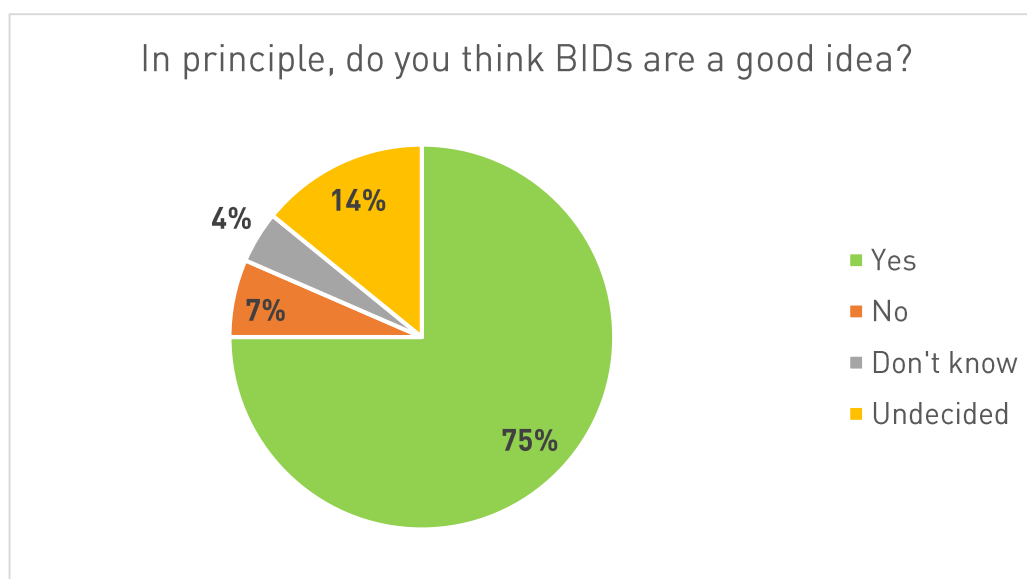
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## 2.5 Reactions to concept of a BID for Southampton

The level of support for the concept of a BID was tested in the survey. An explanation of BIDs was given to respondents including four distinctive features of the way a BID works:

1. A BID is set up by democratic ballot of all businesses in the proposed BID area.
2. If the ballot is successful, the businesses pay a levy based on the current rateable value of their property to create a pot of money which they get to spend as they see fit.
3. A BID management board will be set up and run by the BID.
4. BID services have to be in addition to the services provided by the council. (These cannot be used to subsidise council services. Council services are paid for by your business rats and are not spent exclusively in your area but go into a central pot to be distributed as the government sees fit.)

Questions were answered before moving on to ask the questions.



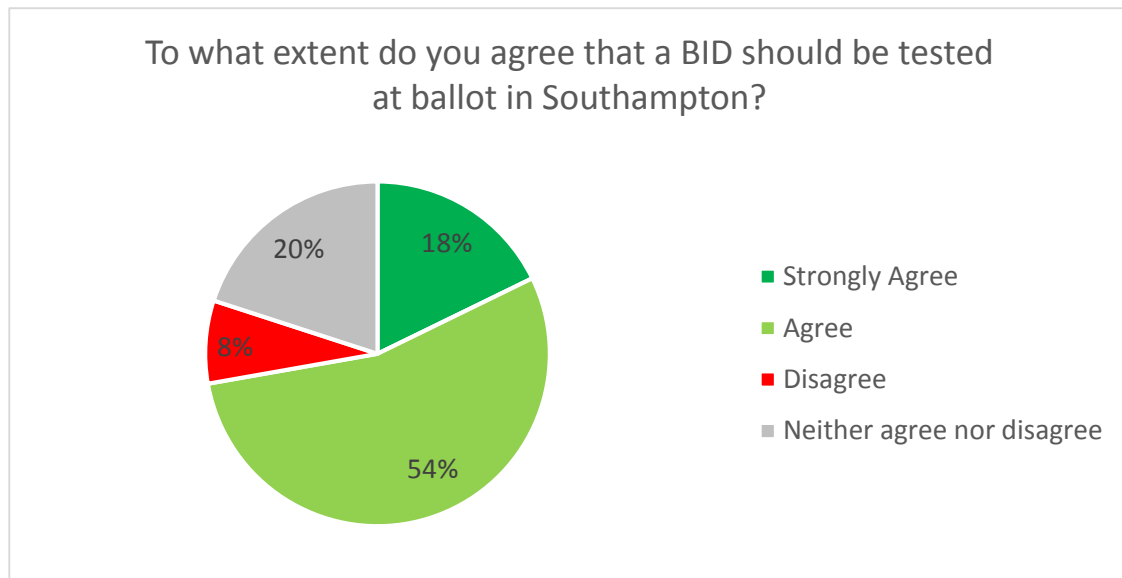
Graph 13: Response of respondents to the questions “In principle, do you think BIDs are a good idea?”

The results from *Graph 13* appear very positive, with 75% of respondents saying that in principle they believed BIDs to be a good idea. Additionally, only 7% stated that they were not a good idea. There was a significant proportion of respondents, at 18%, who either didn’t know or were undecided about the merits of the concept.

When looked at by the aggregate rateable value of those premises whose representatives answered each way, the number in support is 73%, while the number of ‘Undecided’s grows from 14% to 22%. This is because the majority of these responses came from managers of large companies with multiple locations, who felt that they weren’t able to give an opinion one way or the other, even if they themselves felt that a BID was a good idea.

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These results are significantly better than, for example, the results of the Stratford feasibility study in 2014, which showed that 56% of businesses believed a BID to be a good idea, and are very similar to the results of the Basingstoke feasibility study in 2015, which showed a support of 76% at this stage. Importantly, both of these went on to achieve successful ballots.



Graph 14: Responses to the question "To what extent do you agree that a BID should be tested at ballot in Southampton?"

The follow-up question tested whether businesses support the idea of a BID being tested at ballot in Southampton based upon the principles set out above. However, it is important to state that respondents were not asked directly how they would vote in a BID ballot. Instead the question 'To what extent do you agree that a BID should be tested at ballot in Southampton?' was presented to respondents.

The majority of respondents agreed or strongly agreed with the BID being tested at ballot, at 72%. Again this is a positive result with only 8% disagreeing. Those who said that they neither agreed nor disagreed were often those who were uncertain about the BID concept or worked for multiples where, again, they felt they weren't in a position to answer.

Interestingly, a handful of respondents who were uncertain about supporting the BID agreed with the idea being tested at ballot.

Very few respondents spoke about or were aware of a previous proposal for a BID in Southampton that went to ballot unsuccessfully six years ago in 2009. Many people seem to have either moved on since then, or feel that the situation has changed and that there were specific reasons for not supporting the last BID attempt that can be avoided now. One negative response was received that was specifically related to the previous BID proposals.

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### 3. POTENTIAL PROGRAMME

Following the results of the business interviews, and the feedback received at the Visioning Event on 10<sup>th</sup> November, we have outlined below potential areas that a BID programme in Southampton could focus on. This is a starting point for further discussion and revision by the Steering Group, in further consultation with businesses and existing service providers where necessary.

#### MARKETING

- Create, maintain and market a City Centre App that provides tourist information, navigation help, marketing opportunities, access to special offers, business directory and a business-facing side with information about on-the-ground impacts of development and roadworks.
- Review of signage and available maps for navigation from transport hubs to the city centre and heritage sites
- Work with existing stakeholders and brands to co-ordinate one coherent brand for Southampton City Centre and run a marketing campaign for Southampton under this branding.
- Run an events programme in unusual spaces across the city – maybe working with local theatres, venues and universities to bring performances, thought pieces and lectures in to empty, unusual spaces or heritage spaces
- Champion Southampton to new businesses with the aim of increasing diversity
- Review and match-fund new information plaques around heritage sites
- Provide audio guides and regular walking tours for workers and visitors to the area
- Coordinating a local employee benefits scheme with businesses across the city centre

#### SAFER AND WELCOMING

- Fund additional dedicated police officer(s) or PCSOs to work on issues of ASB and the control of street traders etc. and link these in with and co-ordinate with the existing Southampton Business Against Crime scheme
- Run a diverted giving project, similar to that run by the Winchester BID, so that visitors can be confident that any money they wish to give to help homeless people will be used as such
- Fund additional Licensing Link services for the night-time economy
- Undertake a review of lighting and create a plan for where improvements are needed for safety purposes

#### ENHANCING

- Manage a programme of quality buskers and street performers. In Croydon for example, they are currently working with the Council and venues in the area, whose acts play short sets on-street during the day before playing in venues during the night.

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- Conduct an initial deep-clean of the street and potentially buildings along key streets (such as Above Bar Street, East Street, High Street and the city walls), which could be repeated every BID cycle
  - Install and maintain hanging baskets across the BID area
  - Review and fund installation of lighting at strategic points along Southampton's old city wall
  - Match-fund Southampton City Council for bigger and more extensive Christmas lights and decorations across the city centre
  - Joint procurement of waste and recycling management services to save businesses money, reduce the number of waste vehicles on the road and help businesses be more sustainable
  - Joint procurement of utility services to help businesses save money on their energy bills
  - Void showcasing – showcasing what void premises could look like when filled, to encourage businesses to move in

#### **SKILLS PROGRAMME / CO-ORDINATION**

- Work with educational establishments to co-ordinate a remote learning programme, particularly for cruise line crew members while they are away
- Skills for the Workplace –work with Southampton Universities and a range of businesses in the area to build a pool of potential employees with skills for the workplace as students leave university.
- A business mentoring and start-up support service for students or others wanting to start a business in Southampton, providing them with support to move in to empty spaces

#### **VISIONING:**

- Develop a business strategic vision for the city centre to inform the BID's stance when interacting with SCC and other statutory bodies on policy and developments.
- Sit on the Hampshire Chamber of Commerce's Southampton Business Board to represent its members
- Facilitate regular and effective discussion, and/or live feed updates (for example of roadworks, road closures etc. possibly via the app) between businesses, the council, developers and other statutory bodies to ensure businesses have information about how they may be effected on a day-to-day basis, and improve the discussion about how negative impacts may be mitigated.

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## 4. POTENTIAL BID LEVY OUTTURN

### 4.1 The UK Average BID

According to the 2015 National BIDs Survey, produced by British BIDs, the outturn raised by the smallest annual levy income is £34,000 from Scotland Giffnock, with 14 BIDs having an annual income of £100,000 or less. The largest annual levy income is £3,618,000 from London New West End Company. 16 BIDs have an annual outturn over £900,000, including BIDs in cities outside of London, including Liverpool, Manchester and Newcastle.

BID levy rates (as multipliers on the rateable value of a hereditament) range from less than 1%, to 4% in Dublin. However, the most common choices for BID levies are 1%, or 1.5%, with these two figures accounting for an estimated 61% of BIDs between them.

Relevant to Southampton, British BIDs sampled 90 BIDs who have shopping centres within their areas. In these cases 61% offered no discount to shopping centre tenants, feeling that their services justify the BID levy on these businesses. The other 39% offer discounts ranging all the way up to, in one instance (Reading), 100%. Of these, 22 BIDs received additional voluntary contributions from shopping centres to make up either some or all of the shortfall created by this discount.

### 4.2 Considerations

When deciding on the feasibility of a Business Improvement District, the potential BID levy that could be raised is an important consideration. There are 6 key things that need to be taken into account when making the final decision:

- The Levy Rate – this is the rate of levy that businesses will pay each year. It is most commonly a percentage of rateable value.
- The number of potential business members – this will be effected by the level at which any threshold is set and will impact on the BID's ability to service all its members' needs.
- The cost of collecting and enforcing the levy – when making a final decision on the threshold, the cost of collecting and enforcing the levy needs to be taken in to account. It may not be economically viable to collect a levy that is below a certain level. In Southampton, the collection of business rates is a service that is contracted to Capita. An initial quote has been received for this service that constitutes three parts:
  - 1) A one-off purchasing and set-up cost for the BID levy collection software and systems. Depending on the number of businesses this is likely to range between £10,630 and £13,630
  - 2) An annual maintenance fee of £2,250
  - 3) Yearly administration of the levy collection is charged on a contract day rate and the time taken will depend to a certain extent on the numbers of businesses in the BID. Postage and packaging is in addition. The initial quote is based on 450

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properties, equating to a total charge, including postage, of £17,674 per year. Based on this, the part of the charge that will be affected by the number of businesses included in the BID can be estimated to be approximately £39 per business.

- The Threshold – this is the level of rateable value above which a premises becomes eligible to pay the BID levy. If a business is excluded by the threshold, it is common for BIDs to allow voluntary membership of a “business club”. The BID can decide on what the appropriate cost and level of inclusion for these businesses is. In most BID areas some form of threshold is applied, partly to ensure that the costs of collecting the levy from smaller businesses does not exceed the levy they pay, but also to keep the number of BID businesses down to a level with which the BID board and team can reasonably communicate. The other factor that should be considered when applying a threshold is the so-called “missing-tooth” effect where, in a single street, some businesses are BID members and some that are more or less similar in size are not.
- A Cap – this is a cap on the maximum levy payable by one hereditament and may be desirable if one or two uncommonly large organisations are included in the area
- The levy outturn – the total levy collectible, which will be effected by the 5 points above.

In Southampton there will also be the additional consideration of the relationship with tenants of serviced precincts such as West Quay Shopping Centre, Marlands Shopping Centre and also West Quay Retail Park. All of these areas play a big part in Southampton’s City Centre and are likely candidates for inclusion within a BID boundary.

If included in the BID area, the BID legislation means that each individual occupier that is responsible for the business rates on their property will be responsible for voting in a BID ballot, and paying any subsequent BID levy.

Precedents elsewhere for the details of this levy are mixed, with an estimated 39% of BIDs providing some level of discount on the BID levy to tenants of serviced shopping centres, while the other 61% provide no discount. The British BIDs Industry Criteria Guidance, 2015, produced on behalf of, amongst others, the British Retail Consortium (BRC) and the British Council of Shopping Centres (BCSC) states that “businesses within shopping centres where service charges apply should receive a proportionate discount if services proposed by the BID are similar to those funded through the service charge”. It also states that “Discounts provided to tenants within managed shopping and leisure centres should be seen as an opportunity to agree a voluntary contribution from their landlords”.

### **4.3 Potential levy and threshold scenarios**

*Tables 2 and 3* set out the figures for the considerations laid out in 4.2 in a variety of scenarios. The figures in this section are based on every business paying the same rate.

A cap is not included in these calculations for simplicity and because it would be likely to only affect one or two businesses and have only a relatively small impact on the overall outturn. However, it is



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recommended that a cap is considered. The table below shows the 10 largest premises in the City Centre based on rateable value.

ACCOUNT NAME	RATEABLE VALUE	LOCATION
IKEA LTD	3,470,000	West Quay Road
JOHN LEWIS PARTNERSHIP	2,470,000	West Quay Shopping Centre
CARNIVAL UK LTD	1,830,000	West Quay Road
OLD MUTUAL WEALTH BUSINESS	1,490,000	Portland Terrace
H.M.COURTS SERVICE	1,480,000	London Road
MARKS & SPENCER PLC	1,390,000	West Quay Shopping Centre
SOUTHAMPTON SOLENT UNIVERSITY	1,040,000	East Park Terrace
PRIMARK STORES LTD	1,020,000	Above Bar Street
SOUTHAMPTON CITY COUNCIL	985,000	Civic Centre
H & M HENNES LTD	980,000	West Quay Shopping Centre

Table 1: List of 10 largest premises by rateable value in Southampton City Centre

The largest premises, occupied by IKEA, has a rateable value £1,000,000 greater than the next largest premises, occupied by John Lewis. In addition, if John Lewis were to receive a discount as a tenant of a serviced shopping centre, this would widen the gap still further meaning that IKEA would be paying a levy that was significantly out of line with the sums being paid by other businesses. It is suggested that a cap be considered to bring IKEA's levy more in line with other large businesses in the BID area.

As previously stated, the most common choices for BID levies are 1%, or 1.5%, with these two figures accounting for an estimated 61% of BIDs between them. While Industry Criteria have in the past stated that 1% is the highest a BID should consider, except for in exceptional circumstances, the most recent revision has withdrawn this guidance. Either way, our experience in other centres shows that businesses will pay a slightly higher levy if they feel that it is justified by the proposed programme. We have included examples of both a 1% and a 1.5% levy.

Additionally it should be noted that there will be a ratings revaluation due to come in to effect from April 2017 (postponed by the government from 2015) and that rateable values, and thereby potential BID levies, are expected to rise.

Table 2: Levy and business number scenarios for a City Centre BID that covers the whole of the study area

CITY CENTRE			
Threshold	Levy rate	Total Outturn	Number of businesses eligible to pay levy and to vote
No threshold	1%	£899,000	1144
	1.5%	£1,348,000	
£3,900	1%	£896,000	1037
	1.5%	£1,344,000	
£10k threshold	1%	£883,000	850
	1.5%	£1,325,000	
£15k threshold	1%	£867,000	714
	1.5%	£1,230,000	

While inclusivity is important for a BID, *The means* would recommend introducing a threshold at some level, partly to ensure that a levy is only collected from businesses when it is large enough to be economically viable to do so and partly to ensure that a BID can satisfactorily communicate with and service the number of business members it has. The question this raises is what the most suitable level would be.

As discussed in 4.2, the part of the yearly levy collection cost that is likely to be affected by numbers of businesses is currently estimated to be about £39 per business. At a levy rate of 1%, this would mean that a threshold of at least £3,900 would need to be set to ensure that levy collection was economical from the smaller BID members.

A threshold of £3,900 would reduce the number of businesses eligible to pay the levy across the whole of the study area to 1,037, as seen in *Table 2*. This is still a large number of businesses for a single BID to communicate with and service. While some BIDs, such as Newcastle's NE1, have successfully managed to service and communicate well with a greater number of businesses than this, others have struggled with fewer, particularly where a lot of these businesses are small, providing a low overall levy outturn. The guidance for the industry published by British BIDs suggests 700 as a maximum number. Either way, we would recommend reducing this number further. Options for this include increasing the threshold, making the BID area smaller, or both.

To consider these options in parallel, *Figure 2* shows the study area, broken down into some key zones for analysis. These zones consist of a core area (uncoloured) and the shopping centres (shown in yellow), the West Quay Retail Park (shown in purple) and Bedford Place, London Road and the surrounding area (shown in purple). These areas have been chosen for varying distinctive characteristics that single them out.

The core area consists largely of customer facing businesses (retail, hospitality, dining, evening economy, creative etc.), with a relatively small number of offices scattered throughout, some of which are quite small and would potentially be excluded by any threshold set.

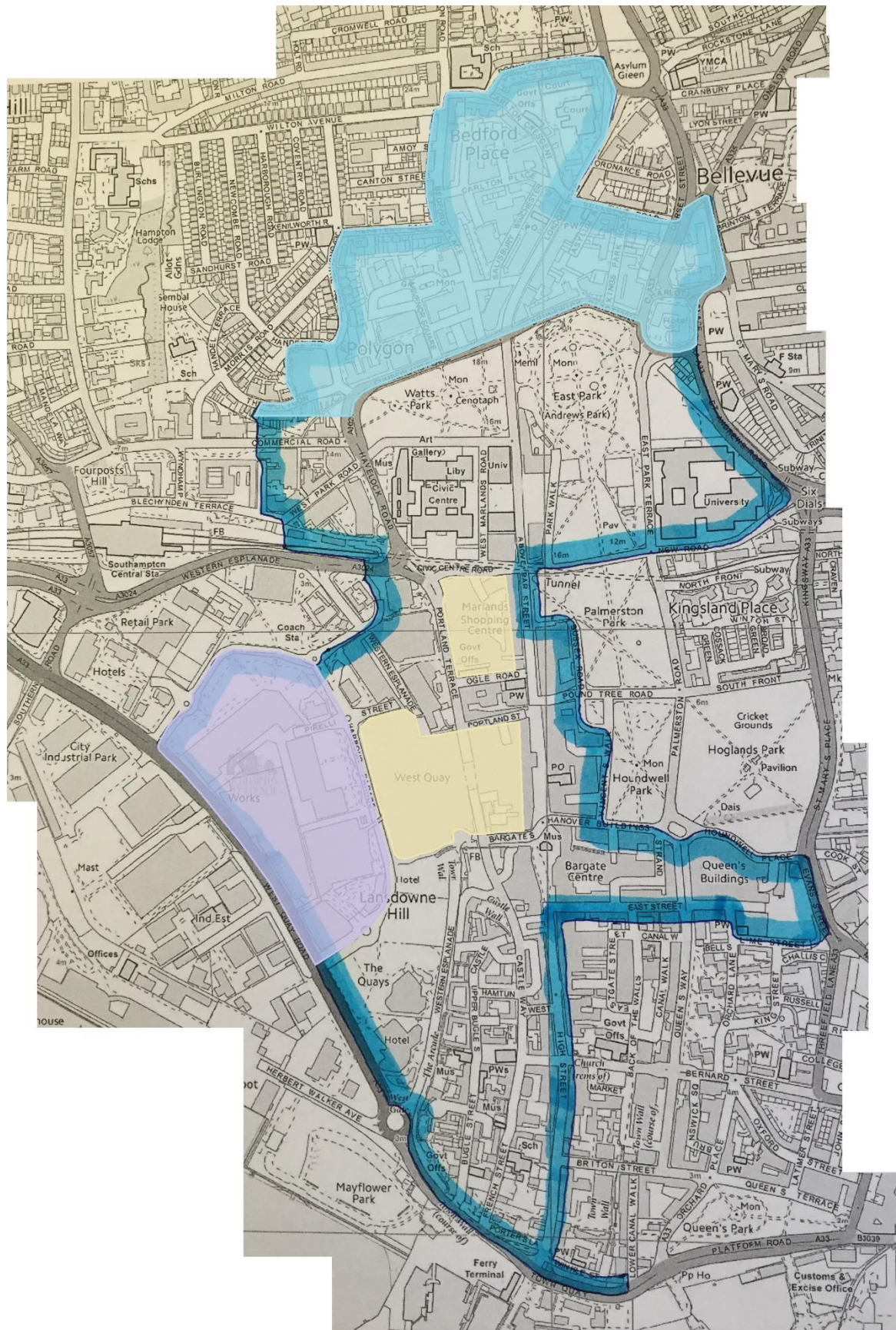


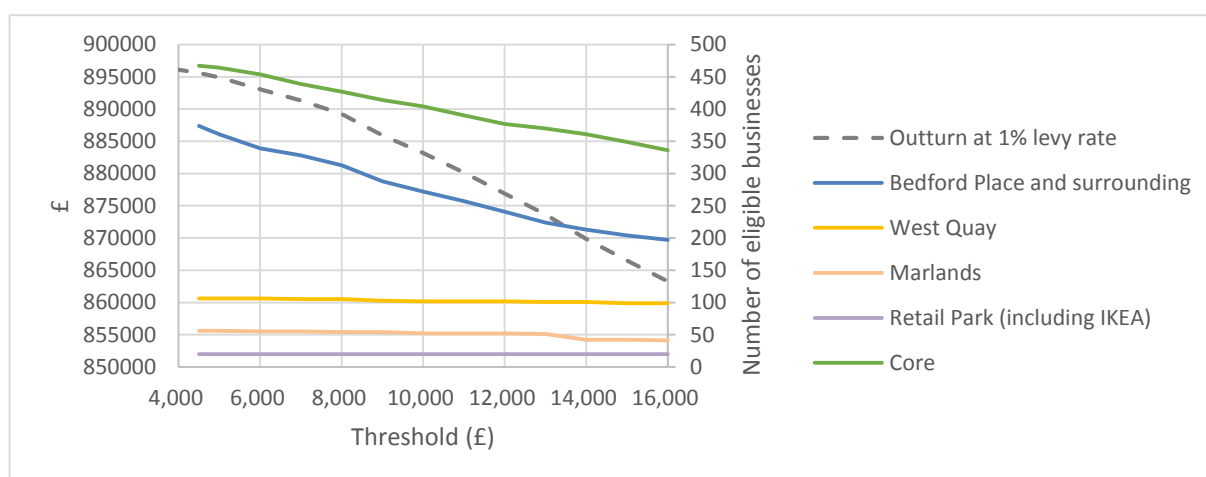
Figure 2: Further breakdown of the study area for analysis

West Quay Retail Park, while not an enclosed area, is an area under serviced management. It consists of a small number of larger businesses that have the potential to contribute significantly to a BID, while being important in linking up the centre with the waterfront and the train station. The character of this area differs slightly from the rest of the city centre.

The area surrounding Bedford Place and London Road is singled out for consideration for two main reasons. Firstly, it is separated from the rest of the city centre by a large area of open space and a busy road and secondly, away from the two main high streets of Bedford Place and London Road, the businesses are largely offices, which is significantly different from the rest of the city centre

The two shopping centres, West Quay and the Marlands, clearly receive many services through a service charge and therefore may have a slightly different relationship with a BID than some other areas.

Graph 15 and Table 3 shows the impact that increasing the threshold has on the number of eligible businesses in each of these areas, as well as the overall outturn.



Graph 15: Graph showing the impact on outturn (at 1% levy rate) and number of eligible business premises as the threshold increases

Threshold = £0			
	Potential Outturn (1.5%)	Potential Outturn (1%)	Number of businesses
<b>All area</b>	£1,347,882	£898,588	1144
<b>Bedford Place and surrounds</b>	£235,168	£156,779	446
<b>Marlands</b>	£31,734	£21,156	65
<b>West Quay</b>	£398,747	£265,831	124
<b>Retail Park (Including IKEA)</b>	£164,205	£109,470	20
<b>Core</b>	£518,028	£345,352	489
Threshold = £3,900			
	Potential Outturn (1.5%)	Potential Outturn (1%)	Number of businesses
<b>All area</b>	£1,344,322	£896,215	1037
<b>Bedford Place</b>	£233,060	£155,373	383



<b>Marlands</b>	£31,325	£20,884	57
<b>West Quay</b>	£398,291	£265,527	106
<b>Retail Park (Including IKEA)</b>	£164,205	£109,470	20
<b>Remaining area</b>	£517,443	£344,962	471
<b>Threshold = £8,000</b>			
	Potential Outturn (1.5%)	Potential Outturn (1%)	Number of businesses
<b>All area</b>	£1,333,888	£889,259	919
<b>Bedford Place and surrounds</b>	£227,075	£151,384	313
<b>Marlands</b>	£31,067	£20,712	54
<b>West Quay</b>	£398,189	£265,459	105
<b>Retail Park (Including IKEA)</b>	£164,205	£109,470	20
<b>Core</b>	£513,353	£342,235	427
<b>Threshold = £10,000</b>			
	Potential Outturn (1.5%)	Potential Outturn (1%)	Number of businesses
<b>All area</b>	£1,324,750	£883,167	850
<b>Bedford Place and surrounds</b>	£221,654	£147,770	272
<b>Marlands</b>	£30,776	£20,518	52
<b>West Quay</b>	£397,800	£265,200	102
<b>Retail Park (Including IKEA)</b>	£164,205	£109,470	20
<b>Core</b>	£510,315	£340,210	404

Table 3: Different threshold scenarios across the different areas outlined in Figure 2

It is clear that as the threshold increases, the number of eligible business premises in Bedford Place and the surrounding area decreases at the quickest rate, even faster than in the 'core' area. This is a symptom of the large number of premises with small rateable values that exist in this area in comparison to the rest of the city centre. The outcome of this is that by making a small increase in threshold, the number of businesses included in the BID area drops dramatically, while having only a relatively small impact on the overall yearly outturn (for example by introducing a threshold of £10,000 the number of eligible business premises decreases by 294, while the levy outturn at 1% decreases by just £15,000)

To get anywhere near a more manageable figure of around 600 - 700 eligible business premises in the BID, the threshold must be moved to £15,000. However not only does this produce a significant 'missing tooth' phenomenon in Bedford Place and the surrounding area, it also starts to create this phenomenon even in the shopping centres, where the average rateable value is higher. For example, it can be seen in Graph 15 that the number of eligible businesses in the Marlands starts to be impacted significantly at a threshold of about £13,000.

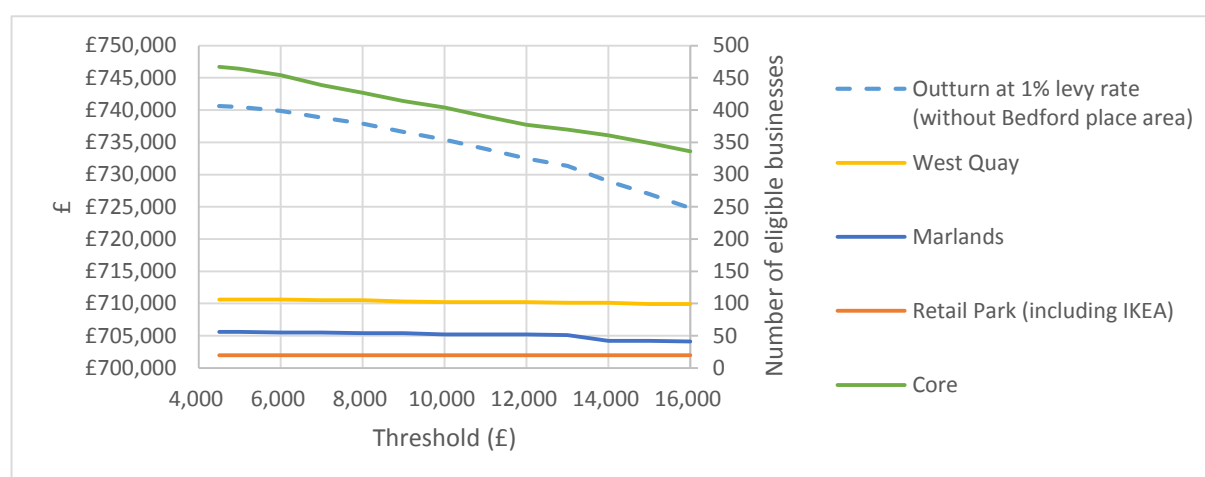
Given:

- 1) the geographical dislocation between Bedford Place and its surrounding area and the rest of the city centre,

- 2) the significantly different make-up of business types there, away from the main high streets of Bedford Place and London Road, and
- 3) the large percentage of businesses that would likely be cut out by any threshold anyway,

one option to consider would be for the BID area to focus on a more core definition of the city centre that stops at Cumberland Place. During the business consultation, 14% of the surveys were carried out in this area and the level of support was significantly less than overall, with the number of people answering “Yes” to the question “do you think BIDs are a good idea?” falling to 50%, and the number of people answering “No” doubling to 14%.

Graph 16 shows the same scenario as Graph 15 but without the inclusion of Bedford Place and the surrounding area.



Graph 16: Graph showing the impact on outturn (at 1% levy rate) and number of eligible businesses as the threshold increases (excluding Bedford Place and surrounding area)

This instantly decreases the number of businesses to 698 without introducing any threshold. By looking at the graph, we can see that to reduce this slightly further there are probably two logical places to put a threshold, on top of the previously discussed figure of £3,900. The first is at about £8,000 where the number of eligible business premises in the both shopping centres starts to slowly fall, while the second is at about £13,000 where the number of eligible business hereditaments in the Marlands starts to be impacted significantly and there is a slight plateau in the decrease of ‘core’ area business, before this begins to fall more rapidly again.

Threshold	Number of eligible businesses (excluding Bedford Place and surrounding area)	Smallest levy amount (at 1%)	Smallest levy amount (at 1.5%)
£3,900	654	£39	£58.50
£8,000	606	£80	£120
£13,000	542	£130	£195

Table 4

It should be noted that there is no need for businesses under a threshold to be excluded from voluntary involvement in the BID. Many BIDs pride themselves on their ability to attract businesses that aren’t

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mandated to pay a levy, such as those who fall under the threshold, to join the BID voluntarily and this could be the case in Southampton.

It should also be noted that the above figures can vary depending on a number of factors, such as the exact definition of the BID boundary and any changes to the number or valuation of business premises in the area. Other factors include what levy rate is agreed for serviced shopping centres, and the way in which the BID chooses to treat charities and empty properties.

## 4.4 Alternative levy rates

There are a number of BIDs where different areas within the BID, or different sectors, pay different levy rates. The three most common are an additional night-time levy on businesses involved in the night-time economy, discounted levy rates for businesses that are already part of a managed centre, for example a shopping centre, and discounted levy rates for charities. The main reason for doing this is in order to either pay for additional significant services that are particularly targeted at one sector, for example a night-time wardens service for the night-time economy, or to take into account when a set of businesses already receive a significant amount of the services that a BID will provide, for example by being situated in a managed shopping centre.

### 4.4.1 Charitable Discount

There is precedent from elsewhere in the country for BIDs to apply a discount to the BID levy for charities at the same rate as mandatory rate relief, but they are free to go further than this if they wish, or to apply no discount at all.

The British BIDs survey of 2015 suggests that approximately 50% of BIDs apply some level of discount to the BID levy for charities. Of this 50%, about 18% of them specifically exclude charity shops from their discount rule.

*The means* would recommend making sure that charities contribute at least part of the BID levy, to encourage involvement with the BID and to reflect the fact that they too stand to benefit.

Table 5 shows the financial impact on the BID's annual outturn of matching the mandatory rate of relief of 80% that charities already receive on Business Rates.

Levy Rate	Indicative reduction in outturn if offering all charities 80% discount (assuming no threshold)
1%	£21,282
1.5%	£31,923

Table 5: Impact of offering an 80% discount on the BID levy to registered charities (in the case of no threshold)

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#### 4.4.2 Night-time economy

Southampton boasts a significant licensed night-time economy, thriving partly on business from Southampton's two universities. A large chunk of these businesses are located on or around Bedford Place. However there is also a significant presence across the rest of the city centre.

In 2000, Southampton Pubwatch set up Southampton Licensing Link, a forum in which the majority of the City Centre's licensed premises are represented. The Licensing Link facilitates better discussion between stakeholders in the night-time economy and a number of services such as a radio link and CCTV control. From November 2015, businesses licensed to sell alcohol beyond 00:00 are becoming subject to a 'late-night levy'. This late-night levy will contribute to the costs of running these services but also allow further services to be provided creating a suite including taxi marshals, the ICE bus, street pastors etc. This late-night levy will be calculated through a multiplier on rateable value.

A discussion will need to be had with Southampton City Council, regarding avoiding duplication of charges for similar services and on the merits of reducing the late-night levy and/or BID levy where a business is eligible to pay both. Many night-time businesses are also part of the day-time economy, for example many restaurants and pubs, in which case they may benefit from both. However the BID will need to consider whether, for solely night-time businesses, it wishes to offer significant targeted services or whether the activities of Licensing Link are sufficient for this.

#### 4.4.3 Serviced Areas

Southampton has two large managed shopping centres in the form of West Quay and the Marlands as well as a retail park, whose tenants also receive a number of centrally managed services in return for paying a service charge.

These areas are a significant presence in the city centre and will stand to benefit from a number of potential BID activities, particularly those that promote Southampton, improve the overall image, improve access to the city centre or influence long-term vision and strategy.

Involvement for these areas will be beneficial both for the BID and for themselves. This involvement could be done through inclusion in the BID area, in which case regulations would require that the ratepayer for each individual business premises votes in the BID ballot and is responsible for paying their BID levy in the event of a positive outcome, or through exclusion from the BID area but with the agreement of a voluntary contribution from the shopping centre management / owners on their behalf.

*The means* would strongly recommend including these areas in the BID area so that businesses are able to have their say in the ballot and are encouraged to engage with the BID. This also sends a message that the whole of the city centre is working together, which is crucial for the success of a BID.

The figures in *Table 6* show how much the total BID levy charged to tenants of the shopping centres would be in different levy scenarios (again assuming no threshold for simplicity). It would be reasonable to expect some level of discount for tenants in these centres depending on what priorities are finally settled on for the BID and how the budget is split between these services. The final sum will need to be paid either entirely by businesses, entirely by the shopping centres (for example individual businesses



could receive a 100% discount on their BID levy, with the required amount made up by a contribution from the shopping centre management / owners, who may then choose to pass some or all of this on through the service charge) or a mixture of both (discounted rates for tenants plus a top-up from the shopping centre management / owners).

Levy rate for tenants of West Quay, Marlands and West Quay Retail Park	Total contribution from West Quay tenants	Total contribution from The Marlands tenants	Total contribution from West Quay Retail Park tenants	Total BID outturn if standard levy rate is 1.5%	Total BID outturn if standard levy rate is 1%
1.5%	£399,000	£32,000	£107,000	£1,113,000	N/A
1%	£266,000	£21,000	£72,000	£933,000	£742,000
0.75%	£199,000	£16,000	£54,000	£844,000	£652,000
0.5%	£133,000	£11,000	£36,000	£754,000	£563,000

Table 6: This is for indicative purposes only. For simplicity this table assumes no threshold, no levy cap, no charitable discount and excludes Bedford place. Decisions taken regarding these will affect these figures.

Of course it is possible that the reduction in levy rate could differ between these three different areas.

It is recommended that the possibility of charging a reduced levy for businesses within these areas is considered once an outline of the services to be provided by a BID has been agreed. It will then be possible to determine the level of overlap between services provided by the BID and services already provided by the management in these areas.

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## 5. FEASIBILITY

In order to assess the feasibility of a BID *The means* uses its own feasibility criteria, defined as follows:

### *Sustainability*

To ensure success of a BID it is important that the revenue generated from the levy is in proportion to (or in excess of) the revenue required to provide the desired services.

This study has shown that a City Centre BID would be able to raise somewhere in the region of £500,000 to, realistically about £900,000 in annual levy outturn, depending on the threshold, levy rates and levy cap set, as well as whether any charitable discount is applied. This is above average for BIDs in the UK

A City Centre BID excluding the area surrounding Bedford Place would have up to 698 eligible business premises, but this number would be reduced to an even more manageable number by the introduction of a threshold. A modest £8,000 threshold would reduce this to 606 while only reducing the overall yearly outturn by about £4,000 (at a levy rate of 1%) or £6,000 (at a levy rate of 1.5%).

Budget exercises indicate that it would be possible to create a BID program that addresses many of the issues raised during this consultation using either of the common 1% or 1.5% levy rates, with a discount given for tenants of the three serviced shopping areas.

An additional consideration would be the potential for the completion of new developments in Southampton to add additional levy income in the future, for example through the inclusion of the new Watermark development, or the arts centre on Above Bar Street. Estimates for these have not been included in the calculations.

### *Viability*

It is important that a sustainable income can be achieved while setting the BID levy at a rate that is reasonable for businesses. The lowest levy scenario used in section 3 assumes a 1% base levy with a 25% reduction for businesses within the serviced shopping areas. This levy rate is significantly below the national average for BIDs and also makes provision for the possibility that some services provided by the BID will overlap with services already existing in these areas, resulting in a reduced levy for some businesses.

### *Marketability*

The likelihood of winning a BID referendum is an important consideration. The eventual levy outturn needs to be worth the cost of marketing the BID and running the ballot. Based on *The means*' experience of previous ballot campaigns, and the amount that can be expected to be raised in levy outturn, this would be the case in Southampton.

There needs to be a good level of support from businesses indicating that they would be willing to support a BID in principle. This has been shown to be the case by the results of the business survey, with positivity at this stage exceeding or matching that of other places where BIDs have recently been successfully formed, such as Stratford and Basingstoke Town Centres.

To ensure that this support turns into 'Yes' votes at a ballot, the proposals will need to provide tangible benefits to businesses across the town centre. In Southampton City Centre it will be key to ensure that significant consideration is given to making sure the services of a BID offer equal value for money to a range of areas of the city centre with significantly distinct character, as well as offering something for

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some of the smaller but not insignificant sectors, such as the roughly 12% office-based businesses in the area. If Bedford Place and the surrounding roads are included in the BID area then this sector will increase significantly to about 30%.

### *Do-ability*

It is important that the issues to be tackled in an area are challenges that a BID is able to face. BID services should also complement, or 'join up' with, existing services in such a way as to make a significant difference.

The top issues and potential improvement initiatives identified by the business survey are largely things that have to date been addressed in BIDs elsewhere. Traffic and parking issues are perhaps the most difficult of these for a BID to address, but even these can be worked on, for example at Better Bankside where a subgroup of businesses form the Smarter Travel group. This encourages and facilitates beneficial changes in people's travelling habits, and provides businesses with a strong voice during consultations on infrastructural projects in the area.

*The means'* interviews with Council officers also suggested that there is an appetite for constructive co-working with any BID(s) to the general betterment of the city and its businesses.

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## 6. CONCLUSIONS

- This study has sought to establish the feasibility of setting up a Business Improvement District (BID) in Southampton City Centre
- It has engaged with over 100 businesses in the City Centre, 97 of these through direct interviews to gauge their opinions on the concept of a BID and what it might achieve for Southampton, as well as through an open Visioning Event.
- The survey has found an overall healthy city centre, but that people generally recognize a large potential for Southampton City Centre to perform at a higher level and to collaborate better across the city, particularly with the cruise businesses. There is an appetite amongst businesses to make this happen.
- Many of the top issues arising from the survey are ones that BIDs have successfully addressed elsewhere and which could form the basis of a BID program.
- There is significant support for a potential BID in Southampton City Centre, with 75% of respondents stating that they felt the BID concept is a good idea, and only 7% saying it is not. The highest levels of support for a BID were from managers within West Quay and Marlands, while the lowest level of support came from businesses based on Bedford Place and the surrounding area.
- Managed shopping areas and office-based businesses had a number of similar interests to the rest of the study area. These were around addressing ASB, safety and crime issues, as well as traffic issues and the cost of parking. Service shopping areas were also keen on improving the image and marketing of Southampton, while office-based businesses also expressed an additional interest in help with training, recruiting and retaining staff with the right skills and attitude to work in Southampton. When producing a business plan, careful consideration will be needed to ensure all businesses benefit, and depending on the services proposed by a BID, a reduced levy for the tenants of managed shopping areas could be considered.
- A BID in Southampton would be financially viable and sustainable and could expect to raise an annual outturn of between £500,000 and £900,000, depending on the final decisions on levy rates, a cap, thresholds and charitable discounts. Given the large level of support across businesses of different sizes and from different sectors it would be preferable to be reasonably inclusive when setting the BID threshold. A threshold of £3,900 would be the lowest needed to make sure that collection of the smaller levies was economically viable, but a higher rate of around £8,000 or £13,000 is recommended to ensure the number of businesses eligible to vote and pay the levy is a manageable one.
- A voluntary membership option should be considered for businesses that are either under the threshold, or just outside the final BID area.
- The section of the study area that is recommended for inclusion in the final BID area is shown as an appendix. The exact boundaries of the final BID area are subject to further discussion and may differ slightly from this. One particular area for discussion may be how much of the area south of East Street and East of High Street the BID covers.

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- Work so far has come up against very little animosity linked to the rejection of a previous BID ballot in 2009. People have either moved on since then, or feel that the situation has changed and that there were specific reasons for not supporting the last BID attempt that can be avoided now. Significant attendance of the Visioning Event on 10<sup>th</sup> November shows a significant momentum building that can be taken advantage of by moving to develop BID proposals straight away.

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## 7. RECOMMENDATIONS AND NEXT STEPS

**Recommendation 1:** In light of all available evidence, it is recommended that a BID is taken to ballot in Southampton City Centre.

**Recommendation 2:** Focus immediate effort on strengthening the BID Steering Group. In addition to those already on the Steering Group, it is recommended that a representative from at least the following groups is sought: the large and small office sector, large and small retailers from both inside and outside the serviced shopping areas, a hotel, and the cultural sector. It would also be beneficial to build links with the cruise industry.

To build a strong foundation on which a successful BID ballot could be achieved, the next couple of months should see the development of more and deeper relationships with local businesses and in particular those who would be the largest potential levy payers. This process should include the expansion of the BID Steering Group as a 'shadow board' with representation from a range of sectors in the City Centre.

**Recommendation 3:** It is recommended that the BID business plan and objectives are developed through a series of meetings or workshops between the Steering Group and key stakeholders for each area of objectives, for example with those already involved in community safety such as Southampton Business Against Crime, or servicing the night-time economy, such as Southampton Licensing Link.

**Recommendation 4:** Seek to discuss with Southampton City Council early in the development of the BID business plan the interaction between the BID and the late-night levy

**Recommendation 5:** BID area – The one area that *The means* would recommend for exclusion from the BID study area when creating the final BID area is most of that shaded in light blue in *Figure 2* (around Bedford Place and London Road). The Steering Group may decide to make small adjustments to other areas in addition to this, or to slightly alter the excluded area, so as to include Charlotte Place in the BID. A map indicating the section of the study area recommended for inclusion in the final BID area can be found in the appendices. It is recommended that the final decision on the BID boundary be made by the Steering Group of businesses, informed by this report and in discussion with *The means*.

This area covers the entire Town Centre area including both the Top of the Town and the main shopping centres of Festival Place and The Malls. Generally it is best to keep a BID area fairly tight for the first ballot to ensure that a good service can be provided to those involved. If a first BID term is achieved, the area could then be extended at the renewal ballot to include any further businesses that would like to be a part of it.

No matter the final decision on the boundary, it is recommended that a 'Business Club' is formed to allow businesses on the border of the BID to join voluntarily.

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**Recommendation 6: It is recommended that the levy rate is set around 1.5% of rateable value for all areas except, pending discussion of the final BID program, West Quay Shopping Centre, the Marlands Shopping Centre and West Quay Retail Park. This allows the BID to deliver some solutions that will involve substantial cost, such as funding dedicated PCSOs for the city centre. However a lower levy would be manageable if desired.**

The average UK BID levy is about 1.4%, while the two most common levies are 1% and 1.5%. A 1.5% levy (with shopping centres levied at 1%) should be able to deliver all of the parts of the draft programme outlined in section 3. Alternatively, if it is preferable, a below lower levy could be set, which would involve removing some services and reducing others, for example moving from funding three dedicated PCSOs to just two.

Serviced shopping areas in Southampton already pay for a number of services that are 'BID-like' as part of their service charge. It is therefore recommended that a lower levy rate be considered for these. The extent of this discount will depend on the extent to which BID services overlap with those provided by the service charge.

**Recommendation 7: It is recommended that the rateable value threshold is set between £8,000 and £13,000 and that a cap is considered that will affect the levy paid by IKEA.**

With respect to the threshold, these figures make sufficient downward impact on the number of hereditaments to create a manageable BID, with only a small impact on the levy outturn.

With respect to the 'cap', IKEA has a significantly higher rateable value than other business premises in the potential BID area. This gap in BID levy will be exacerbated if the next largest premises, within West Quay, receives a discount on its BID levy. A cap would prevent one business from paying significantly more than its neighbours and is unlikely to make a significant financial impact on the BID.

**Recommendation 8: It is recommended that the would-be BID creates a 'Business Club'-type mechanism.**

This would allow businesses excluded by the levy threshold, or by being outside the BID area, to benefit from some BID services by making an annual voluntary payment (perhaps equal to the BID levy for a business on the threshold). Similar schemes have worked well for BIDs in other areas and crucially helped to maintain a sense of a cohesive business community, regardless of business size. The beneficiaries would include a number of the smaller independent retailers and offices for whom promotion and networking opportunities would be important.

**Recommendation 9: It is recommended that adequate resources are committed to the BID campaign.**

Southampton is an area with a significant number of businesses linked to national chains. This would mean that detailed work would be required to identify who would vote and make the decision on the validity of the proposed BID programme and is generally more time-consuming than engaging with a local independent business

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## 8. Timetable

A timetable to ballot is summarised below. There is a minimum amount of time that must occur, legally, between some of the listed milestones. Therefore if the Notice of Intention to request a ballot is delayed, the whole timetable will need to be shifted back.

Table 1: Example timescale for a BID ballot campaign

Timescale	Stage
December 2015	Steering Group expanded
7 <sup>th</sup> January 2016	Steering Group make decision on progress with BID
7 <sup>th</sup> January 2016	Notice of Intention to request ballot to SCC and Secretary of State
January to May 2016	Development of BID proposals. Development of draft operating agreement and baseline agreement with SCC
June 2016	BID Proposal approved by SCC
July 2016	BID Proposal published
August - September 2016	Initial voter registration process to ensure accuracy of voter details
25 <sup>th</sup> August 2016	Publication of Notice of Ballot
3 <sup>rd</sup> October 2016	Dispatch of ballot papers
3 <sup>rd</sup> November 2016	Ballot Closes
4 <sup>th</sup> November 2016	BID Ballot Result
1 April 2017	BID Start Date and first BID levy bills arrive

## LIST OF APPENDICES

APPENDIX 1 – LIST OF INTERVIEW RESPONDENTS

APPENDIX 2 – EXAMPLE SURVEY

APPENDIX 3 – WRITE UPS OF DISCUSSIONS AT THE EVENT ON 10<sup>TH</sup> NOVEMBER

APPENDIX 4 – A MAP OF THE AREAS RECOMMENDED FOR INCLUSION



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