

Where did the bid come from and what have the current board inherited?

A meeting was held in August 2005 to discuss the possibility of setting up a city wide BID, there then followed a campaign by the founding members namely the Coventry & Warwickshire Chamber of Commerce (CWCC) & CV One (the not for profit organisation that had been set up to run the city centre BID). The campaigning culminated in a ballot of the 2500+ businesses that would be called on to fund the BID, this ballot took place in February 2007. This project had been supported by Coventry City Council (CCC) and had been discussed at length by the council.

A great deal of discussion and argument has taken place about the legitimacy of this ballot as many levy paying companies feel that they were not consulted at any point and did not receive the necessary ballot papers. A challenge was mounted by a Coventry businessman, the case was reviewed by the Secretary of State and the legitimacy of the vote was confirmed and the result upheld. The BID company commenced activities on 25/10/07.

The results of the BID vote were

- 833 responses –less than a third of those polled
- 450 voted in favour –just 18% of the total electorate.

It is the view of the current Board of Directors that given that more than 2500 business had the option to vote, this was a very marginal vote when consideration is given to the significant impact on the levy paying businesses of Coventry.

The vision of the BID as laid out in the business plan is to make Coventry the best place in the UK to do business by creating an environment that is:

- Free of crime
- Connected
- Supportive and easy to negotiate
- Presenting a positive image of the city
- Low cost

The BID according to the business plan is to last for 5 years. The full details of the Business Plan are available on the website [www.coventryb4b.co.uk](http://www.coventryb4b.co.uk) follow the link:

<http://www.coventryb4b.co.uk/index.php/Bid-Policy-Documents/View-category.html>

In the period leading up to the ballot and during the challenge to the legitimacy of the ballot £200,000 of costs were accrued by the CWCC. The 1<sup>st</sup> board of Directors were seconded from non-elected volunteers, supported by a resolution of the members (CV one & CWCC) agreed a schedule for re-paying these costs.

It was agreed that £69,000 was to be repaid as soon as possible and the balance to be paid in 5 instalments between Jan 2009 and Jan 2013

It should be noted that the company had only 2 members companies at this stage, these being CV One and the Chamber. Both these organisations were to benefit out of the creation of the BID as they were both subsequently awarded a significant share of the work from the new company and a significant new revenue stream.

There has been much conjecture about the motives of the CWCC and CV One for creating the BID. The official line coming from both of these organisations is that the BID was created for the good of the city's business community and was only devised after a comprehensive survey of the needs of businesses had been conducted. This survey was conducted over a 12 month period.

Various concessions were given to business parks around the city these being:

- Coventry Business Park – home to the chamber, was allowed to opt out of the Security arrangements, allowing an annual rebate of £55,000
- University of Warwick Science Park - £30,000 annual rebate for opting out of the Business Support Service
- Coventry University Techno Centre - £20,000 + £27,000 annual rebate for opting out of the Business Support and City Marketing
- NDC – Annual rebate of £24,000 for security opt out

### The Board of Directors

The first board of Directors comprised of non-elected volunteers to the board, a “Steering Board”. This board should have stayed in place until 31/03/08 at the very latest and should have held open elections to bring representatives of the Levy Payers on to the board. These elections were delayed until August 09 some 16 months past the date at which elections should have been held.

Again, many theories have been forwarded as to why the elections took so long to hold, the official line that we were given as new directors was that elections were delayed for practical reasons. This delay was despite the previous board being told in very clear terms by a leading Barrister that there should be no delay to elections for whatever reason. In fact recorded documents refer to discussions on stopping “wreckers” from becoming elected to the board. It may be assumed that the term wreckers referred to democratically elected representatives motivated by the failures of the BID organisation wanting to reduce the activity of, or to close down the company.

During the term of the previous boards tenure several key decisions were made that were in direct conflict with the stated objectives of the business plan (BP). Some of these decisions were made in the period when a *new* Board should, in accordance with the Business Plan, have been in place. Probably the most crucial decision that was taken was the ability of the board to transfer (vire funds) money between one service heading to another. The BP clearly states that if one project requires more funds to be allocated to it, at the expense of another promised service then certain criteria must be met and consultation must take place. In the case of the WAN project this required more funding. This funding was taken from the other stated objectives of the BID. The value of this transfer was over £250,000 and should have been the subject of an alteration ballot, which would have involved balloting the levy payers on the matter. This ballot did not take place and the previous board of directors sanctioned this transfer, against very clear legal advice, without holding a ballot of the levy payers on the matter.

It is thought that a ballot of levy payers resulting in a “NO VOTE” would have de-railed the BID at this very early stage.

Eventually Board elections took place and the new board took office on the 31.09.09. The new board was initially composed of 12 elected directors, a Chief Executive Officer and a representative from Coventry City Council, the Chamber and CV One.

To date, the representatives of the Council and CV one have resigned, the chief Executive after an extended period of sick leave has left the company and the Chamber’s representative has withdrawn. Three of the elected directors have also resigned including the previous boards Chairman.

### The contracts awarded by the BID company

The 3 main areas of expenditure by the BID company are contracts that have been entered into to provide the following:

- Business Area Champions (BAC’s) – Coventry & Warwickshire Chamber of Commerce.
- Security and City Image - CV One
- WAN – Wide area network – Coventry City Council and Optilan

## Coventry & Warwickshire Chamber of Commerce (CWCC) & The Business Area Champions (BACs).

The Chamber (CWCC) have been contracted to provide Business Area Champions (BACs) to supply advice and support to the levy paying companies. The business plan states that the business area champions will, " provide a team of high calibre, responsive (business led) and area focused business champions providing business support and advice and seeking to understand the issues affecting their area of the city as well as the particular needs of an individual business".

The contract has been put in place by the previous board to run from 25.10.07 until 24.10.10.

The contract was signed on 16/04/08 by CWCC and CB4B on the 17/06/08 by the previous board of directors.

The values of the contract as originally put in place are

- 25/10/07 – 24/10/08 £300,000 (£300,000)
- 25/10/08 – 24/10/09 £410,000 (£386,034)
- 25/10/09 – 24/10/10 £420,250 (£378,225)

*The bracketed figures are the revised amount agreed with CWCC to reflect reductions of service negotiated by the previous board to allow money to be spent in other areas.*

The maximum resource in terms of BACs that the CWCC have put into this service is:

3 full time and 3 part time BACs - equivalent of 4.5 full timers. The cost of this works out a £7,780 per BAC per month or £45 per hour per BAC provided. *(This is around 4 times more per hour than the average hourly rate paid in Coventry for a skilled manufacturing worker)*

The CWCC are to provide service that is monitored against a set of Key Performance Indicators (KPIs) that are to be reported on a monthly basis.

There are a number of questions that exist in respect of the contract, these are:

- No minimum number of BACs had been specified
- The BACs were contracted to start in October 2007, in spite of no contract being in place until 16/04/08
- The KPIs set out in the contract are questionable. They appear to be easily achievable and do not really offer a good indication against which the BACs service can be measured.

*It should be noted that at the request of the current Board, CWCC have agreed to and have now started to reduce their activity and cost for providing this service. This action is greatly appreciated.*

## CV One limited

According to the contract between Coventry Best for Business (CB4B) and CV One, CV One is a company that has been established as a Business Improvement District (BID) to deliver a number of services to businesses on business sites throughout Coventry. The main tasks are:

- Security - To reduce business crime – through mobile patrols, monitored CCTV & crime reduction advice
- Image - To deliver or contribute to a series of activities to promote the image of Coventry, such as events, a business awards scheme, an "Ambassadors Group", marketing and inward investment. This was to include significant funding for the Godiva Festival

The budget allocated in the contract had allowed for:

- In excess of £630,000 per year to provide security
- In excess of £360,000 per year to promote the image of the city.
- A combined annual budget of around £1,000,000

*Note: In reality this amount has been slightly reduced to cover the extra funding required to cover the WAN infrastructure costs.*

It should also be noted that the current Board made a request to CV One to reduce their costs, they have thus far declined to do so.

#### Coventry Best For Business (Business Improvement District) (CB4B).

Coventry Best for Business (CB4B) is a members company that has been established to manage the affairs of the City Wide BID. The Chief Executive headed the company reporting the Board of Directors. The company has existed primarily as an administration organisation. The main functions of CB4B are:

- Monitor the performance of and liaise with the Key contractors
- Manage the financial affairs of the BID organisation.
- Project manage the implementation of the WAN project
- Maintain and update the CB4B website
- Updating the levy payers on the progress made in delivering the BID projects.

The CB4B company had the following employees on either a direct or contract basis

- Chief executive Officer
- WAN/ICT project manager
- Webmaster (Part Time)
- 2 x Administration assistants
- Accounts Clerk (Part Time)

#### Coventry City Council

- The council is not a founder member of the BID, it is the billing authority and has made a loan to the BID covered by deed – drawn up 16/12/08.
- As the billing authority they have a right to hold a board position.
- The Loan agreement makes provision for up to £2,600,000 to be loaned to the BID of which £1,800,00 has been drawn. This had been reduced to around £1,300,000 at the time of the loan being called in.
- The loan was made available to cover the costs of the CITY wide WAN /ICT project.
- The loan is interest bearing at a rate of 5.75%, it is of interest to point out that the council has not paid interest on the levy collected on behalf of the CB4B company prior to disbursement of funds to the BID company.
- The loan should not have been made to the BID, it should have been made with CV One, this was outside of the Business Plan
- As far as can be ascertained no provision has been made to offset the amounts of the loan / levy. i.e. the BID company had at one point a loan of £1,800,000 outstanding and the council has was holding £1,600,000 of collected Levy payers money. The council has taken its interest on the loan but has not offset any of the levy it is holding on deposit.
- The Council have in the last few days called in their loan in full. As they were also acting as the bankers they were able to take the money without a request being made to the CB4B board.
- The council are in the process of setting up their own Metropolitan Area Network (MAN) and have granted a licence to the CB4B to operate the WAN (Wide area Network) "piggy backing" onto their infrastructure. A fee for this facility is being charged at £29,000 per year.
- The Council are running the contract to install both their MAN and the CB4B company's WAN with their contactor OPTILAN. This project is both delayed and heavily over budget.
- The council have an option to buy the WAN from the CB4B, but have stated that they do not intend to exercise their option. It is the opinion of the Councils CFO that the CB4B Board should make the assumption that the hardware installed to date on the WAN project is of no commercial value.

## The Wide Area Network (WAN)/ICT/Broadband project.

In order to facilitate a city-wide network of CCTV cameras a network of fibre optic cabling is required to link the city's 84 industrial estates & business parks to a central surveillance point. From this original idea it was decided to "piggy back" a Broadband network across the fibre optic cables.

Coventry City council were already underway with their separate project to build a fibre ring (Metropolitan Area Network MAN) around the City Centre with branches out to its schools, libraries, public buildings etc. The new CB4B WAN network would link into this giving it high speed access to the World Wide Web.

Considerable discussion has taken place about the security of this system, the type of technology used and some believe that the service that can be obtained from established providers such as BT are now as good as that which the WAN could offer.

The WAN was always marketed as being a free service, in reality it will have ended up costing an average of £1000 to each levy paying business to implement this Network. This cost takes no account of the on-going costs relating to connectivity and maintenance. The project was suspended by the current board of Directors in November 09. The reasons being spiralling cost combined with no confirmed date for completion of the project. The project at this time was already more than 2 years late. The situation was aggravated in that the contract for the supply of the WAN spurs was made between Coventry City Council and Optilan the contractor, meaning that that the BID company has not been able to directly progress the project.

An example typical of the problems faced by this project was the mistake made over the road surface type into which the cable would be laid. The road is first cut and the cable laid into the slit at a depth of around 200mm (8"). The original survey on which the project plan and contract price were based had identified the roads as being made from easy to slit Tarmac. Once the project was underway it was discovered that many of the roads that had been surveyed as Tarmac were in fact concrete. This caused huge difficulties for the contractors, resulting in massive delays and extra cost.

As of today 800+ business have the ability to be connected to the broadband and approximately 300 have taken up the option.

Some points to note:

- The cost to connect the BID Fibre Optic spurs to the councils MAN is being charged at £29,000 per year, this is a council charge.
- The cost of connecting the BID WAN network to the World Wide Web is £26,000 per quarter/per year (still to be clarified) – this is charged by BT
- The help desk is provided by BT at a cost to CB4B of around £20 per call
- There is no minimum service level agreement in place between the Council & Optilan
- There is no warranty / service support in place for the wireless equipment associated with the WAN
- There is no warranty/ service support in place for the Central BT infrastructure.
- The project has cost £1,900,000 to date, with many hundreds more thousands required to finish it.
- There is an issue still pending in that CB4B believe that Optilan have been paid more than they are owed for the work done to date. Discussions between CB4B and Optilan are underway. These discussions are slow as everything must first pass through the CCC as they ultimately hold the contract with Optilan. The amount in question is £100,000.
- The Cost to finish the project will be in the region of £1,500,000 There is no allowance here for the ongoing maintenance or support of the system.

### The Levy

The BID arrangement has been set out in statute, therefore making it a legal requirement. The council are legally obliged to raise the levy, this has, however, been delayed in the past to suit the needs of the BID company. The council has, however, made a unilateral decision to raise a levy in the current period despite numerous requests being made to them not to do so from the Current CB4B Board.

The levy is set out at:

- £200 for every hereditament plus 1.5% of the rateable value. This was to be increased annually by the RPI.
- The maximum was £25,000

Around 2500 businesses are bound by law to pay the levy, at an average cost of £1000 per business:

- The levy raised in the period 07/08 - £1,046,645 (as only a part year was levied)
- The levy raised in the period 1/04/08 – 31/03/09 was £2,417,716
- The expected levy to be raised in the period 09/10 is £2,506,000
- It is expected that the Council plan to raise a similar amount in the 2010/11 period.

*These figures have been taken from the audited accounts*