



THE MOSAIC PARTNERSHIP

PEOPLE TRANSFORMING PLACES

Yorkshire Coast

Destination Business Improvement District
Feasibility Report

December 2015 (V1)

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Introduction and Background

The Mosaic Partnership was commissioned by Yorkshire Coast Tourism Advisory Board to assess the feasibility of developing a Destination Business Improvement District (DBID).

The Mosaic Partnership specialises in partnership and BID development. We have worked with over 100 locations in the UK and abroad and to date have provided support in the development of over 70 BIDs in the UK. These BIDs will bring in over £300m in income the next five years.

Yorkshire has a mixed economy. The City of Leeds is Yorkshire's largest city and is the main centre of trade and commerce. Yorkshire's economy mirrors its size and diversity with finance, legal, manufacturing, medical, digital, retail, food, agriculture and nuclear all strong sectors contributing to a healthy economy. On top of this, tourism in Yorkshire is worth over £7 billion which is more than the total tourism expenditure of many other countries such as Ireland or Denmark.

Yorkshire is home to a number of companies with strong growth and export potential – especially in manufacturing. As the largest of England's regions and with a population of almost 6 million its economic output of £88 billion is significant – almost 7% of the UK's total economic output.

North Yorkshire has an established tourist industry with national parks (North York Moors National Park is in the DBID study area), Harrogate, York and Scarborough and such an industry is growing in Leeds. According to 2008 figures from Welcome to Yorkshire, Tourism generates more than £6.3 billion per annum. It accounts for 7.2% of Yorkshire's income and supports 11% of its total workforce, representing 243,000 jobs. Figures from 2007 recorded 92 million day visitors and 12.8 million that stayed at least one night in the region.

In terms of a tourism offer Yorkshire is unique in that it gives access to:

- **3 National Parks – the North York Moors, the Yorkshire Dales and the Peak District which together cover nearly a fifth of the county**
- **2 Areas of Outstanding Natural Beauty**
- **The Pennine hills**
- **45 miles of coastline.**

The largest tourist centres on the Yorkshire Coast by population (2011 Census) are Scarborough (50,000), Bridlington (35,000) and Whitby (14,000). The area also includes these notable towns and villages:

- Cayton Bay
- Filey
- Flamborough
- Hornsea
- Hunmanby
- Ravenscar
- Robins Hoods Bay
- Runswick Bay
- Sandsend
- Staithes
- Withernsea

In February 2015, the government announced a promise to create 2,500 new tourism jobs in Yorkshire by 2020. £3.5m of Treasury funds is to be spent supporting cultural events across Yorkshire. Schemes to benefit from funding include:

- **£1m for tourism body Welcome to Yorkshire to put on a cultural festival in 2016. The event would be similar to the one held alongside the Tour de France in 2014.**
- **£450,000 investment to transform a section of the Leeds and Liverpool Canal, centred around Skipton, helping to improve access to the Yorkshire Dales for cyclists.**
- **£1.5m to refurbish the Ferens Gallery in Hull and to support Hull's aspiration to host the Turner Prize as part of the UK City of Culture programme in 2017.**
- **A further fund of £500,000 to support a rural marketing campaign aimed at bringing international tourists to Yorkshire.**

The announcement is a great boost for Welcome to Yorkshire (WTY). WTY is the official Destination Management Organisation (DMO) for Yorkshire with one clear priority, to make Yorkshire the most popular destination in the UK for business and leisure. To date WTY has had some success in developing and promoting the Yorkshire brand. This has not only focussed on developing a visitor economy but also creating a strong international profile to encourage and support opportunities for inward investment. WTY is coming to the end of the operational period of its current strategy 2012-2017. It will be important to ensure that the opportunities for DBID development to add value to the strong brand work already developed by WTY and the benefits and opportunities available to its members.

The Yorkshire Coast faces many of the typical challenges that tourism destinations face, such as, regional, national and international competition for market share, access and infrastructure issues, modernising and attracting investment and of organisational and funding stability. It is against this backdrop and the desire to continue to evolve and succeed that the concept of a Business Improvement District (BID) and more specifically a Destination Business Improvement District is being investigated

Business Improvement Districts (BIDs) in the UK came into being after approximately 20 years of voluntary partnership arrangements. Nationally the concept has enjoyed cross party support with the legislation having been introduced by the previous government and receiving continued support from the present through its 'Localisation' agenda which recommended the formation of BIDs to manage as an effective way of managing locations.

Voluntary partnership arrangements have had some success but have always had issues of 'freeloading', the inability to raise enough finance to deliver expectations and projects and the inherent inability to plan and compete effectively due to the unpredictable nature of voluntary financial arrangements. The approximate timetable of how the management model moved from a voluntary to legislative basis is shown on page 4.

Year	Key Milestone
Late 1980's	First true voluntary member/partnership initiatives established by Local Authorities.
Mid 1990's	Lobbying of government and industry organisations for sustainable financial support.
Late 1990's	Academic study carried out by Leeds University called 'Step Change' which advocates for the first time 'Town Improvement Zones' modelled on BIDs in North America.
September 2000	Government Green Paper 'Modernising Local Government Finances' proposes a district wide levy on business rates but met with substantial opposition as no consultation, accountability, partnership or ring fencing are detailed.
November 2000	Government restates its support for BID like schemes by including it in the new Urban White Paper.
April 2001	The Prime Minister announces the introduction of Business Improvement Districts in England & Wales.
June 2002	ATCM puts together the National BIDs Pilot Project with funding from major property owners, retailers, government and non-government organisations.
January 2003	22 locations are selected from across England & Wales for the National BID Pilot Project. The key aim of the National BIDs Pilot Project is to inform the development of the BIDs regulation over a 2 year period through attending a series of skill and experience building workshops and testing their application 'on the ground'.
September 2003	BIDs legislation is included as part of the Local Government Act 2003 that received Royal Assent on 18th September.
September 2004	BIDs Regulations passed, meaning BIDs can be set up in England.
December 2004	First BID in the UK.
By March 2015	Over 240 BID ballots have taken place in the UK with a 90% success rate. The first Destination BID came into place in Bournemouth in 2011.

To provide context the table below shows existing DBIDs results, providing information about the levy amount that would be raised, the numbers of businesses involved and the support at ballot. It enables also a sense of the competitive playing field.

Location	BID Budget (5 Year Total)	No. of Total Businesses	'Destination' Businesses & Exemptions	Ballot Result
Bournemouth Coastal BID	£3.2m	2073	1114	73% by Num 73% by RV
Dartmouth BID	£1m	883	743	63% by Num 77% by RV
Greater Yarmouth BID	£2.5m	4468	1464	70% by Num 90% by RV
Torbay	£5m-£7.5m	5037	3331	47% by Num 61% by RV

It is as part of addressing some of the issues identified above that the DBID process is being examined as a mechanism by which to help develop, manage and promote the assets of the Yorkshire Coast in the most engaged and effective way possible.

The DBID framework provides locations with the opportunity to engage actively with the business community to deliver tangible results through improved function, management and investment in the location.

This report provides a comprehensive review of the three month study undertaken by The Mosaic Partnership. It includes information, analysis, advice and recommendations on the proposed BID area and core elements of BID development.

Key areas of report are:

- BID overview and key questions answered
- Financial appraisal of BID area
- Analysis of initial consultation
- Outline development and campaign information
- Assessment of resources needed to develop a BID
- Timetable for BID Development
- Recommendations and next steps

We would like to take this opportunity to thank all those people and organisations who have helped in the preparation of this study.

Section One

DBID Overview

DBID Fundamentals

A DBID is a formal mechanism which allows dedicated funds to be collected for the delivery of an agreed business plan.

Usually, a group of local businesses and public sector representatives form a partnership to develop a DBID. Detailed discussions with local businesses are undertaken to identify issues and concerns and from this the partnership develops a business plan detailing projects and services which will address the issues. Businesses are then asked to vote on the plan and if they vote in favour all businesses pay a levy which is ring fenced for the delivery of the BID Business Plan.

The vote is a postal ballot which is sent to all business rate payers in the BID area who will pay the levy if the vote is successful. To secure a “yes” vote the proposal needs to achieve sufficient votes through two criteria. Firstly, of those voting over 50% must vote in favour and secondly those who have voted in favour must represent at least 50% of the total rateable value of those voting.

Key Questions Answered

What are DBIDs?

An arrangement whereby businesses get together, decide what improvements they want to make, how they’re going to manage and deliver improvements and what it will cost them. This all goes into a business plan which is voted on by all those who would have to pay. The DBID can last for a maximum of 5 years and must be able to demonstrate how it has benefited businesses that have funded it.

Have BIDs been supported elsewhere in the UK?

The legislation came in September 2004 and there have already been over 240 successful ballots including 70+ renewals. These BIDs involve over 100,000 businesses and will bring in over £300m (including additional income) of new finance to develop their locations over the next 5 years.

What might a DBID deliver?

DBIDs can deliver any projects or services that are agreed by the relevant businesses and are an addition to anything the Public Sector does. In most cases they focus on marketing and promotion activities, increasing safety and security for business and customers and better transport and access arrangements as well as business support. The important thing is that BIDs are in the main addressing operational matters and that actual projects and services will be determined as a result of detailed consultation with all the business in the BID area.

Why is a BID needed?

A BID is a mechanism which allows businesses to control a sum of money to manage and deliver projects which they believe will improve the trading environment for them. It should ultimately increase trade and drive down costs for those businesses that are paying for the improvements.

Who can develop a DBID?

A DBID can be proposed by any business ratepayer, property owner, local authority or partnership with an interest in the BID Area.

How will the DBID be Managed?

BIDs should be controlled and managed by local businesses that are paying the levy. The majority of BIDs are delivered through Companies Limited by Guarantee with Directors elected from the BID levy payers. The organisation delivering the BID will be

responsible for the delivery of the BID projects and services and directly responsible to all its business membership through an elected board.

Who pays for a DBID?

Once projects and services have been agreed by businesses, these are costed up. The cost to each business is worked out on a pro rata basis. This is called the 'BID Levy'. A formal vote then takes place on the agreed projects and services and if the majority vote YES then ALL within the BID area HAVE to pay. The BID Levy is normally paid by the occupiers of a property. In addition BIDs can draw in other voluntary funding, e.g., from property owners, public sector and RDA's.

How does an area become a DBID?

Normally a 'DBID Task Group' is set up which is responsible for putting together a detailed business plan setting out the projects it aims to deliver on behalf of the business in the area. This is based upon a detailed consultation process with businesses. The business plan will include the projects, cost, delivery guarantees, performance indicators and the management structure. A confidential postal vote is then held of all the businesses that would pay the BID Levy. To become a BID a majority of those that vote must be in favour by number and rateable value. A successful BID then has a mandate for a maximum of 5 years after which it needs to ballot businesses again with a new Business Plan.

Does this mean the local authority will stop delivering services?

BID money can only carry out projects and services which are ADDITIONAL to those that public agencies have to provide. Prior to the BID Business Plan being produced the current services being delivered by all public agencies including the Local Authority and Police are benchmarked. The Local Authority has to continue to deliver that level of service for the period of the BID. The BID company can agree to provide additional resources to deliver a higher level of service over the benchmarked level if businesses want this.

How is the BID monitored?

Like any good business plan specific key performance indicators (KPI's) are set and performance is monitored against the KPI's by the BID board. As businesses contribute the funding to achieve those specific KPI's set out in the prospectus the BID Company will be required to monitor and inform its members of progress on a regular basis.

Mosaic DBID Development Process

A full DBID development programme will take typically between 12 to 18 months depending on the maturity of any partnership, existing work and business engagement. Developed over a period of time by The Mosaic Partnership, our recommended approach, used successfully in a number of locations is set out below highlighting the key tasks in 3 distinct phases.

FOUNDATION PHASE

Partnership Review
 Develop Database & Information System
 Feasibility Study
 - Financial Analysis
 - Consultation & Issues
 - Regulations Guide
 Resources & Costs

DEVELOPMENT PHASE

Project Support
 Detailed Market Research/Consultation
 Baseline Agreements
 Operating Agreement
 Organisational Model
 Staff & Board Development
 Voluntary Contributions
 Financial Projections
 Business Plan

CAMPAIGN PHASE

Ballot Arrangements
 Marketing & Communications Campaign
 Tracking/Polling/Response
 Establishment Support

This study covers all of the Foundation Phase in detail and an outline summary of the Development and Campaign Phases.

Section Two

Feasibility Study

Proposal and Methodology

In order to develop a DBID it is important to have a firm foundation on which to build a proposal and secure a “yes” vote. The partnership will need to establish a clear understanding of current business thinking and needs in the area as well as financial data and market analysis.

We have undertaken a three month study in the Yorkshire Coast to investigate the feasibility of a DBID. The information provided in this report will allow the partnership to make an informed decision whether to invest the time and resources in the development of a full DBID proposal to put to local businesses.

The information has been gathered using the following methods:

Audit and Analysis

Collation of business rates data for the area. Analysis of:

- Sector contributions
- Area Contributions
- Levy payers
- Payment structures/options
- Boundary area

Market Research and Consultation

- Analysis of existing plans & reports
- Undertaking a survey of key people/organisations
- Facilitating & participating in business workshop(s)
- Facilitating a public sector meeting

In addition to this we have developed an information system which provides the partnership with the ongoing ability to:

- identify each organisation by type, value and level of support
- track potential levy payers, project requirements and voting intentions
- analyse data in a variety of different ways
- segment and personalise information and marketing

Finally to ensure the partnership has a clear idea of what would be involved in moving on to the Development and Campaign phases we have provided the following summary advice on:

- marketing and communication
- business planning
- legal and financial framework
- electoral planning.

Furthermore and indicative timetable for the Development and Campaign Phases is included along with an assessment of the resources that would be required.

Study Area

At the outset the study area covered all business rated organisations in the four Local Authority areas.

- **East Riding of Yorkshire Council**
- **Redcar and Cleveland Borough Council**
- **Ryedale District Council**
- **Scarborough Borough Council**

This would have been a vast area to cover for any DBID in terms of developing a concept but also in terms of management if a ballot was successful. After initial engagement and feedback, there was further segmentation of the study area

First to examine only those business rated organisations directly or indirectly related to Tourism (referred to as 'DBID Businesses Only')

Secondly to examine only the business rated organisations directly or indirectly related to Tourism in a defined Coastal Zone. The data was refined in consultation with those Local Authorities whose boundaries touched the coastal line.

- **East Riding of Yorkshire Council**
- **Redcar and Cleveland Borough Council**
- **Scarborough Borough Council**

This meant that the potential DBID area was condensed further to take into account only those wards in close proximity to the coastline. With this information identified as part of this study it will be possible to develop and refine the exact area for the BID proposal.

In terms of the initial data analysis the consultation was carried primarily with those businesses and organisations who would have a direct or indirect link to tourism.

Yorkshire Coast Area Map



Data and Information Analysis

A key part of the development of any DBID is knowing what is 'on the ground', the type of business, the rateable value, the geographical and sector spread. If a BID is to be developed, this information will form the basis of a comprehensive market research and consultation exercise, the development of the business proposals and the balloting and the legal and financial framework upon which the BID is determined and operated.

The Mosaic Partnership consequently regards this part of the study as key and we have used the following data and methods to ensure accuracy.

- i. The National Non Domestic Rates (NNDR) List was formally obtained for the study from the Local Authorities. It should be noted that this list ultimately forms the legal basis of any BID levy charge.
- ii. The NNDR list was sample checked and cross referenced through a foot survey.

This information was then compiled and fully analysed and is available to the DBID organisers. The information held on this database should only be used for the development of the BID proposals.

The key information from this analysis is set out below.

Study Area Summary Information

Study Area Analysis

- **24,027 Business Rated Units (BRU's) in total in the four Local Authority areas.**
- **14,705 BRU's considered to fall within the definition of a 'DBID Businesses Only'.**
- **8,514 fall within the Coastal Zone only**
- **A total Rateable Value of £406m of which £115m is within the Coastal Zone only**
- **55 Key Areas**
- **14 Main Sectors**

BID Levy Options

The following tables give an indication of the annual levy that could be raised from the Study Area based as a percentage charge of rateable value.

In considering these figures a number of things need to be kept in mind. Firstly, these are indicative figures for internal use. The final DBID levy amount and consequently the unit amount a business might pay will be determined by what projects are required.

Secondly it is worth noting that DBIDs operate independently so project costs will need to include not only content cost but also costs for its implementation e.g. employment of staff or use of contract agencies. There is also considerable pressure from those paying the levy to see a tangible difference therefore any levy raised should be sufficient to make a demonstrable impact and 'move the needle'.

Finally it may also prove to be prudent to make exempt from paying those with very low rateable values as administratively it may be more expensive to collect than the benefit achieved. (Those who are exempt do not have a vote). Our final recommendation takes exemptions into account.

Potential Levy Raised

Total for All 4 Local Authority Areas (DBID Businesses Only): £1.88 million.

Levy Rate	Total Levy Raised
1%	£1.88m
1.5%	£2.82m
1.75%	£3.29m
2%	£3.76m

Coastal Zone Only: £1.15 million

Levy Rate	Total Levy Raised
1%	£1.15m
1.5%	£1.72m
1.75%	£2m
2%	£2.3m

An alternative option to a percentage of rateable values is a banding structure. This would be where business rated units which fall in a particular range e.g. Between £100,000 and £200,000 pay the same set amount. This scenario however may be regarded as less 'straightforward and fair' as opposed to a percentage rate as those at the bottom of a banding structure may consider themselves to pay a disproportionately higher percentage rate. As a result we have not included this modelling in the report.

As an example the table below also sets out the top 10 organisations for Scarborough Borough in terms Rateable Value bearing in mind that a successful BID ballot would require a majority Rateable Value as well as numbers. This has been identified for other areas as well.

Top 10 Individual Rateable Values (Scarborough)

Top 10 Levy Payers	Rateable Value
J Sainsbury (1)	£2,030,000
Morrisons	£1,920,000
Haven Leisure	£1,091,000
J Sainsbury (2)	£1,080,000
Blue Dolphin Holiday Park	£702,000
Tesco	£630,000
Co-Op	£515,000
Reighton Holiday Village	£507,000
B & Q Retail	£486,500
Debenhams Plc	£480,000
Total	£9,441,500

By Area and Sector

A BID can be constructed on a geographical basis (by street) or by sector e.g. retail only. Different areas and sectors can also be charged different levy amounts e.g. retail or primary areas might benefit most from projects so they may pay a higher levy than say secondary attractions or areas.

The following two tables set out the rateable value totals of each area and sector. This will inform the administrative elements such as setting the boundary as well as development of the business proposals where decisions may need to be taken as to where the impact of the projects should be concentrated.

The study has data segmented in a detailed form for each key area and sector, their individual rateable values and number of businesses if required. The data is presented in a summary form below for ease of reference.

Total for All 4 Local Authority Areas (DBID Businesses Only)

Area	Organisations	Total RV	Areas	Sectors	1% Levy
East Riding	5969	£91m	62	16	£910,000
Redcar and Cleveland	2050	£14m	2	12	£140,000
Scarborough	5044	£60m	55	14	£600,000
Ryedale	1642	£23m	51	13	£223,000
Totals	14705	£188m	170		£1,873,000

Coastal Zone (DBID Businesses Only)

Area	Organisations	Total RV	Areas	Sectors	1% Levy
East Riding	2626	£49m	62	16	£490,000
Redcar and Cleveland	844	£6m	2	12	£60,000
Scarborough	5044	£60m	55	14	£600,000
Totals	8514	£115m	119		£1,150,000

Please note that figures have been rounded up for ease of reference.

With regards to sectors we have considered that the following sectors fall within the classification of DBID Businesses Only those directly or indirectly related to Tourism.

- Accommodation
- Car Parking
- Entertainment & Leisure
- Food & Drink
- Holiday Accommodation (Caravan Park)
- Holiday Accommodation (Chalet Park)
- Holiday Accommodation (Guest House)
- Hostel
- Hotel
- Office and Commercial
- Public Convenience
- Public House
- Retail
- Transport

IMPORTANT NOTE:

Exemption Levels

Please note only those Business Rateable Units that would have to pay have a vote. Those Business Rateable Units below a set Rateable Value would, not have to pay mandatorily if made exempt. Those units do not get a vote either.

Sector or Area Based BIDs

A BID can be constructed on a geographical basis by area or by sector. However please note that the total rateable value of the BID area will normally decrease, and consequently the annual BID levy raised, if there are smaller number of businesses involved. Also, if a BID is constructed on a geographical or sector basis only those that are included and thus eligible would vote and pay.

Additional Income

Business Improvements Districts on average also raise approximately 20% in additional income to supplement the BID Levy. Not only does this provide additional resources but from a campaign viewpoint any funding coming in to supplement the BID Levy will be seen as adding further value.

The areas from which additional income can potentially be sourced are set out below:

- **Office Space/Equipment**
- **Event Content Funding**
- **Event Sponsorship Funding**
- **Marketing Support**
- **Contract Management**
- **Media Partnerships**
- **Developer Funding**
- **Grant Funding**
- **CSR Funding**
- **Business Plan Contributions**
- **Other Income Generation Activities**

Market Research and Consultation

A limited market research & consultation exercise is carried out for the Foundation Phase. The intention of consultation at this stage is not to ascertain whether there is a yes or no indication in terms of support for the BID or what a BID might do, as this is a longer more intensive development and persuasion process. At this stage we need to establish a general understanding of business issues and identify whether the sorts of projects businesses may want could be funded through a BID proposal e.g. if the demand was for the building of a multi storey car park then patently a BID is not the right vehicle whereas extra cleansing or marketing can be achieved.

The market research and consultation exercise is essentially carried out in two parts:

1. A **desktop** review of existing plans and reports. The intention is to draw out from these documents those elements and activities that are relevant to this study.

2. The **consultation exercise** consisted of the following. There was a 25% response in total to all the approaches below which is extremely encouraging.

- **Survey**
To enable a understanding of the broad priorities for businesses
- **2 Business Workshops**
To allow a more detailed understanding of business needs, including cost/benefit considerations
- **Public Agency Meeting**
To understand the view of the public agency heads of service relating to baseline provision and their own priorities as bid levy payers
- **Partnership Meeting**
To allow a broader understanding of work that has been undertaken already and future proposals that would impact the development of a BID
- **Key Stakeholders**
To allow a more detailed understanding of the commitment from key levy paying business stakeholders and groups.
- **National Businesses**
Approaches to a limited number of national businesses to gauge level of support.

As part of the survey respondents were asked to state three words with which to describe what is special about the Yorkshire Coast. The words were used to create a 'Wordle' which illustrates the most used words in the largest fonts. A good place to begin, this provides a summary indication of what is most important to respondents.



Key Overall Points from the Market Research & Consultation

1) Desktop Review

A number of studies and research exercises have been undertaken and were considered for this report. These included:

- Welcome to Yorkshire 5 year strategy 2012-2017
- North York Moors National Park Management Plan 2012-2022
- North York Moors Promoting the Park Plan. 2013-2016
- North Yorkshire and Cleveland Heritage Coast Management Plan 2015 – 2020
- Visit Hull and East Yorkshire Tourism Strategy 2015 - 2018
- Council plans and policies including, for example
 - i. Crime and Disorder
 - ii. Customers and Communication
 - iii. Environment and Sustainability
 - iv. Equalities and Community Cohesion
 - v. Finance, Resources and Governance
 - vi. Local Development Framework
 - vii. Planning
 - viii. Local Development Framework
 - ix. Planning
 - x. Regeneration (Inc Economic Development)
 - xi. Tourism, Leisure and Culture
 - xii. Corporate Plans

All these documents to a greater and lesser degree present the value of and support the development of the Yorkshire Coast as a destination through partnership working, policy development, improving infrastructure, attracting investment and marketing & promotional activities. From our reading there appears to be opportunities for the DBID in bringing core aspects of these main plans together. Clearly there is a core emphasis on branding, identity, promotion and image along with implementing key signature events to attract more and a different visitor to spend more money in the area. These are also connected with key development projects to improve the physical infrastructure of the coastline, villages and towns and build the capacity of the business community to make the most of opportunities presented.

2) Business Survey

Approximately 25% of businesses responded to the survey (average response rates for these type of surveys is 5-7%). Please note that response rate is based on the number of votes carried by an organisation in a BID ballot (this is standard practice). Ultimately these are the people that will cast the vote which will give the BID its legal mandate and therefore the funds to be able to carry out substantial projects. It is important now and even more so when developing a full DBID proposal to reflect as far as possible what is important to the majority of BID Levy payers. Otherwise there is a clear risk of organisations voting no.

At this stage the purpose of the surveys is to identify only, whether the projects identified by organisations could be carried out using the DBID mechanism. A full DBID proposal development will require a much greater degree on engagement and research and advice on how to do this is given later on in this document.

The key points arising are:

- 60% of responses from Tourism, 30% from Retail, 10% from Professional
- Responses from all areas. 60% from Scarborough, 27% from East Riding, 9% from Ryedale and 3% from Redcar & Cleveland
- 80% independent businesses with over 50% trading for over 10 years
- Over 50% saw increase in turnover from last year and expect to do so next year
- High level of agreement with key objectives, over 90%
- Marketing the most important priority (83%) with over 50% spending over a £1,000pa
- Internet (85%) & Social Media are key channels (71%) with DM & Press (Over 50%) Radio (19%) and TV (5%) well behind
- Regional marketing key
- Over 80% considered Events important to their business and about the same amount wanting more.
- Better road links and car parking a priority
- Safety & Security & Appearance not a priority
- Interest in Central Procurement
- About 41% have financially supported promotions or events
- 61% are members of existing trade organisation and about the same think it is worthwhile.

The business consultation clearly identifies areas of improvement which a BID could address. In particular the comparatively high levels of marketing spend for businesses alongside the enthusiasm (80%) suggest more events would be good for promotion and drive spend may afford an opportunity for the DBID to add value in terms of projects and redirecting some of that spend more collectively and effectively. This would also apply to elements around access where there appears enthusiasm for better road links and car parking initiatives. Working together to reduce costs also appears to attract support.

Approximately 41% have supported projects or services in some form which bodes well against the normal average of about 30%. 61% are members of an existing trade body and are consider this worthwhile.

Full survey details are available upon request.

3) BID Workshop

The workshop is designed for businesses and other stakeholders to provide a more detailed understanding of the potential priorities for the DBID. Two workshops were organised on the 1st December 2015. The first in Bridlington Spa in the morning and then Scarborough Spa in the afternoon. Using results from the survey, we worked with businesses from different sectors to allow more detailed examination of the DBID concept, alongside prioritising costed projects and services and providing an indication of their view of a DBID concept. The workshops attracted 37 people from local businesses and organisations who listened to a detailed presentation, took part in an interactive exercise to provide their views and ideas.

There was strong support overall for the concept of DBIDs with all but one of those attending stating that they would support a DBID on the basis of what they had heard. The following gives an indication of the key priorities that came out from this session.

- **Marketing & Promotion was the strongest priority with many stating the need for continuing existing work and trying to get greater exposure for the area and the need for a cohesive brand.**
- **Provision of more events particularly in the shoulder season was regarded as important**
- **Improving transport links**
- **Greater lobbying and advocacy role to influence strategic development of area**

An income expenditure profile has been produced based on the priorities emerging from the consultation(s) and our experience of existing BID operations. Please note that this is only an indicative illustration to allow progression and should in no way be used as the final projection. This can be found in the recommendations section. The actual financial forecasts will be developed through much greater consultation, project development and cost/benefit analysis.

4) Partnership and Public Agency Meetings

There appears strong support for the development of a DBID from both the Tourism Advisory Board and Public Agencies.

5) Key Stakeholder

During the consultation period we engaged with 28 Key Stakeholders. These phone interviews and face to face meetings were undertaken with some key individuals and groups. There was overall, strong support for the concept from these key players and with many wanting to be part of any development process. It is worth noting that there were a diversity of views on the BID scale and scope. Many stakeholders cautioned spreading resources across a wide area and numerous sectors. Many were keen to see a BID make a demonstrable and meaningful impact quickly.

6) National Operators

Mosaic has a database of 120 plus national operators such as Tesco's and Morrison's. Those present in BID were contacted and 31 of those indicated their initial view of a proposed BIDs. Please note a number have a policy not to divulge their positions and whilst early responses were positive, all would like to see detailed proposal before any final decisions are made. Those that responded are set out in the appendix

Section Three

Development and Campaign Phase Outline

Development Phase

Having identified the potential for a DBID a robust development programme will need to be undertaken. This phase is likely to extend over a substantial period of time and will need to bring together all the elements necessary to produce a deliverable BID proposal which can be put to local businesses.

This phase will require in depth research and support in all key aspects of DBID development. It should include extensive market research, detailed project and services development, board structure, resource and financial planning together with the development of a number of documents including base lining and operating agreements and the business plan.

Detailed below is an outline guide to the key areas of work in this phase.

Marketing and Communication

Extensive marketing and communications activity will be essential during both the Development and Campaign Phases. Below is a guide to the tools which can be used. A combination of them is likely to be the most effective course of action. (The items in BOLD are a requirement under the legislation).

- Identify Core Audience
- Other Audience – Chamber etc.
- Face to Face (Top Ratepayers)
- Seminars (Officers, Politicians)
- Information & Consultation Packs
- Presentations (Business Clubs, Rotary etc.)
- Press & Media
- Newsletters
- Website
- Street/Sector Meetings (targeted at independents)
- Posters
- Postcard Campaign
- Telemarketing/Research/Polling
- Exhibition
- **Business Plan**
- **Voter Summary**

Baseline Service Statements

This will be a key part of the BID process and will provide the information to support the answer to one of the most common questions that will be asked 'Shouldn't the public agencies be paying for this'. The BID legislation is clear that the levy should provide additional improvements and should not substitute or replace existing public service provision.

In the best case scenario public agencies will sign a binding legal agreement to keep their service levels set for the lifetime of the BID. In reality most BIDs have baseline statements which are not binding on the public agency in terms of their ability to change them. Although these may not be formally binding it enables the BID to set out very clearly for its levy payers what the public agencies responsibilities are and in

the event of them not being fulfilled, the BID can guarantee that it would not replace them.

The areas that the Baseline Agreements will normally cover are set out below. These can be agreed with all public agencies and where appropriate the private sector.

- Cleansing & Maintenance
- Car Parking
- CCTV
- Tourism
- Markets
- Festivals & Events
- Street Furniture
- Street Lighting
- Planting & Landscaping
- Public Conveniences
- Destination & Place Management Services
- Highways & Roads
- Policing

In order that the Baseline Statements are easily understood best practices states that they should be set out in one/two page proformas covering the following areas.

- Allocated Staff/Equipment
- Contract Specification
- Performance Measurements
- Non-Compliance Procedure
- Existing Value of Contract
- Boundary Area

(Appendix 1 provides an example of a Cleansing and Maintenance Baseline Agreement).

Business Planning

This section outlines the key areas which the partnership will need to include in the DBID Business Plan.

1. Welcome
A brief history about why the DBID route chosen and a call to support it.
2. What is a Destination Business Improvement District (DBID)?
A simple explanation about what a DBID is stressing that it carries out additional services to those provided by public agencies.
3. Background to DBIDs
A brief national and international background.
4. What is the DBID and why is it needed?
Explanation as to why the DBID vehicle is most suitable for the purpose.
5. How will the DBID work?
An explanation of how the costs were arrived at, how this translated into the levy, the ballot process and who would be liable.

6. The Voting and Levy Arrangements
Information on who will carry out the ballot and how. Details of the DBID levy amount and any exemptions and conditions.
7. The DBID Team
The delivery vehicle for the DBID and who/how it will be managed.
8. The DBID Boundary
A map to illustrate the boundary and the exact details of streets.
9. The DBID Projects
Set out your project details including cost and performance measures as well as an approximate start date if the DBID is approved.
10. Benefits of the DBID
Setting out the benefits of the DBID in a wider regeneration context and in relation to the community.
11. Key Performance Indicators
Appropriate indicators to measure the success of DBID activity.
12. Baseline Service Statements
Setting out what these are in summary with the full statements available online.
13. The Risks
Information on risks if DBID not approved.
14. Market Research
Summary of market research justifying the selection of DBID projects.
15. Financial Facts & Figures
Setting out annual budgets to cover the lifetime of the DBID to include DBID levy, voluntary contributions and other activities.
16. Timetable
A timetable indicating course of activity from the ballot campaign to the launch of the DBID.

Appendices

- i. Articles of Association of DBID Company
- ii. Full Baseline Service Statements
- iii. Operating Agreement

Legal and Financial Framework

Setting Up a DBID

The BID regulations allow 4 types of persons/organisations to put forward a DBID proposal.

1. A business rate payer in the DBID area.
2. A land or property owner in the DBID area
3. A partnership for the DBID area e.g. the DMO
4. The Local Authority (in this case eg Scarborough Borough Council)

In reality, almost all BIDs have been developed by some form of partnership and run as a companies limited by guarantee

Delivery Models

There are a number of management models which can be considered:

Local Authority

Subsidiary of existing partnership or company

Company Limited by Guarantee

Company Limited by Shares

Community Interest Company

Limited Liability Partnerships

Management of the BID by a local authority has not proved a popular option as some of the key selling points for a BID include independence and control from established organisations. With local authority control it is also difficult to sell the concept that it is not 'just another tax'.

Company limited by guarantee is seen as the most appropriate vehicle with both public agencies and businesses comfortable with its structure and operation as well as the capped liability.

Company limited by shares is similar but designed more for profit distribution which will not be the case for many BIDs.

Community Interest Companies are relatively new and have been developed as a 'halfway house' between a limited company and a charity but have been little used as yet. It requires the same management as a company limited by guarantee or shares but with the additional requirement to submit an annual community interest statement. It also requires a cap on share profit.

The newest model is the Limited Liability Partnership. Again this operates very much like a Company Limited by Guarantee or Shares but does not require formal memorandums and articles of association. It is becoming an increasingly popular choice where there are a number of partners in a firm who have worked together for a long time as it allows for flexibility and ease in changing terms and conditions. It is usually used by law firms, accountants and consultancy firms.

Operating Agreement

An operating agreement will need to be signed with the local authority. This will set out the procedures for collection and transfer of the DBID levy as well as enforcement against non-payers.

More importantly it will also ensure that the DBID Company can make provision for VAT. The DBID levy bills sent out by the Local Authority to individual payers cannot charge VAT. However the DBID Company, which is in most cases, limited by guarantee would be required to pay VAT on its activities. This would normally mean that it would lose income as it would have to make provision for VAT payments at the prevailing rate without the ability to be able to charge it on the levy bills.

Discussions with Customs & Excise have provided a solution whereby specific wording in the Operating Agreement will allow the DBID Company to invoice the Local Authority for the amount of BID Levy collected plus VAT. The Local Authority will then be able to claim this VAT back via the Section 33 mechanism.

In terms of collecting the DBID levy, this will be done by the Local Authority through one of 2 routes.

- i. The National Non Domestic Rates (NNDR) system
- ii. The Sundry Debtors system

The NNDR system route was not originally favoured by DBID organisations due to the development costs and operation of the additional software normally required. However these elements have come down significantly in terms of costs now and that permitting it is now regarded as the better option.

The NNDR system route allows greater complexities to be built in more easily in terms of reliefs and exemptions. It is also a more sophisticated and established system which generally allows for easier collection, monitoring and necessary recovery action.

As stated earlier its major disadvantage has been that it will normally require the purchase of a 'bolt on' software system (costing up to £20,000 which would be financed by the Local Authority as an in kind contribution or costed for in the DBID Business Plan). Also from public relations viewpoint people may view it more readily as a 'rates bill' although this can be addressed by sending out a separate bill. This also helps if recovery action needs to be taken.

BIDs use the Sundry Debtors System as BID Levies are normally a simple calculation with not the same complexities in terms of reliefs and exemptions in many cases. It is also cheaper, allows flexibility in terms of billing dates and differentiates it clearly from the NNDR bill. Smaller places use this system with larger locations favouring the NNDR route. There is also increasing evidence that the NNDR route provider easier and higher levels of collection

With regards to cost of collection different local authorities take different positions. Some provide this as a free 'in kind service'. Others require the BID organisation to pay for the cost of collection which normally ranges from £12-£35 per hereditament dependent on what level of service is provided, with higher figure including such elements as the debtor court arrangements including the issuing of summons.

Accounts and Tax Exemption

Proper accounting procedures will need to be set using a reputable firm. It should be normal in most cases to gain corporation tax exemption status for a BID company as it will be regarded as mutual trading between members.

Campaign Phase

Effective campaigning for the business vote is a crucial for the development of a BID. It will be essential to ensure that every opportunity is utilized to raise awareness of the need for businesses to exercise their vote as well as the opportunities the BID Proposal offers.

This campaign plan will need to generate ideas and develop activities to build momentum and maintain interest throughout the election. It will also need to ensure that the BID organisations voice is recognised as both authoritative and pertinent and that it incorporates all elements of an election campaign from balloting arrangements to doorstep canvassing.

Detailed below is an outline guide to the key areas of work in this phase.

Electoral Planning

When planning a campaign it is essential to use the information collated to draw up a targeted campaign plan. It is important to remember that in an environment such as this having just a 'good business plan' will usually not be enough. The need to prepare a campaign with key saleable and easily understood messages, along with the right people delivering them cannot be underestimated.

In terms of an election campaign the following key issues must be addressed:

- Securing a single, powerful, preferably independent voice for the BID
- Identifying projects that are easy to describe and understand
- Producing interesting literature and promotional activity
- Making it easy to vote
- Keeping a track of voters and their intentions

From the Feasibility Study key groups/sector/organisations can already start to be identified. This will be further refined as the BID area, project proposals and costs become clear. It is worth pointing out again that there are 2 measures to be satisfied in order to get a YES vote:

1. A majority by number, of those voting.
2. Of those that vote, the YES vote must have a greater total rateable than those voting NO.

Consequently a business plan must build consensus between the bigger business that will influence greatly the rateable value and the smaller businesses that will have greater influence in terms of numbers voting.

Although other groups should not be neglected, availability of resources and logistical demands will mean that prioritisation of efforts will be inevitable.

There are also some statutory processes that need to be followed. These in summary are:

- Notice of Intention of Ballot to Secretary of State & Local Authority – at least 84 days before Ballot Notice Issued
- Ballot Notice to be Published – at least 42 Days Prior to Ballot Date
- Ballots Sent Out – at least 28 Days Prior to Ballot Date
- The Ballot Date is the day voting finishes
- Ballot Result Announcement
- 28 days after Ballot Date to appeal vote result
- 365 days from Ballot Date to implement proposals

In terms of the actual vote:

- It is a confidential postal vote carried out over at least 28 days
- It is carried out by a Local Authority Returning Officer or someone appointed by them e.g. Electoral Reform Services
- The Ballot Papers are sent to each Hereditament/Principal Address/Proxy
- One Ballot per Hereditament (Multiple Hereditaments=Multiple Votes)
- Cost is based on the number of hereditaments to be balloted

Section Four

Recommendations

Overview

In terms of guiding principles in determining recommendations the key test is the ability of the DBID proposals to make a tangible impact in a given area with the amount of money available. Too big or disjointed an area or too many sectors to contend with may mean that it is difficult to show impact particularly of physical/ground based works. In general terms it is better to start small, under promise and over deliver.

It is also worth noting that even in locations designated as good practice the normal business involvement level in voluntary partnership schemes averages at about 25% maximum, either in membership or financial terms. BIDs will have to engage most of the other 75%. Whilst this takes time and is resource intensive, it is clear from national figures that the majority are positive (74%).

It appears that Destination Management in the Yorkshire Coast is at a crossroads particularly in terms of sustainability and funding. There are ever greater demands for activities in the current climate with diminishing resources. It needs to generate the levels of funding and the ability to business plan effectively in order that it can meet the operational expectations that will be demanded by its businesses and customers. However, the level of work and resources to develop a DBID should not be underestimated and these are detailed later in this report.

Having made a comprehensive assessment of the current situation in the Yorkshire Coast we would highlight some key elements which have informed our recommendation.

- The research and consultation process shows **clear areas of consensus and concern** that can be addressed by this process.
- The recommended geographical boundary and sectorial make up will allow for **a co-ordinated and focused approach**.
- The revenue generated will allow **real and tangible improvements** to be made. This is particularly relevant if core funding disappears. Early indications by businesses to the level of the BID levy were also **positive**.
- **Level of confidence and credibility** in existing partnership organisations appears good.
- **Partnership working already exists** which can coalesce and provide a strong platform to move forward. Key stakeholders will need to **present a clearer and unified front** not only to avoid confusion amongst stakeholders but to avoid duplicity of work and provide more effective delivery.
- **Key individuals and organisations** enthusiastically support the concept including business representatives and the Local Authorities. However it is clear the 'same individuals' drive many of the organisations. It will be very important that this **'base of people' is widened** to be more evidently representative of the location and its areas.

THEREFORE, AT THIS STAGE, BASED ON THE FINANCIAL ANALYSIS AND CONSULTATIONS, OUR CONCLUSION IS THAT A DBID WOULD BE VIABLE FOR THE AREA PROPOSED BELOW.

The following gives further details:

The Preliminary BID Area

The study area initially comprised the whole of the four Council areas and included every business. However having considered the geography of the potential area, the variety of locations and the diverse sectors that would be involved in that, it is our view that a first DBID should be restricted to the three council Coastal Zone area only to afford the best chance of success and delivery in the first instance. This means that it is easier to develop a work focus and cohesive business plan that doesn't attempt to be 'everything to all' In terms of the DBID only those that are likely to benefit directly or indirectly should be included. The DBID organisers would ultimately decide who falls into these sectors and do not need to adhere to Rateable Value classifications. The list below shows those that we recommend fall into this category.

- **Accommodation**
- **Car Parking**
- **Entertainment & Leisure**
- **Food & Drink**
- **Holiday Accommodation (Caravan Park)**
- **Holiday Accommodation (Chalet Park)**
- **Holiday Accommodation (Guest House)**
- **Hostel**
- **Hotel**
- **Office and Commercial**
- **Public Convenience**
- **Public House**
- **Retail**
- **Transport**

In the Coastal Zone, this would leave 8514 business rated units with a rateable value of approximately £115m.

We further recommend that the area is reduced by exempting the smallest business units, i.e. those below £10,000 in rateable value. May BIDs apply an exemption level eg Bournemouth Coastal and Greater Yarmouth DBIDs for the smallest businesses and the pros and cons of this are set out below. Primarily this is done for management and economic reasons as again the size of the BID is very large still and making both development and delivery difficult, whilst also most likely uneconomical in terms of the administrative cost. This may change in future but we would recommend this as a starting position.

There are pro's and con's in attaching exemption levels and these are:

Pros

- Economics, it will cost more to collect and administer the smallest businesses than the levy paid. We estimate a minimum overall overhead and administration cost will for collection will be £35 per unit. There are other overheads to consider as well.
- Smallest business will be exempt but not excluded as they can still be included by paying a voluntary minimum contribution and therefore receive the same benefits and still be part of the governance and management
- Manageable number (campaign & delivery)
- Experience in other locations have shown difficulties in delivery where no or low exemptions levels applied
- Exemption at lower level will help 'unfair burden' case

Cons

- May feel excluded
- RV Lottery (business on same street will be in/out)
- Freeloading perception

No system is perfect but this would adhere to best practice

This would leave a final DBID area that comprises of 1852 business units with a total Rateable Value of £77.2 million.

Preliminary Projects Areas

The preliminary market research and consultation indicates that there is good consensus in terms of the types of issues that are important, across the sectors.

The graphic below provides the key priority areas.



This is fairly typical with marketing & promotions and events clear priorities whilst access (signage, car parking and transport links) and business support (central procurement, lobbying and advocacy and networking) are significant. A BID will be able to address these operational concerns.

Sensitivity would be required with regards to any existing arrangements that other organisations may have. This is not only to co-ordinate, assimilate and add value to existing work effectively but also to avoid any duplication and controversy which in business planning and campaigning terms will have a negative effect. Where people are already paying membership fees, it will be important to work out a structure which is beneficial to all and where businesses are not burdened with separate bills. It may be that a BID could be an umbrella organisation which affords the benefit of co-ordination in practical and perception terms. For organisations that charge already it will mean less administration and the benefit that all relevant parties contribute. For the levy payers a single package may mean that they pay only little more than their existing charge but getting an enhanced service.

BID Funding Projections

On the basis of the DBID going forward with the Coastal Zone and all those below £10,000 in Rateable Value, as described above, Yorkshire Coast DBID would formally contain 1852 business units with a total Rateable Value of approximately £77.2 million. At a 1% levy, this would generate £772,000 pa and at 1.5% approximately £1,158,000 pa

It is our opinion based on the consultation and financial analysis that working assumption at this stage should be a **1.5% levy** which would raise approximately **£1,158,000 pa**. This would allow sufficient resources to develop and implement projects as well as the ability to provide a tangible difference.

The following gives an indicative income and expenditure profile based on 1.5% after all exemptions. The figures are set out on a like for like basis.

Potential Annual BID Income Profile

BID Levy (1.5%)	£1,158,000
Additional Income (20% of BID Levy)	£ 231,600
TOTAL	£1,389,600

Potential Annual BID Expenditure Profile

Marketing & Promotion	£ 486,360
Events	£ 347,400
Access	£ 208,440
Business Support	£ 138,960
Overheads	£ 208,440
TOTAL	£1,389,600

Voluntary Contributions & Fee Income

Please note that most BIDs aim to, and succeed in, generating 20%-25% voluntary contributions/fee income annually in addition to the BID levy. The 'rule of thumb' is to try and aspire to cover all running costs (averaging 15%-20% at present) through voluntary contributions.

BID Delivery Model

The key elements in considering a delivery organisation is the confidence and credibility it will generate amongst the voting organisations. Even if the projects appeal most businesses will also seek real 'control' and 'independence' for the set up as a price for a positive vote.

This has been reflected in almost all the successful BIDs so far with a not for profit 'company limited by guarantee' the favoured option. The Board of this company would normally be elected at least annually from the BID levy payers.

With regards to the Yorkshire Coast the key element is that it should be an independent company. Whether that is an existing or a new set up will be governed by further consultation and practical considerations such as whether it would be easier to start a new organisation rather than change the Articles of an existing one and issues around assets and liabilities.

In any DBID set up '*form should follow function*' so beyond the key consideration that it should be a legal entity in its own right directly accountable to BID levy payers, it is not crucial that the exact structure be settled on now but that it is revisited during the development stage.