

South Bank Employers' Group

Lyons Inquiry

Evidence to the Inquiry into Local Government Funding in England

1. Background

1.1 South Bank Employers' Group is a not-for-profit company bringing together the following major organisations in the South Bank / Waterloo / Blackfriars area:

British Film Institute Coin Street Community Builders Ernst & Young Guy's and St Thomas' Hospital Trust IBM UK ITV Kings College London & Continental Railways London Eye Company London South Bank University Network Rail P&O Developments Royal National Theatre Shell South Bank Centre

The South Bank Employers' Group is dedicated to achieving the best possible experience for employees, residents and visitors to its' area which stretches from Lambeth Bridge to Blackfriars Bridge and South to St George's Circus.

The Group's vision is to make its area

- A desirable destination for cultural pursuits, business and pleasure
- A place which supports and encourages investment and business growth
- A place with a flourishing and cohesive residential community
- A place which is welcoming to visitors and tourists
- A friendly, clean, colourful, safe, dynamic and diverse area

1.2 South Bank Employers' Group has also formed two sub-groups:

1.2.1 The South Bank Marketing Group includes the attractions and cultural organisations in the South Bank Employers' Group together with the Imperial War Museum, the Saatchi Gallery and a number of other smaller attractions.

1.2.2 The South Bank Property Group comprises members of South Bank Employers' Group and in addition the following developers with major projects in the area - Land Securities, Capital and Counties, Delancey, and Frogmore. The Property Group aims to co-ordinate developments in the area to maximise the benefits to the public realm, and to employee and visitor facilities.

1.3 South Bank Employers' Group also administers and supports the **South Bank Partnership**, which is jointly chaired by the two local MP's, and includes the leaders and local members of the London Boroughs of Lambeth and Southwark, together with business and community organisations. The Partnership was established to co-ordinate and over-see major regeneration programmes in the area – the South Bank Employers' Group is the delivery agent for these programmes. The Partnership is now intended to become the body providing democratic oversight of a future neighbourhood management structure for the area with significant business input and leadership.

2. Main Elements of South Bank Employers' Group Evidence

2.1 Summary

South Bank Employers' Group

- **Is willing to support the re-localisation of business rates**, subject to safeguards on rate increases and guaranteed mechanisms to enable business to influence spending priorities
- **Supports retaining more of the revenue raised in London** to support spending in London
- **Opposes new taxes or tax changes** which could adversely affect London's competitiveness or distort travelling patterns or inhibit property development
- **Seeks recognition of the special characteristics of its area**, which comprises major business, tourist and transport facilities and a very high daytime population at the corner of two otherwise deprived Boroughs
- **Accepts that the principles of Business Improvement Districts (BIDs) and Local Authority Business Growth Initiative (LABGI)**, but does not consider that they meet the needs of business generally and the South Bank Employers' Group area in particular
- **Supports flexibility in local taxation** to permit the local delivery of services through neighbourhoods and proposes pilot business-led neighbourhood in the Group's area

2.2 Background

The Group recognises the need to restore the balance of funding to give Local Authorities greater flexibility and accountability, and, in parallel, the need for equalisation mechanisms which take in to account regional and local variations and requirements, especially those arising from deprivation and related factors. As a business organisation, the specific comments of the Group relate mainly to business rates. However, its' evidence also reflects the special nature of its area and membership.

South Bank Employers' Group represents businesses and major organisations in an area right at the top corner of two London Boroughs with huge pressures on them arising from deprivation and major social problems. The main theme of this evidence, therefore, reflects a particular situation which may not be exactly reproduced elsewhere, but will have parallels in other areas where business, tourism, a transport hub or major cultural, educational or health facilities generate a need for investment in public and environmental services and the public realm which is not able to compete with other pressures on Local Authorities with high levels of deprivation.

As well as our general comments on local accountability, we seek flexibility in local and business taxation, beyond that provided for by LABGI and BIDS, to permit the proper funding of a special business-led neighbourhood status particularly suited to the South Bank Employers' Group area, but which may well be applicable to other areas with comparable features.

2.3 Business Rates

South Bank Employers' Group:

- **Would support partial or complete re-localisation of NNDR provided there are significant safeguards to prevent major local variations and the right mechanisms for business needs to be met.**
- **Would support the case for a higher proportion of NNDR raised in London to be retained and reinvested in London.**
- **Would wish to see the formulae for all equalisation of local government finances take greater account of business interests and daytime population than current formulae. This applies particularly to NNDR if part or all of it continues to be administered nationally.**
- **Would wish to see mechanisms, both at Borough level and on a neighbourhood basis, for business to influence how local authority revenue is spent to create the right environment for economic growth and the creation and retention of jobs.**
- **Would expect these mechanisms to ensure that business truly does have a voice in how local monies are spent. This would need to be based on a statutory requirement, and reinforced by financial incentives. It should not merely be a consultative process.**

2.4 Other Taxation Possibilities

South Bank Employers' Group

- **Would be concerned about the effect of a local income tax on London's competitiveness** and the difficulty of adjusting local income taxes raised from those who live outside London but work within it.
- **Would be concerned about any local sales, hotels or other tourism related taxes** from the point of view of London's competitiveness as a destination for both individual and business tourism.
- **Would be concerned about any land or property tax** which had the effect of inhibiting development.

2.5 Special Issues for London

South Bank Employers' Group generally supports the views of London organisations, such as Central London Partnership and London First, about the needs of London as the national engine of economic growth and success and the need to maintain its international competitiveness.

Given the situation in its own area, where jobs and growth may not be coming forward as quickly as intended, the Group is particularly concerned about any threat to London's competitiveness both in terms of general business growth and of tourism. Specific factors are:

- **Though London is clearly the wealthiest part of the UK and some equalisation is inevitable it is also the part of the UK most exposed to international competition.**
- **It is the UK city most in need of public and infrastructure investment.**

- **A local income tax would affect competitiveness – London is the country’s highest earning area.**
- **A local income tax would also distort patterns of residence in relation to work and lead to more pressure on transport.**

Others have suggested special levies or structures to generate a greater business input into infrastructure investment. While not opposed to this in principle, the Group’s view is that the scale of infrastructure investment required in London is such that a high proportion of funding should come from national sources. Where consideration is given to special or hypothecated local taxation or business contributions to support particular projects e.g. Crossrail, they should be concentrated on those areas and business which most directly benefit from that project.

3. The South Bank Employers’ Group Area

3.1 The comments of South Bank Employers’ Group are based on its experience of business led regeneration and public realm improvements in the area bounded by Lambeth Bridge, Blackfriars Bridge and St George’s Circus. The area contains a unique mix of big business, major cultural organisations, London’s most successful paid tourist attraction, very large higher education establishments, a major hospital, the busiest railway station in Europe, significant social enterprise, and a growing residential population at both the social/affordable and top ends of the market. It has been identified as an Opportunity Area in the Mayor’s London Plan, is the major employment area in Lambeth and one of the main areas for employment in Southwark. Both under the Opportunity Area and the Southwark UDP, it is intended to provide for significant growth in employment. In the case of both Lambeth and Southwark, the area in question is right at the top corner of the borough and is very different in needs and character from the remainder of each borough.

3.2 The daytime population of the area is made up of in excess of 13m visits per annum to the major attractions in the area, and some 75m annual users of Waterloo main line stations (not including international or London Underground passengers). Further pressure on the area arises from large numbers of employees, patients, and students from major institutions such as Shell, St Thomas’s Hospital, Kings College London and London South Bank University. Current formulae do not give sufficient weight to the pressures generated by such numbers, and such additional revenue support which does arise from daytime population factors is not spent by the Boroughs in the area of high daytime population.

3.3 The areas close to the river in each Borough are major generators of jobs and continued growth is the most effective way to access and create jobs for local people, thereby addressing the major issue of worklessness. The Waterloo Opportunity Area in the Mayor’s Plan envisages 15,000 new jobs in only part of the area covered by South Bank Employer’s Group. Tourism has been a significant generator of jobs and local spend. Further growth depends on increased dwell time and this, in turn, requires better managed and maintained public realm. The growth necessary for continued regeneration is currently on hold. One major business is leaving the area and several large developments with planning permission have not proceeded for lack of tenants. Rateable values and other business costs are not significantly different from areas north of the river or closer to the City, but public investment in environment and services is much lower.

3.4 However, the financial and political demands of more deprived areas make it difficult for Lambeth and Southwark to devote the necessary resources to meet the special needs of an area which seems wealthy in comparison to nearby deprivation. The consequent lack of investment in public realm improvement, maintenance and management threaten the ability of the area to attract the necessary investment to meet employment growth objectives and thus contribute to reducing worklessness and social exclusion further south in both Boroughs.

3.5 The South Bank/Waterloo/Blackfriars area as described represents an extreme example of concentration of employment and daytime population in a small corner of two otherwise very deprived and diverse boroughs but could be seen as representative of other areas, for example the City Fringe in London and areas with similar features outside the capital.

4. Business Improvement Districts (BIDs) and Local Authority Business Growth Incentives (LABGI)

4.1 General

In 2003/04, South Bank Employers' Group and the London Borough of Lambeth made a joint high level approach to Treasury to highlight the special situation of the South Bank and Waterloo in relation to Revenue Support Grant. The Treasury response referred the partners to the Lyons Inquiry and to the LABGI and BID mechanisms. Copies of the correspondence are at Annex A. The view of South Bank Employers' Group is that though these initiatives are steps in the right direction they have significant drawbacks and in particular fail to meet the particular needs of our or similar areas.

4.2 LABGI

South Bank Employers' Group supports the principle of this scheme in that it allows authorities to keep some of the extra rate income generated by new development and business growth generally. However:

- In trying to ensure fairness between Authorities and limit the cost to the Exchequer, the scheme has become too complicated and delivers too little to make much difference – only £50m a year across London.
- Additional income for the Local Authority depends on new business development activity. It, therefore, will not deal with factors inhibiting development from coming forward.
- The proceeds of LABGI to the Local Authority simply become part of the general revenue of the Authority and, particularly in the case of deprived Boroughs, are subject to all the same pressures on expenditure as currently exist. There is no mechanism to ensure that additional funds generated are spent in a way that meets the needs of the new business which gave rise to them.

4.3 BIDs

On the face of it, it would seem that the BIDs provisions would be particularly suitable for the special requirements of the South Bank Employers' Group area and, indeed, the Group has given the formation of a BID proposal very serious consideration. However a number of critical factors mean both that a BID would not currently meet the needs of the area and would in any event be unlikely to succeed either in a BID ballot or in delivery.

- BIDs are essentially to provide additional services and rely on baseline agreements. Business ratepayers will not vote for a BID levy if existing services do not meet the basic needs of the area. A satisfactory BID business plan will not be constructed without a satisfactory baseline agreement.
- The viability of a potential BID is seriously undermined by a high proportion of business ratepayers in the area who enjoy charity relief. If the relief is extended to the levy, the income is insufficient. If non-profit organisations do not receive the relief they will not vote for a BID.

- This factor affects not just the well known major cultural, educational and health organisations in the area – there are also smaller arts organisations, the headquarters of a number of charities and social enterprises.
- BIDs to date have been encouraged by large injections of public funding. In some cases they also continue to be supported from public funds which are a considerable incentive for business also to support them. However, there are no secure sources of public funding for start-up costs and no guarantees of the continuation of revenue support even if it can be secured.
- Land-owner/developer contributions remain voluntary and are inhibited by all the above factors

5. The South Bank Employers' Group Area as a 'Business Neighbourhood'

South Bank Employers' Group supports the growing encouragement by government and others of neighbourhood structures to bring local services closer to the people they serve and match the special needs of the area (see 'Citizen Engagement and Public Services, Why Neighbourhoods Matter' ODPM, February 2005 www.odpm.gov.uk). To date, such structures have been focused on areas of social need and deprivation and supported by national funding streams and special targets for Local Authorities. Our view is that business-led neighbourhoods should also be supported to meet the special needs of areas of intensive business and high daytime population. This is particularly appropriate in Boroughs where the main focus is inevitably on areas of deprivation and where business growth and the creation of new jobs for local people can make a strong contribution to the problems of nearby deprived areas.

The overwhelming case in relation to local taxation raised from business is that businesses should have more say in how the proceeds are spent. They should see a fair proportion of what they pay reinvested in the area they operate in with proper mechanisms to ensure that this happens. Where there is a very high proportion of business (e.g. The City or Westminster) this can be effective on a borough-wide basis. Where there is a high concentration of business in a small area of a deprived borough, this needs to be looked at in a different way.

The new emphasis on neighbourhoods stresses the need for local accountability and democratic control, which is equally applicable to a business-led neighbourhood. The South Bank Employers' Group area has an existing forum combining business and elected representatives (the South Bank Partnership) and would be well placed to pilot such a scheme.

6. Conclusions

6.1 South Bank Employers' Group supports the localisation of business rates, subject to relevant safeguards on rate increases and on the influence of business on spending priorities.

6.2 The Group supports retaining and spending more of the revenue raised in London within London.

6.3 The Group would oppose any new taxes or tax changes which affect London's competitiveness.

6.4 The Group is seeking recognition for the special characteristics of its area – a major business, tourist, cultural and transport hub, with a high daytime population, on the top edge of two very deprived London Boroughs.

6.5 While the Group supports the principles of BIDs and LABGIs, they do not address the baseline needs of neighbourhoods and do not meet the specific needs of the South Bank Employers' Group area.

6.6 The Group would support greater flexibility in local taxation to provide an effective financial base from mainstream sources to support the local delivery of services. The Group would be interested in piloting a business-led neighbourhood in its area.