

Report of Director of City Development

Report to Executive Board

Date: 4th September 2013

Subject: Leeds Business Improvement Districts

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The Vision for Leeds outlines our ambition to be the best city in the UK by 2030. Integral to this ambition will be a thriving and vibrant city centre and district centres that add to the economic and social wellbeing of the city. In that context this report outlines the potential for Business Improvement Districts to contribute to the achievement of that ambition.
2. A Business Improvement District (BID) is a defined geographical area where partners work together to create and promote a better place as a business location. BIDs can only be set up by a ballot of business in the relevant geographical area. For a BID to be approved the vote needs to deliver a majority in favour both in terms of the number of businesses and the rateable value of the business premises. Over 200 BID proposals have been developed in towns and cities throughout the UK. 178 (85%) have so far voted in favour of a BID. Each BID proposal is different depending on local needs and priorities in a chosen location.
3. There is a need for the City Council to have a considered approach to developing an appropriate policy framework to support emerging BIDs, including to be open to the private sector bringing forward BID proposals and ensure that BIDs develop successfully in alignment with the Council's strategic objectives for supporting business, encouraging investment in the trading environment and providing the necessary support to foster economic growth and jobs.

4. Leeds City Centre faces increasing competition from out of town retail locations and online retailing. Trinity Leeds and Victoria-Gate will provide a step-change in the quality of the retail and leisure offer, but will pose challenges for other city centre shopping streets and centres. Customers, visitors and businesses are demanding ever higher standards of management of the city centre. But Council budget pressures mean that we will not be able to meet these expectations if we do not change our approach.

Recommendations

Executive Board is recommended to:

- i. be open to the private sector bringing forward proposals for BIDs that are in line with the Council's strategic policy objectives to improve and promote the city centres, and town and district centre as successful retail and leisure and tourism destinations;
- ii. adopt the position of in principle support for BIDs, subject to a full BID proposal coming forward from a proposer which should be aligned to the Council's objectives, and there being clear evidence of an effective partnership and approach to delivery;
- iii. support initial BID inception work in the early stages by using the City Council's expertise to offer high level advice on BID development as necessary;
- iv. support the need to undertake further work to examine the case for a Tourism BID (TBID), as well as other potential mechanisms for securing private sector funding for work to improve and promote Leeds as a destination for visitor, and host city for major events.

1.0 Purpose of this report

This report sets out the need for the City Council to have a considered approach to developing an appropriate policy framework to support emerging BIDs. The purpose is to encourage the private sector to bring forward BID proposals and ensure that BIDs develop successfully in alignment with the Council's strategic objectives for supporting business, encouraging investment in the trading environment and providing the necessary support to foster economic growth and jobs.

2.0 Background Information

2.1 The Vision for Leeds outlines our ambition to be the best city in the UK by 2030. Integral to this ambition will be a thriving and vibrant city centre and district centres that add to the economic and social wellbeing of the city. In that context this report outlines the potential for Business Improvement Districts to contribute to the achievement of that ambition.

2.2 A Business Improvement District (BID) is a defined geographical area where partners work together to create and promote a better place as a business location. BIDs can only be set up by a ballot of business in the relevant geographical area. For a BID to be approved the vote needs to deliver a majority in favour both in terms of the number of businesses and the rateable value of the business premises. Over 200 BID proposals have been developed in towns and cities throughout the UK. 178 (85%) have so far voted in favour of a BID. Each BID proposal is different depending on local needs and priorities, but usually focus on:

- Safety and security;
- Cleaning and maintenance;
- Events and marketing;
- Evening economy;
- Access and signage;
- Business voice;
- Capital investment; and
- Attracting major events.

A more detailed explanation is provided in the background papers in Appendix 1.0.

2.3 For a BID to be successful it must be driven by businesses in partnership with the private sector. The BID is steered by a private sector board. Typically, a BID company is formed by the private sector, working in partnership and sharing resources with the Local Authority.

A clear geographical boundary is identified and each rateable unit in that specified area assessed for a levy, typically 1% - 2% of the rateable value to be paid into a revenue pot for projects to be determined by the private sector BID board. There is scope to introduce a minimum rateable value below which businesses do not pay the levy, ensuring additional costs are not imposed on small businesses. A BID can include all businesses in an area, or it can be focused on particular sectors (eg. retail)

3.0 Context

- 3.1 There is now an imperative and an opportunity to act swiftly in Leeds due to the current challenges facing the city.
- 3.2 Leeds City Centre faces increasing competition from out of town retail locations and online retailing. Trinity Leeds and Victoria-Gate will provide a step-change in the quality of the retail and leisure offer, but will pose challenges for other city centre shopping streets and centres. Customers, visitors and businesses are demanding ever higher standards of management of the city centre. But Council budget pressures mean that we will not be able to meet these expectations if we do not change our approach.
- 3.3 There is a growing sense of confidence and ambition in Leeds City Centre following the opening of major projects such as Trinity Leeds and Leeds First Direct Arena in 2013. Momentum will be sustained into 2014 when Leeds will host Le Grand Depart, and beyond with the Victoria-Gate project, and the Kirkgate Market improvements. Partnership between business and the Council is strengthening, around the shared aim to be the “best city centre”, in the “best city” in the UK. Now is the time to build on this momentum, and for the private sector to take the lead, with the support of the Council, in securing the long-term future success of Leeds City Centre.
- 3.4 Leeds remains the only core city not to have a BID in the UK. Heart of Manchester has a £5m BID commencing on 1st April 2013, Birmingham currently has 10 BIDs and London has 25. Liverpool, Nottingham, Reading and Bristol have functioning BIDs and Sheffield is a year into the planning for a BID proposal. There are over 170 BIDs operating currently in the UK. Leeds is lagging behind in this respect. This needs to be addressed, particularly in the light of the significant challenge of the continued reduction in City Council funding.
- 3.5 Leeds Flood Alleviation Scheme (FAS) has BIDS under consideration as a potential private sector scheme to help deliver the necessary protection from flooding for the city.
- 3.6 Otley Town Partnership is currently planning to hold a BID ballot in October 2013, with a view to operating a BID from April 2014, if the ballot is successful. The Council is supportive in principle. It is therefore important to establish a clear policy framework within which BIDs can be brought forward.
- 3.7 Leeds has an aspiration to attract increased number of visitors through the delivery of major events in the city. The experience of visitors needs to be of a high quality to match the city’s ambition to be “Best City” in the UK.
- 3.8 BIDs have enabled governments and business partnerships to examine other forms of additional levy to raise funding to support the trading environment. Northern Ireland has recent enacted a policy of raising additional taxation from Supermarkets to fund town programmes. A Supermarket levy would require an Act of Parliament

in England & Wales. It is also likely to have a negative impact on BIDs that contain Supermarkets in the BID area, as there is clearly the potential of double taxation on the part of supermarkets, if in a BID area.

4.0 Main Issues

4.1 Policy Framework

A policy framework will enable the City Council to deliver appropriate support for management of towns and district centres by taking a holistic approach to common issues.

BIDs are one of a range of solutions that can be applied in our towns and district centres and the city centre. This paper therefore takes into account the emerging strategy on towns and district centres and recognises that success in individual towns will be determined by use of the appropriate mechanism/s in a given location. These solutions include building on the work of Town and District Centres 2 proposals; DCLG Portas High Street Innovation Funded projects, Town Teams co-ordination projects and the application of knowledge and expertise of the city centre management team in towns and district centres to evolve fit for purpose solutions, working in partnership with Area management. Leeds City Centre is strategically important as a retail, leisure and tourism destination and business location. There could be significant benefits of a BID in the city centre.

4.2 Role of Leeds City Council

- The City Council would need to work with BIDs to arrive at agreed positions in two areas. There will be a need to establish two agreements with a new BID company: BID operational agreement - which establishes the Council's responsibility to collect the BID levy via the business rates mechanism on behalf of the BID proposer; and the responsibility to organise a BID ballot.
- BID baseline agreement which identifies those services which the City Council currently provides in a specific BID geographical area.
- There will need to be alignment between planning, capital investment and operational strategy of the Council and BID proposals. The Council will also play an important role as a strategic partner in BIDs. It will continue to set the strategic direction for the city centre and town centres, and play a key role in BIDs. BID proposals will need to be aligned with this.
- BID partners will need to bring forward proposals that are aligned to the planning and capital investment strategy of the Council.

4.3 Partnership

A significant benefit of a Leeds BID is that it will drive collaboration and enhance the partnership between the private and public sectors and enable joint working towards a shared aim. It will also allow the private sector to bring forward a common representative position on their BID which will facilitate productive dialogue with the City Council.

BIDs develop to fit the needs of a particular geographical location. Therefore they have the flexibility to work well in city centres as well as towns and district centres. The emerging strategic approach to towns and district centres includes BIDs as potential mechanism for providing locally derived solutions.

4.4 Other Issues to consider

4.4.1 Tourism BIDs (TBIDs)

BIDs typically exist to enhance the trading environment in a specific geographical location, meaning all business occupiers in that location have been liable for a BID levy, irrespective of their sector.

Some cities have begun exploring the development of a BID based on purely sector basis, particularly Tourism, to support specific projects. Such BIDs are not yet in operation anywhere in the UK and face difficulties, not least a legal challenge of how you define which business sits within a particular sector. Tourism covers a wide selection of businesses and does not have a distinct boundary similar to a geographical BID. More work is therefore required to overcome such challenges before a sector specific BID can be put forward.

4.4.2 Supermarket Levy

Members will be aware that a White Paper at Full Council highlighted the potential for a supermarket levy for Leeds. Accordingly, the concept of Supermarket Levy is due to be fully considered in an Executive Board report in October.

5.0 Corporate Considerations

- 5.1 The setup of a BID by the private sector can only be successfully achieved through working in partnership with the Council. Relevant Council services such as Business rates are already involved in provision of rates information. A number of other council services will become involved as a proposal is developed and brought forward to the Council by the private sector.

6. Consultation and Engagement

- 6.1 In developing an approach the City council has consulted with the Chamber of commerce, through the representative business body of Economy and Retail Infrastructure sub-group. This group are leading the private sector work on the potential for a Leeds BID. Consultation with the Leeds Retail Association (LRA) confirms that the BID is seen as a potential mechanism for adding value to the services that the City Council currently provides in such areas as cleansing, marketing and promotion and events. Principal property owners are in continuing dialogue with the City Council and support the concept in principle. Further consultation is on-going with the British Retail consortium who represent most of the national retailers in the city and British Council of Shopping Centres (BCSC).

7. Equality and Diversity / Cohesion and Integration

An equality and diversity screening has been completed and attached as an appendix. It indicates that there are no specific implications for equality and diversity as a result of the development of BIDs. BIDs are developed by the private sector and the role of the Local Authority is to ensure that the ballot is held and BID revenues collected for the BID company through the business rates mechanism.

8. Council policies and City Priorities

The project will support the delivery of the following City Priority Plan priorities and Core Strategy Objectives:

- Support the sustainable growth of the Leeds' economy;
- Raise the profile of Leeds nationally;
- Support the continued vitality, economic development and distinctiveness of the City Centre as the regional centre; and
- Promote the role of town and local centres as the heart of the community which provide a focus for shopping, leisure, economic development and community facilities and spaces.

Proposals for BIDs are aligned with our planning framework for managing towns and districts and the city centre.

9. Resources and value for money

The City Council could benefit from the purchase of additional resources by the BID from Council services should the BID be successful. This will be to top up those services that the Council already provides in a BID selected area. Examples could include cleansing, marketing and promotion, funding of projects by the BID. There is however, no obligation on the part of the BID to use Council services particularly.

10. Legal Implications, Access to Information and Call In

The Council has the right of VETO under the BID regulations if it feels that a proposed BID conflicts with its policies. No Council in the UK has to date used its power of veto. BIDs are regulated by the statutory instrument number 2443 of The Business Improvement Districts (England) Regulations 2004. The Local Authority role is guided by the local Government Act 2003 Chapter 26.

11. Risk Management

The development of a BID proposal is not a guarantee of a successful BID ballot. The risks involved, however are borne by the private sector BID proposer. There is no financial risk to the Council of a BID proposal, except for the time commitment of officers in supporting a BID.

12 Conclusion

- 12.1 BIDs are proven mechanism for supporting investment in the trading environment through additional funding of city centre maintenance type projects, promotion and marketing, led by the private sector and supported by local authorities.
- 12.2 It is important that the city seizes the opportunity presented by a step change brought about by important developments of Leeds Arena, Trinity Leeds and Victoria-Gate to support the establishment of a city centre BID, and establish general principles on BIDs.
- 12.3 The momentum required to drive the development of a BID is usually in response to a particular problem faced by a city or locality. The opportunity in Leeds is actually about building on positive developments and ensuring we future-proof the return on investment of our new and emerging developments in the city centre.
- 12.4 BIDs in Leeds could form part of a cohesive approach that brings together management and operational support for town and district centres and a holistic approach to supporting business sectors, particularly retail. A robust policy framework will provide consistency and clarity for both the private sector and the City Council in progressing BIDs citywide to a successful conclusion.

13 Recommendations

Executive Board is requested to:

- i. be open to the private sector bringing forward proposals for BIDs that are in line with the Council's strategic policy objectives to improve and promote the city centres and town and district centre as successful retail and leisure and tourism destinations;
- ii. adopt the position of in principle support for BIDs, subject to a full BID proposal coming forward from a proposer which should be aligned to the Council's objectives, and there being clear evidence of an effective partnership and approach to delivery;
- iii. support initial BID inception work in the early stages by using the City Council's expertise to offer high level advice on BID development as necessary;
- iv. support the need to undertake further work to examine the case for a Tourism BID (TBID), as well as other potential mechanisms for securing private sector funding for work to improve and promote Leeds as a destination for visitor, and host city for major events; and

14 Background Papers¹

- 14.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Appendix 1 - BIDs Technical Background

What is a Business Improvement District (BID)?

A Business Improvement District (BID) is a defined geographical area where majority of a defined group of business occupiers (non-domestic ratepayers) within that area agree to pay a mandatory levy for a fixed period of time for the delivery of specific additional services to improve the commercial environment.

What are the purpose of BIDs?

BIDs were established in 2003 in England and Wales to:

- respond to weaknesses or opportunities that need to be addressed within a defined area;
- create a funding base for 3-5 years and potentially longer for investment into a specifically defined local area by the private sector; and
- to respond to stronger competition from other areas or cities.

Setting up a BID

A strong and long standing public/private partnership is often a precursor for the successful establishment of a Business Improvement District. It is rare for a BID to be established from scratch, without a partnership body in place. However, this is not seen as prohibitive to the development of a Leeds City Centre BID.

The authority to set up and manage a BID in England lies with the Local Government Act 2003. The legal framework supporting the establishment of BIDs is the Business Improvement District Regulations of England & Wales, 2004.

The development of a BID can mapped through **four clear, progressive stages**:

1. Foundation

- Undertake a **feasibility study** to ascertain the area of a BID or BIDS, the level of support and the focus of the BID. This would require **initial consultation** on the area of the BID, the issues to be addressed and the likely minimum size of participating businesses.. Not all businesses within the defined geographical BID area have to be part of the BID. The BID can just include businesses that will pay contributions above a certain threshold and this can significantly increase the chance of a 'yes' vote. BIDs must propose a level of service or works additional to the current baseline provision – it must be over and above local authority's **statutory** responsibilities.
- Creation of a **database** of all businesses and their named representative with the authority to vote.
- **Financial analysis** of potential revenue and costs.

2. Development

- Establishment of a Steering Group.
- Detailed face to face consultation; getting businesses on side is a key step and is time consuming.

- Project development including formation of a **BIDs development team**, to include a Project Lead (Senior Officer from a sponsor department), Revenue & Benefits (NNDR Business Rates), Elections, Legal (Legal & Democratic Services), Research/Data and mapping officer and City Centre Management
- BID documents prepare **business plan**, which is a binding document, and which identifies the proposed BID area, BID levy, governance and management of the BID and what the funds received will be spent on, including
- BID board and company model agreed

3. Campaign

- Marketing campaign
- Ballot arrangements - a minimum 126 day notice must be given to the Secretary of State. Notification of the ballot with a copy of the business plan must be provided 42 days prior to the ballot date, and postal voting slips need to be issued 22 days before the ballot date.
- Tracking and polling - to receive approval to proceed, **a secret BID ballot must meet two tests**. First, a simple majority of those voting must vote in favour (51%+). Secondly, those voting in favour must represent a majority of the aggregate rateable value of the rateable properties involved in the voting. (51%+)

4. Set up

- BID company established and Operating Agreement between the BID and the local authority is invoked
- BID team
- Invoicing by the local authority on behalf of the BID
- Appointment of staff and projects initiated. The BID levy typically operates for between three and five years and the funds levied are managed by the BID company. It is open to the BID company to extend the life of the BID for a further period, subject to a fresh ballot taking place.

2007 Lyons inquiry into local government funding

The 2007 Lyons Review noted that BIDs ‘...have addressed business priorities and provided genuinely additional resources, alongside accountability to those paying the extra tax... They show that, with the right proposals and engagement, local authorities and businesses can develop effective relationships and mutually advantageous proposals for the improvement of places.’ The Lyons review also highlights **three important limitations of BIDs**:

- firstly, that their purpose is specific and limited;
- secondly, that their relatively high development and administration costs reduce their potential impact and effectiveness; and
- finally, that due to the nature of funding, their priorities can be skewed towards short-term issues, such as marketing, rather than longer term investments, such as infrastructure improvements, i.e. they tend to work for the benefit of occupiers more than owners. However since it is occupiers not owners who finance them this is only to be expected.

What BIDs have delivered to date:

- Marketing, Promotion and Events in city centres including for example promotional campaigns, Christmas lights, private sector website development.
- Cleaning – street cleaning, graffiti removal, repairing street furniture
- Safety and Security – street wardens, CCTV, signage and lighting improvements
- Transport and Accessibility – support for public transport improvements and pedestrianisation schemes
- Business Development – lobbying, networking events, planning and development liaison
- Investment – small grants funds.

Summary of BIDs in the UK

So far, there have been 171 successful ballots, 32 unsuccessful and 41 renewals. Among these 41 renewals attempted, 39 have been successful. Among the existing BIDs, there are 30 based in industrial locations and 3 on commercial estates.

Average statistics relating to existing BIDs include:

- 46% turnout at ballot, which has been quite consistent over time
- 74% of businesses vote in favour of the proposals, but lots of work need to be done prior to this result to secure this level of approval.
- 20% of additional income generated by BIDs
- 96% typical collection rate from levy payers