

**Report of Director of City Development**

**Report to Executive Board**

**Date: 2<sup>nd</sup> April 2014**

**Subject: Leeds City Centre Business Improvement District**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): City and Hunslet	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input 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**

- Now is an ideal time to consider how the private and public sector can work together to make a step change in generating investment and providing leadership to improve and promote Leeds City Centre as a business location. A Business Improvement District (BID) for Leeds City Centre could generate up to £2.6million annually from business and other occupiers, and could lever in further funding from bodies such as the Local Enterprise Partnership. This could be used to drive increased footfall and spending, attract a wider range of visitors to Leeds, make the city centre more attractive as a place to work, improve the street environment, enhance the value and quality of the evening economy, and be a catalyst for investment in major improvement projects.
- A BID is where businesses vote to levy additional business rates (typically between 1% and 1.5% additional) to create funds earmarked for improvements to an area. Small businesses can be excluded from paying the additional rates.
- Leeds City Centre is an economic powerhouse. It is the location for over 115,000 jobs. It is at the centre of the largest concentration of financial and professional services jobs in the UK outside London. It is home to two of the city's universities and its main hospital. It is the main retail, leisure, cultural and visitor destination in Leeds City Region.
- Significant progress has been made in the past few years in improving and developing Leeds City Centre as a leading centre for retail, leisure, culture,

innovation, and jobs in major business sectors. Leeds City Centre is the most significant and fastest growing major location for jobs and businesses in Leeds and Leeds City Region. Progress has included developments such as Trinity Leeds and the First Direct Arena which completed in 2013, Victoria Gate which will complete in 2016, and the office schemes at Sovereign Street and Wellington Place on site.

5. But we must not be complacent. The competition is not standing still. The internet, out-of-town shopping centres and supermarkets all pose threats. Leeds competes with other UK and European cities in attracting visitors, shoppers, talented workers, and business investment. Increasingly, successful city centres will be those that provide an integrated quality offer encompassing retail, leisure and visitor and cultural attractions, and office locations. Businesses and people have increasingly high expectations of the quality of cleansing, safety and quality of activities in the places they operate, work and visit. Trinity Leeds and the First Direct Arena have raised the bar, and other projects such as Victoria Gate, Sovereign Square and Wellington Place are following suit. The rest of the city centre, including its shopping streets, office quarters, public spaces and gateways need to be of the same quality.
6. It will be difficult for Leeds City Council to meet these rising expectations in the context of budget pressures. With a BID the Council would commit to an operating agreement to provide a baseline of services, to which the BID could add to.
7. Sustainable and inclusive economic growth and civic entrepreneurship are priorities of the Best Council Plan, and the report of the Commission for the Future of Local Government. A successful Leeds City Centre Business Improvement District (BID) could generate direct investment for the city centre up to £2.6m annually, and lever in much more. It will strengthen the city's ability to compete internationally and within the UK for jobs, investment and growth. It will be based on a strong partnership between the private and public sectors, mobilising those with the powers, resources, skills, and commercial interests to really make a difference.
8. Executive Board in September 2013 approved recommendations inviting the private sector to come forward with proposals for BIDs. Executive Board indicated support for BIDs developing successfully in line with the Council's strategic objectives. Since then a group of major private sector investors, with the Council's involvement, formed a working group under the Chamber of Commerce Property Forum, and commissioned a feasibility study which was completed in February 2014 (listed as a background document). The study concludes that there is strong support within the business community and across a range of sectors for a Leeds City Centre BID. There is now considerable momentum in support of a City Centre BID progressing to the next development phase to include formal consultation, development of a business plan, campaign and a BID ballot in November 2014. For a BID to be established, over 50% of potential levy payers (by number and rateable value) must vote yes.

## Recommendations

9. Executive Board is recommended to:
- a) Support the principle of a Leeds City Centre BID, with the aim of improving and promoting Leeds City Centre as a leading European business location;
  - b) Agree to consider the council's support for the final bid boundary following the next phase of consultation;
  - c) Support the principle of occupiers of small business units (below a certain rateable value to be determined) exempted from paying additional rates;
  - d) Support in principle for the Council to be a levy payer, subject to it being satisfied with the proposed BID boundary, business plan and levy rate;
  - e) Agree to continued partnership with the private sector in the development of a Leeds City Centre BID by approving joint funding of the next phase of work to consult further, develop a proposed BID business plan, run a campaign to encourage occupiers to vote for a BID, and hold a bid ballot in November 2014;
  - f) Agree to provide up to £150,000 of funding, recoverable from the BID in the event there is a Yes vote, to the Chamber of Commerce for the next phase of work up to the BID ballot, on the understanding that there will also be significant private sector contribution (if a BID is established, this funding will be repaid to the Council by the BID in its first year); and
  - g) Instruct the Chief Economic Development Officer to bring a report to a future meeting of Executive Board (likely to be September 2014) to seek approval on the proposed BID business plan, and to progress to a BID ballot.
  - h) and to note:
    - i) the stages required to implement the decision as outlined in section 4 of this report
    - ii) proposed timescales for implementation as outlined in section 4 of this report
    - iii) that the Chief Economic Development Officer will be responsible for its implementation

## **1 Purpose of this report**

- 1.1 This report sets out the next steps for consideration by the Council following completion of a detailed feasibility study on the potential for a Leeds City Centre BID. The purpose is to give due consideration to the recommendations from the study and to affirm the Council's in principle support for a Leeds City Centre BID subject to a full proposal coming forward by the private sector steering group.

## **2.0 Background Information**

- 2.1 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 undertake activities including:

- Improving safety and security;
- Enhanced cleaning and maintenance to create a quality street environment;
- Running events and marketing to attract and retain visitors;
- Promoting a vibrant and safe evening economy;
- Investment in signage, way finding, and small scale public realm schemes;
- Articulating a business voice within an area;
- Acting as a catalyst for securing major capital investment in city centre improvement projects;
- Providing a welcoming and orientation service for visitors;
- Attracting major events;
- Skills and employment initiatives to connect people to city centre job opportunities.

- 2.2 For a BID to be successful it must be driven by businesses and other occupiers (such as universities, hospitals, cultural organisations) in partnership with the public 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 (see attached plan) is identified and each rateable unit within the area assessed for a levy, typically 1% to 2% of the rateable value to be paid into a fund 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).

- 2.3 Executive Board of September 2013 received The Director of City Development's report on Business Improvement Districts (BIDs), and the need for the Council to have a considered approach to developing an appropriate policy framework to

support emerging BIDs, in order to encourage the private sector to bring forward BID proposals and also to ensure that BIDs were developed 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.

#### 2.3.1 Executive Board resolved:

(a) That it agreed to being open to the private sector bringing forward proposals for BIDs that are in line with the Council's strategic policy objectives, namely to improve and promote the city centres and town and district centre as successful retail and leisure and tourism destinations.

(b) That approval was given to 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.

(c) That support was given to 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.

(d) That it supported 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 visitors, and host city for major events

2.3.2 The private sector BID steering group under the lead of the Chamber of Commerce and with the involvement and minority financial support from the Council commissioned a feasibility study in February 2014. The study concluded that there is a real and urgent appetite for a Leeds City Centre BID amongst businesses and key City Centre stakeholders. It affirmed the view that the creation of a Leeds City Centre BID will be a catalyst for economic stimulus to growth and jobs.

2.3.3 Options relating to the Leeds City Centre BID on Boundary, Levy, Value and Threshold have been considered in the Feasibility study and will be the subject of formal consultation in the next phase of developing a BID. Initial consultation through the feasibility study has solidified drive and momentum behind the BID and the private sector is keen to progress to the development phase leading to a ballot in November 2014.

## 2.4 Context

2.4.1 There is now considerable momentum and support for the development of a BID in Leeds City Centre, following completion of the Feasibility study.

2.4.2 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. Leeds City Centre is the most important location in Leeds City Region for firms in the financial and professional services and digital sectors, and headquarters functions. It is the location of two of the city's three universities, its largest hospital, and its major leisure and cultural attractions. Over 115,000 people are employed in Leeds City Centre, and it is home to over 25% of the city's private sector jobs. It is an economic powerhouse that has the potential to drive future economic growth and job creation for Leeds. 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.

- 2.4.3 But we must not be complacent. The competition is not standing still. The internet, out-of-town shopping centres and supermarkets all pose threats. Leeds competes with other UK and European cities in attracting visitors, shoppers, talented workers, and business investment. Increasingly, successful city centres will be those that provide an integrated quality offer encompassing retail, leisure and visitor and cultural attractions, and office locations. Businesses and people have increasingly high expectations of the quality of cleansing, safety and quality of activities in the places they operate, work and visit. Trinity Leeds and the First Direct Arena have raised the bar, and other projects such as Victoria Gate, Sovereign Square and Wellington Place are following suit. The rest of the city centre, including its shopping streets, office quarters, public spaces and gateways need to be of the same quality.
- 2.4.4 If we do not change our approach it will be difficult for Leeds City Council to meet these rising expectations in the context of budget pressures. With a BID the Council would commit to an operating agreement to provide a baseline of services, to which the BID could add to.
- 2.4.5 Leeds is the largest city not to have a BID in the UK. Heart of Manchester has a £5m BID commencing on 1<sup>st</sup> April 2013, Birmingham currently has 10 BIDs and London has 25. Liverpool, Nottingham, Newcastle, Reading and Bristol have functioning BIDs and Sheffield is a year into the planning for a BID proposal. Central London has highly successful BIDs, including the New West End Company covering Oxford Street and Regnet Street, and the Heart of London BID covering the West End leisure area. 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.
- 2.4.6 A BID has been considered as a potential funding mechanism for the Leeds Flood Alleviation Scheme (FAS), and there is future potential for a BID for the Waterfront area of the City Centre.
- 2.4.7 Otley Town Partnership has successfully held a BID ballot in November 2013, and will begin to operate a BID from April 2014, after a very successful ballot. The successful Otley BID was supported by Council and was the first in West Yorkshire.

- 2.4.8 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.

### **3.0 Main Issues**

#### **3.1 Boundary and Scope of a potential City Centre BID**

Some BIDs (such as the several in Birmingham City Centre) have tight boundaries and a narrow focus (eg. retail). Others, such as Newcastle City Centre, have a wider boundary and focus that encompasses a range of sectors. The recommendation from the feasibility study is that a Leeds City Centre BID should have a wide boundary and a strategic focus on improving the area as a business and investment location. It should encompass, retail, leisure, hotels, tourism, culture, universities, hospitals and office based sectors. This would reflect the strategic economic importance of Leeds City Centre, and latest research and thinking on the economic role of city centres extending far beyond retail (see the September 2013 "Beyond the High Street" report by Centre for Cities). The final boundary will be subject to further consultation.

#### **3.2 Small Businesses**

Leeds City Centre is location to a wide range of small businesses, including independent retailers and market traders. This enhances the diversity and vibrancy of the retail offer in the City Centre. These businesses are facing increased costs and competition. It is therefore recommended that occupiers of small premises with a rateable value below a specified threshold (to be determined through further work) are exempted from a potential BID levy.

#### **3.3 BID Development costs**

An indicative cost for the development of a BID to completion has been estimated at £250,000. The Council, working in partnership with the private sector will be required to contribute towards the development costs on an equal basis. This will be £150,000. This figure is only at risk if the BID does not secure a "yes" vote at ballot. If the Ballot is successful, the Council requires the fund to be repaid in an agreed cashflow plan by the Leeds City Centre BID.

#### **3.4 BID Levy collection (Recoverable)**

BID regulations require that the Local Authority be the mandatory body to administer collection of the levy via the Business rates system. If the BID receives a "YES" vote and is successful, then there is a real capital cost of £26,000 to purchase and maintain software needed for BID levy collection. This can be recouped over the five year lifecycle of the BID, at £5,200 per annum.

#### **3.5 Cashflow (recoverable)**

The BID is likely to need interim cashflow support in order to establish its services ahead of BID revenue collection. This is estimated to be circa £150,000. The Council will need to determine its policy for recovery. Typically, it can be spread over the lifecycle of the BID or taken in the BID's first or third year of operation.

### 3.6 Council BID levy liability

The Council will have a liability for BID levy costs in properties within the proposed BID area in which it is a rate payer. This has yet to be fully verified as the BID boundary is subject to formal consultation. It is currently estimated that this could be in the region of £50,000 - £80,000 per annum.

### 3.7 Role of Leeds City Council

- The City Council would need to work with the Leeds City Centre BID 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.

### 3.8 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.

### 3.9 Governance

It is usual for a BID to have governance arrangements that is representative of BID levy payers and strategic partners. It is proposed that the Council's representatives on the Leeds City Centre BID will be the Executive Member for Development and Economy and the Director of City Development or their nominated representatives.

### 3.10 Late Night Levy

Scrutiny Board (Resources and Council Services) held an inquiry in late 2013 into a possible Late Night Levy on licensed premises. The report of Scrutiny Board (*Scrutiny Inquiry Report: Late Night Levy*, Scrutiny Board – Resources and Council

Service, November 2013) recommended *“that the Executive Board reiterates its openness to support a BID which includes an element of initiatives to manage the night time economy.”* The Feasibility Study into a city centre Business Improvement District recommended that licensed premises are included as levy payers, and that a BID could include initiatives to manage the night time economy.

#### **4.0 Corporate Considerations**

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.

##### **BID development timeline and decision making**

The plan is for a Leeds City Centre BID to be launched from April 1<sup>st</sup> 2015. This has a timeline of significant milestones being met for this to be achieved, as follows:

- Issuing of notice to the Secretary of State and Local Government of intention to hold a ballot, including notice of the ballot date;
- Extensive consultation on the prospectus from May to July;
- Production of final business plan from July to August based on consultation feedback;
- Approval of business plan by the Council Cabinet in September 2014;
- Council to issue public notice of intention to hold a ballot in October;
- Launch of voting campaign and issue of ballot papers in October with
- Ballot date of Thursday 20<sup>th</sup> November 2014;
- Leeds City Centre BID starts operating in April 2015, subject to a “YES” vote.

#### **4.1 Consultation and Engagement**

The BID steering group have initiated consultation with nearly 200 stakeholders, through 30 meetings, five presentations and three consultation workshops. There is strong support for a BID for Leeds. A discussion was held with the City centre Partnership Board. The Council has also been consulted including CLT, LMT, the Directors of Environment & Neighbourhoods and City Development, Executive member for Development and the Economy, The Chief Executive, The Leader of the Council and Cabinet Portfolio Holders and various Council officers in appropriate related roles.

#### **4.2 Equality and Diversity / Cohesion and Integration**

An equality and diversity screening has been completed and attached. It indicates that there are no specific implications for equality and diversity as a result of the development of a Leeds BID. The Leeds City Centre BID is private sector led and Council backed.

### **4.3 Council policies and City Priorities**

This project will support delivery of the best Council Plan 2013-17 objective “Promoting sustainable and inclusive economic growth” and the city Priority Plan objective, “Best city for business” by raising the profile of Leeds nationally and supporting the sustainable growth of the Leeds economy. Specifically, it 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.

### **4.4 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.

A recoverable investment on the part of the Council of £150,000 should a Yes vote be achieved stands to generate revenue to be invested in the City centre in excess of £12million. The BID revenue can serve as a catalyst for leveraging additional government and European funding into the city centre.

### **4.5 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.

### **4.6 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.

## **5 Conclusion**

- 5.1 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.
- 5.2 It is important that the city seizes the opportunity of 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.
- 5.3 There is now considerable momentum driving the development of a BID in Leeds City Centre. The opportunity in Leeds is now, enabling the city to build on positive developments and ensuring we future-proof the return on investment of our new and emerging developments in the city centre.
- 5.4 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.

## **6 Recommendations**

Executive Board is recommended to:

- a) Support the principle of a Leeds City Centre BID, with the aim of improving and promoting Leeds City Centre as a leading European business location;
- b) Agree to consider the council's support for the final bid boundary following the next phase of consultation;
- c) Support the principle of occupiers of small business units (below a certain rateable value to be determined) exempted from paying additional rates;
- d) Support in principle for the Council to be a levy payer, subject to it being satisfied with the proposed BID boundary, business plan and levy rate;
- e) Agree to continued partnership with the private sector in the development of a Leeds City Centre BID by approving joint funding of the next phase of work to consult further, develop a proposed BID business plan, run a campaign to encourage occupiers to vote for a BID, and hold a bid ballot in November 2014;
- f) Agree to provide up to £150,000 of funding, recoverable from the BID in the event there is a YES vote, to the Chamber of Commerce for the next phase of work up to the BID ballot, on the understanding that there will also be significant private sector contribution (if a BID is established, this funding will be repaid to the Council by the BID in its first year); and

- g) Instruct the Chief Economic Development Officer to bring a report to a future meeting of Executive Board (likely to be September 2014) to seek approval on the proposed BID business plan, and to progress to a BID ballot.
- h) and to note:
  - i) the stages required to implement the decision as outlined in section 4 of this report
  - ii) proposed timescales for implementation as outlined in section 4 of this report
  - iii) that the Chief Economic Development Officer will be responsible for its implementation

## **7. Background Papers<sup>1</sup>**

### **7.1 Leeds BID Feasibility Study - February 2014**

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<sup>1</sup> 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.