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| <b>Committees:</b><br>Property Investment Board – For decision<br>Policy and Resources Committee – For decision | <b>Date(s):</b><br>11/12/2019<br>12/12/2019 |
| <b>Subject:</b><br>BID Strategy                                                                                 | <b>Public</b>                               |
| <b>Joint Report of:</b><br>City Surveyor and Director, Built Environment                                        | <b>For Decision</b>                         |
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### Summary

In December 2017, the Policy and Resources Committee agreed a set of criteria that the City Corporation should have regard to when considering whether to support the future development of formal Business Improvement Districts (BIDs) within the City. In September 2019, the Policy and Resources Committee approved the BID Proposals to allow Cheapside (second term) and Aldgate (first term) to progress to ballot in January 2020. Recently, two new voluntary business partnerships have been established in Fleet Street and the eastern cluster, both with the view of becoming a formal BID in due course. The Property Investment Board (PIB) agreed in July 2019 to be a paying partner of the emerging Fleet Street voluntary business partnership but requested that the City Corporation consider the adoption of a formal BID strategy to inform the development of future BIDs in the City. This report sets out a suggested strategy framework in Paragraph 6 of the report for the future development of BIDs in the City of London.

### Recommendation(s)

Policy and Resources Committee is asked to:

- Agree the BID strategy framework set out in Paragraph 6 of the report.

Property Investment Board is asked to:

- Agree to consider requests to become joint funding partner for the life of a voluntary partnership only where significant assets managed by Property Investment Board are in the partnership area, and where its involvement will aid the establishment of a BID for the area.

## **Main Report**

### **Background**

1. In December 2017, the Policy and Resources Committee agreed a set of criteria that the City Corporation should have regard to when considering whether to support the future development of formal BIDs within the City. The considerations relate to:
  - a. Whether there was a demonstrable need for a BID as opposed to any other form of partnership initiative.
  - b. Is there strong private sector support for a BID and has the business partnership been established for up to 2 years prior to seeking to promote a BID.
  - c. Can the partnership demonstrate the BID proposal is viable to achieve the aims of the businesses in the area.
  - d. Has the response to any perception analysis achieved a return rate of at least 40%.
  - e. That the City Corporation is the formal BID Proposer.
2. In September 2019, the Policy and Resources Committee approved the BID Proposals to allow Cheapside (second term) and Aldgate (first term) to progress to ballot in January 2020.
3. Formal voluntary business partnerships have now been established in the Fleet Street area and for the eastern cluster where a combination of businesses and property owners have agreed to be paying partners for a two-year term to take forward the development of a partnership to inform the future promotion of a BID for the area. At its meeting in July 2019, PIB agreed to be a funding partner in the Fleet Street partnership in recognition of the key property assets held as part of the Fleet Street Estate. The total contribution is for £20k for this financial year and £20k for 2020/21 from the City Fund local risk budget. A similar request to be a paying partner will be made to PIB regarding membership of the eastern cluster partnership given our property assets at Leadenhall Market. Prior to considering this request, PIB has requested a formal strategy be developed for consideration relating to the future development of BIDs in the City.
4. The City Corporation has previously supported the development of business partnerships to varying degrees. For Cheapside, the City Corporation was much more hands on in driving the establishment of the partnership to support the regeneration opportunities that presented themselves on the back of the development of a new shopping centre at One New Change - we agreed to support the cost of paying for the executive team to run the partnership prior to it becoming a formal BID. For both Aldgate and Fleet Street, some limited funding has been provided from CPAT's local risk budget to support the initial establishment of the partnership and the development of a business plan that has been utilised to bring paying partners on board.

## **Current Position**

5. Provided the City Corporation is satisfied that the criteria in Paragraph 1 have been met, we would be supportive of the development of formal BIDs within the Square Mile, subject to a successful ballot outcome. Across the UK and in London, BIDs are now recognised as a vehicle to promote ongoing regeneration of areas through engagement with business communities. BIDs vary in how they are set up in terms of governance and their focus which is often distinct, responding to different communities and priorities. There are varying approaches to how BIDs are promoted and their governance structure and whether it is a property BID, in addition to an occupier BID. This report seeks to outline a strategy framework for BIDs, to set out how the City Corporation can best support and manage the future development of BIDs in the Square Mile. Appendix 1 sets out the key areas for consideration in relation to the development of the strategy framework which should be considered in conjunction with the previously identified criteria set out in Paragraph 1.

## **Proposals**

6. BIDs are becoming more prevalent across the UK with over 320 UK wide and 66 within London. Given the diverse nature of BIDs, it is considered that the City Corporation adopt a strategy framework to inform the approach to be taken as new business partnerships are established and progress to a more formal BID.

The points below set out the strategy framework:

- a. The City Corporation support the establishment of voluntary business partnerships as a precursor to the development of a formal BID. The City Property Advisory Team provide limited seed funding up to a maximum of £5k to aid the set-up of the partnership. The Property Investment Board will consider requests to become a joint funding partner for the life of the voluntary partnership only where it holds significant assets and where its involvement will aid the establishment of a formal BID for the area.
- b. For the City to be supportive of the promotion of a BID within the Square Mile, the City Corporation should be the BID Body and BID Promoter.
- c. For the City to be supportive of a BID there should be a demonstrable need for a BID.
- d. For the City to be supportive of a BID, there should be strong private sector support for a BID and the business partnership should have been established for up to 2 years prior to seeking to promote a BID.
- e. For the City to be supportive of a BID, the partnership should be able to demonstrate the BID proposal is viable to achieve the aims of the businesses in the area.
- f. For the City to be supportive of a BID, the response to any perception analysis should achieve a return rate of at least 40%.
- g. The City Corporation should retain a flexible approach to supporting property owner BIDs in conjunction with occupier BIDs, where there is

clear need to generate income relating to key infrastructure related projects that would be difficult to fund through just an occupier BID.

- h. It will be down to each individual BID to determine whether there are benefits to sharing the administrative services and it is considered the City should remain flexible in considering what is appropriate.
- i. Executive management of the BID, whether it be a dedicated CEO with a support team or through a consultancy team, will be dependent on the needs of the BID. Each potential BID should consider the delivery needs prior to ballot and determine the best model for taking forward the BID Proposal.
- j. Boundaries between BIDs should be contiguous with adjacent BID areas, where practicable.
- k. Not all areas of the City will be appropriate for a BID.
- l. Cross borough BIDs are supported provided that the City is the BID Body for that part of the BID that falls within the City boundary.
- m. Residential communities should be engaged with directly by BIDs to ensure inclusivity.
- n. Bid Levy Rules will be determined to accord with the practice generally adopted elsewhere in London, notably the levy will be no greater than 1% of rateable value, minimum thresholds will be applied for when the levy will be applied along with capped contributions and the levy will be applied to each hereditament.

## **Corporate & Strategic Implications**

- 7. The development of BIDs in the City aligns with 9 of the 12 Outcomes of the Corporate Plan 2018-2023.

## **Financial Implications**

- 8. As advised in previous reports, all funding generated from the BID would be collected and administrated by the City Corporation. The staff cost associated to the levy collection and administration of invoicing and budget management will be paid for from the BID levy. As the billing authority, the City is required to hold a BID ballot. The associated costs to the Corporation for running any BID ballots are currently estimated at about £3000, which to date have been covered by the Electoral Services Team as part of their budget. As the BID Body, this is considered to be appropriate and the Electoral Services Team will continue to pay for the cost of this from their budget.
- 9. CPAT would seek to support the establishment of future voluntary partnerships by providing seed funding where necessary, up to a maximum of £5k from its local risk budget.

## **Conclusion**

10. Subject to successful ballot outcomes in January 2020, the City will have two established BIDs in Cheapside and Aldgate. In addition, there are two voluntary business partnerships that are established for the Fleet Street and the eastern cluster areas that in time will seek to become a formal BID. BIDs as a model are a key vehicle for engaging with communities to promote ongoing regeneration of areas. BIDs evolve with specific and often differing needs although there are key areas of commonality. The proposed BID strategy recognises areas of commonality of approach but also advocates appropriate flexibility in areas to recognise the unique nature of BIDs.

## **Appendices**

- Appendix 1 – Key areas for consideration in developing the BID Strategy
- Appendix 2 – Map of BID and voluntary business partnership areas in the City

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## **APPENDIX 1**

### **Areas for consideration in developing the BID Strategy**

#### **Voluntary partnerships and promotion of BIDs**

- 1 The City Corporation has moved away from the initial Cheapside model where it actively promoted the development of a voluntary business partnership to support regeneration of the area and paid the significant costs associated with the running of the partnership. Recently, as was the case with Aldgate and Fleet Street, the City Corporation has provided limited seed funding to support the initial set up of the partnership. In the case of Fleet Street this amounted to £2,000 funded through the CPAT local risk budget. This funding has been utilised to support engagement with local businesses to identify the appetite for developing a voluntary business partnership and to secure agreement to fund the development of the partnership to promote the delivery of a BID for the area. A “not for profit” limited liability company has been established for each voluntary partnership which allows appropriate fiscal management.
- 2 In addition to this limited funding, there has been a request to the Property Investment Board to become one of the paying partners where the City Corporation has significant property assets in the area, which has been the case for the Fleet Street Partnership (Fleet Street Estate) and a request will be made for the Eastern Cluster partnership (Leadenhall Market)
- 3 CPAT, in delivering its role in supporting the needs of business, provides ongoing support to the development of the business partnerships and ensures there is appropriate engagement with stakeholders and ward Members in the development of partnership and will continue to prepare reports for consideration by the relevant Committees. Once a formal BID has been established CPAT will attend Board meetings in conjunction with a nominated Member representative to inform the delivery of the BID Proposal.
- 4 Continued financial support by CPAT on a limited basis (up to a maximum of £5k from its local risk budget) to establish a voluntary partnership is considered appropriate. Where the City has significant property holdings, support by PIB as a paying partner for the initial 2 years of a partnership is also considered to be appropriate, although this will need to be considered on the merits of the specific partnership, the size of City Corporation ownerships and the benefits of supporting future regeneration of the area.

#### **City Corporation as BID Proposer**

- 5 A BID is normally proposed by a business rate payer or a person or company whose purpose it is to develop the BID area, or that has an interest in the land in that area. This provides the most flexible way of delivering a BID as there would

be no need for the BID to be constrained by the local authority procurement regulations. Prior to the Cheapside BID, the BID Regulations were amended to allow a local authority to become the BID Proposer promoting the BID, and the BID Body responsible for delivering the BID objectives. Due to the City's unique franchise, the Remembrancer is of the view that the City Corporation should remain the body responsible for supporting the needs of businesses and that there should not be a separate BID company representing business needs. The City Corporation is uniquely positioned to support the needs of business and has successfully engaged with businesses to develop BID Proposals and supported implementation of the proposals in collaboration with a BID Board. It is considered that the City Corporation should continue to be the BID Body responsible for implementing BID Proposals for those areas that fall within the City boundary.

### **Occupier BIDs / Property BIDs**

- 6 In 2014, the Business Improvement District (Property Owners) (England) Regulations took effect to allow a separate BID for property owners but only in London in areas where there is an established occupier BID. A property owner BID is created through a ballot of those property owners that would be subject to the levy. Geographically the BID area can't sit beyond the BID boundary of the occupier BID, but it can be in a smaller area within the footprint of the occupier BID boundary. There are two property owner BIDs established in London, the New West End Company (NWECC) and Heart of London Business Alliance (HOLBA).
- 7 The creation of a property owner BID in parallel to the occupier BID provides the opportunity to increase the revenue received from levy payers so can enhance the impact on the scale of projects undertaken by the BID. NWECC and HOLBA adopt differing approaches in how the projects are identified and delivered with NWECC having a specific property owner board with specific property owner projects. HOLBA has an integrated property and occupier board with shared spending priorities.
- 8 A key reason there are only two property owner BIDs is because establishing such a BID can be complex in terms of determining who the levy is charged to within the ownership hierarchy (freehold / long lease) and it being difficult to map ownership where it is both fragmented and difficult to identify the correct levy payer. This is a cost incurred by the occupier BID who has then to research and map out all the ownerships.
- 9 Key to the decision of whether to promote a property owner BID is what issues a specific BID area wants to address. If there are large and significant projects that an area wants to deliver, then the costs of such projects may require a level of funding that can't be provided by the levy received from an occupier BID. NWECC for example has many enhancement projects that they are seeking to deliver which come at some cost that are borne by the property owner BID. Most BIDs have a unique identity and focus, and it will not always be necessary or desirable for a property owner BID to be promoted. Cheapside Business Alliance (CBA)

has sufficient funds to support the delivery of the key themes set out in the BID Proposal but a future eastern cluster BID may wish to develop a far more extensive list of projects that require increased levels of funding and in such cases it may be appropriate to promote a property owner BID to support the development and delivery of such projects. It is therefore considered that the City Corporation should retain a flexible approach to supporting property owner BIDs where there is clear need to generate income relating to key infrastructure related projects.

## **Governance and resource**

- 10 Across the UK, various governance management structures have been put in place from a complete outsource model through to a full service “in house” approach as adopted at NWECC and HOLBA. The City to date has adopted the outsourcing model where consultants to run the CBA have been procured in accordance with procurement regulations. It is generally considered important for the “face” of the organisation to be either a business member of the board if there is a management outsource or the CEO if there is an “in house” management arrangement. An “in house” arrangement tends to employ a significant number of team members, in teams of up to 20 staff supporting the delivery of the BID Proposal and is considered appropriate should the scale of the BID and the nature of the delivery projects require significant resource. For smaller BID areas such as Cheapside the staffing levels are much smaller with typically no more than three staff delivering all aspects of the BID Proposal. Each type of management solutions brings with it particular benefits which are specific to the needs of the BID. It is considered that there should not be one solution for all future BIDs in the City and that each potential BID should consider the delivery needs prior to ballot and determine the best model for taking forward the BID Proposal. Any solution would need to be subject to compliance with local authority procurement regulations.
- 11 Many of the today’s BIDs now seek to reduce costs through appointing a cross BID executive team to help reduce the costs associated in running a BID. Whilst this is now more common practice among adjacent BIDs it is not necessarily desirable given the need to be as relevant as possible to a given area. So, for example, Cheapside will have significantly different issues to address than those of the Aldgate Connect BID, as will, in the future, Fleet Street have with the eastern cluster. It will be down to each individual BID to determine whether there are benefits to sharing the administrative services and it is considered the City should remain flexible in considering what is appropriate.

## **BID area and demographic**

- 12 Appendix 2 identifies the four areas that are currently subject to a formal BID ballot or have established a voluntary business partnership. In considering future boundaries it would be good practice to ensure that where BIDs are established in adjacent areas, the boundary to each area is, where possible, contiguous with the boundary of the adjoining BID area to ensure that there are no gaps so as not to exclude businesses. The City Corporation has historically directly sought to promote the establishment of a business partnership to promote the

regeneration of an area (Cheapside /Aldgate) in accordance with policies contained in the Local Plan or as most recently is the case with Fleet Street and the eastern cluster, been approached by businesses / property owners who seek support in setting up a partnership. The definition of future partnership / BID areas is one that evolves as the partnership becomes established through discussions with various stakeholders in an area. Whilst there are clear benefits of being within a BID this has normally been driven by a strong desire from the community to promote ongoing regeneration of areas and it will not always be appropriate to all parts of the City.

- 13 Typically, a BID area is wholly within a local authority boundary but in 2013 government introduced Cross-Boundary Business Improvement Districts enabling BIDs to operate across local authority boundaries. Such BIDs recognise that regeneration of areas and its communities do not necessarily conform to local authority boundaries and in certain cases a cross borough BID is appropriate. This model was agreed for the Aldgate Connect BID Proposals going to ballot in January 2020. This is considered to be acceptable provided that the BID is in agreement that the City is the BID Body for that part of any BID that falls within the City boundary. It should be noted that for cross-boundary BIDs such as at Aldgate, this means that there are two BID Bodies and two BID areas. However, both BIDs collaborate closely under a shared name to provide a shared identity and deliver economies of scale.
- 14 Residential communities, whilst not paying a levy can be represented through various strands of activity such as employment and training opportunities, community events and platforms such as privilege cards and should be engaged with directly by future BIDs to ensure inclusivity.

## **BID Levy**

- 15 The approach for arriving at an appropriate levy income for an area, although not prescribed in the BID Regulations, tends to be standard for most areas. A BID proposer establishes a set of 'BID Levy Rules' (BLR) that define what level of levy will be collected and from whom. In determination of the BLR consideration needs to be given to:
  - a. Bid levy multiplier – the rate at which to charge. Most BIDs charge a levy of 1% on rateable value.
  - b. A threshold setting out the minimum rateable value of the premises before contributions are sought – this ensures that the smaller businesses do not need to pay a levy
  - c. A capped contribution so that larger businesses will not be liable for a disproportionately large BID levy.
  - d. Whether businesses with multiple hereditaments in an area should be subject to multiple or single levy payments
- 16 In determining the above, it is important to bear in mind that any levy will be the subject of approval through a majority vote at ballot, so any proposal needs to demonstrate best value and be set at a rate that does not discourage businesses from supporting a BID for their area. For BIDs outside the City, there are varying

approaches to the BLR where the contribution by businesses are not capped and a levy is charged for each hereditament occupied by businesses. The City Corporation's current approach is to cap the levy payment and to limit it to a single payment for each business. Whilst it is still considered reasonable to determine an appropriate cap for the largest levy payers, the issue of only having a single payment for each business regardless of the number of hereditaments occupied has caused an issue to the Revenue Team that collect the levy as it requires significant manual intervention by COL staff. Further roll out of this approach would negate advantages gained from switching to an automated process which allows all bills to be dispatched directly from the printers without the need to have them returned to the COL office. Given the prevalence of this type of arrangement for BIDs outside the City, the application of the BID levy to each business hereditament is considered to be acceptable.

## APPENDIX 2

Map of BIDs and voluntary business partnerships in the City

