



Business Improvement Districts

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Business Improvement Districts

Background

In 2004, regulations came into force, giving businesses in England and Wales the opportunity to fund improvements to their local area by creating a Business Improvement District or `BID`. The first successful BID ballot was held in Kingston during November 2004, and since then more than sixty further BID prospectuses have gained business support in England. Another thirty towns and cities are progressing towards a 2008/09 ballot, including the first Scottish BIDs.

In Northern Ireland legislation is less advanced, however the opportunity for a BID pilot is being developed and progressed.

What is a BID?

A Business Improvement District (BID) is a precisely defined geographical area of a town, city, or commercial district where business ratepayers vote to invest collectively in local improvements that are additional to those currently provided by local government. Business ratepayers are asked to vote on an additional levy to their rate bill, that if supported will be used to finance deliveries detailed in a Business Plan. The BID management structure is, in normal circumstances, private sector led.

Where are BIDs operating at the moment?

BIDs have existed in the United States since the late 1970's. It is estimated that there are over 1500 BIDs operating in the US today, with 44 in New York alone. BIDs have also developed in Australia, South Africa and Canada.

Key features of BID's operating in the US are:

- BIDs generate between £0.2million and £15million for individual partnerships.

- All businesses are challenged to vote for the introduction of a BID. Those who fail to cast their vote are assumed to support. The American philosophy is “this is good for the community – you have to vote against if you want to stop the initiative”.
- The BIDs are particularly focussed on marketing and promotion, and maintenance (including sanitation) and safety.
- Unlike the UK (where occupiers are charged), the cost is directed at owners. In the US, the initiative is generally supported because ‘owners’ recognise that improvements to the environment are strengthening their investment.
- BID Managers in the US agree contracts with the local authorities for existing services, and use the BID income to develop new initiatives.
- The yield is used to ‘lever’ additional public sector financial support, together with voluntary contributions from Property owners.
- The BID organisation develops ‘other’ commercial income, and the ‘guaranteed’ BID levy is used to exploit match-funding opportunities. Within the life-span of the BID, non-levy income is likely to grow to between 30% and 60% of the BID companies turnover
- The likely duration of the plan is 5 years. An annual review and audit is completed.
- Many schemes evolve from Town Centre Management partnerships.
- A private sector led Management Board administers the levy, once raised.

BIDS – The British Model

Key elements of UK Bids include:

- The area over which a BID can operate is non-prescriptive. It is dependent on local needs and requirements.
- A local partnership prepares a business plan. The business plan contains details of the boundary, the new ‘services’, the ‘rate’, and the ‘review process’.
- The plan is submitted and agreed with the local authority.
- The plan is put to a vote of all business ratepayers within the designated area. The plan offers increased value to businesses in return for their support.
- The core funding is derived from a statutory payment called a BID levy, made by the business ratepayers in the BID area. The levy is collected by the local authority, separated from rate receipts and held locally in a BID Revenue Account.
- A schedule of ‘measures, checks and controls to protect business interests is agreed.
- Locations are experiencing decline or requiring substantial capital investment, as they are unlikely to be able to support an additional rate levy.
- Sites where businesses have not experienced the benefits of working within an existing effective voluntary private/public sector partnership.
- Towns where the local business community does not have the required structure and skill to lead, influence, and monitor the process?
- Towns where property owners are not supportive, and ‘connected’ into the process?
- Communities where Public Sector leaders are not prepared to allow the BID to be Private Sector led?

BID Limitations

There are many sites that choose not to progress to a BID, and prefer to continue their partnership within a more flexible ‘voluntary’ structure. BIDs are unlikely to develop, at least in the short-term where;

Potential Benefits

If BIDs are introduced immediate beneficiaries might include:

Town Users

- Safer town centre environment.
- Attractive, welcoming urban environments free from graffiti and litter.
- Improved and more diverse retail and/or leisure mix.
- A more prosperous and successful town centre.

Business Ratepayers

- Higher footfall, longer user stay, higher spends.
- Enhanced levels of town centre cleansing, maintenance and repair. A structure created to monitor existing local authority investment, and to create new income streams.
- Diversity of town centre usage.
- Equitable funding mechanism that remove the opportunity to `freeload`, whilst providing the private sector with the opportunity to lead and influence.
- Increased focus and financial support from the public sector, via in-kind support and complementary additional funding for specific initiatives.

Local Council

- Job creation through increased private sector investment and small business set-ups.
- Maintaining social inclusion. Good transport links enable the town centres to be accessed by all, as compared with other retail formats.
- A strategic partnership focused on developing and managing the town centre.
- Increased civic pride amongst those who identify with their town/city centre.
- Innovation in service delivery.

Future BID expansion

Best estimates suggest there are up to two hundred sites in England and Wales considering the potential of Business Improvement Districts.

The draft regulations currently specify the following time frame for a BID to proceed to a vote:

- at least 12 weeks in advance (of the vote), the BID must send a Business Plan/proposal and formal notice to the local authority
- at least 6 weeks in advance, the BID must send a Business Plan/proposal to each affected ratepayer
- at least 4 weeks in advance, the BID must send a ballot paper to each affected ratepayer.

If a BID is being developed in my location, what should I do?

Key Criteria has been prepared that defines in which circumstances Alliance Boots would consider supporting individual BIDs (detailed below). The company has also produced a Brief that reviews the lessons learnt from the BIDs launched to date (available upon request).

In advance of support for a BID Alliance Boots requires three objectives to be met;

1. The Corporate Criteria (detailed below)
2. The Business Plan addresses issues that will improve the stores profitability (increased sales and reduced costs)
3. The structure and ability exists to deliver the Business Plan

Although the first of these objectives is corporately driven, the second and third will be judged by local store management

Before any commitment is entered into, local store management are requested to discuss proposals with Andy Godfrey,

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Tel: 0115 959 1232.

Boots UK Response

Broadly the company supports the principle of Business Improvement Districts. However, before considering any schemes, key criteria will need to be met.

1 Additional Services

For services detailed in the BID Business Plan existing public sector service provision needs to be defined, in the form of Baseline Service Agreements. These Baseline Agreements will either be in the form of scheduled services delivered previous to the BID, or defined as minimum cash contract values (ie. how much was invested in providing these services pre the BID)

It is essential the BID services are 'additional' to the statutory and accustomed local authority provision and relevant to the retail community.

The BID prospectus should clearly illustrate what additional services will be delivered and the benefits that will accrue from business investment.

2 Property Participation

The level of private sector support anticipated should be detailed in the Business Plan (including gift in kind).

Major property owners have a pivotal role to play in the development of our trading centres. It is difficult to imagine a successful BID that has not gained the support of the major owners represented within the BID boundary.

Although landowner contribution is non-enforceable, and legislation prevents landlords from being levied in the same way as occupiers, evidence of significant effort to involve/gain the commitment of the major property owners, to the BID, should be detailed within the Business Plan.

3 Measures

The BID levy needs to be viewed as an investment by the business community, with the BID delivering tangible benefits over a period of time. These benefits must lead to increased/retained footfall/sales growth, and/or lower business costs. Measures will either be service or financial deliveries, and will be evidenced by Project Delivery, Key Performance Indicators, and Professional Governance of the organisation.

4 Public Sector Support

The support of the Local Authority is fundamental, and we will seek confirmation that both senior officers and members are supportive of the BID's objectives.

Within the BID area the capital and revenue expenditure and other financial commitment (including gift in kind) from the Public Sector should be clearly identified within the BID package. This will include 'existing provision' agreements that do not relate to statutory obligations (for example. support for non-BID strategic partnerships, CCTV, transfer of commercial income from highway agreements). As a likely occupier of premises the Local Authority will also be a significant financial contributor to the BID.

We will require evidence in the Business Plan that, where applicable, funding from other sources has been investigated and identified (eg RDAs, regeneration and other public bodies).

5 Business Plan

The BID proposal, or Business Plan, should set out exactly what the BID intends to achieve, and how it will be delivered in a specified timeframe.

Its contents should include:-

- A clear outline of the objectives of the BID – both short and long term
- Details of the projects it will deliver
- Timed and measurable tangible deliveries

6 Retail Crime Partnerships

The delivery of an effective Retail Crime Partnership is likely to be a central component of BID prospectuses. A retail centre wishing to progress a BID, that contains a security element, should be committed to achieving independently verified standards.

7 Leadership

BID leadership needs to reflect the priorities of the BID, whilst having sufficient quality/status to sustain progress. Although no two BID's will be the same, in most circumstances they will:-

- be business-led and managed, reflecting that businesses will have to vote for the BID's initial creation, and continued existence
- be a not-for-profit limited company (may not be applicable in smaller locations)
- be independent from the local authority whilst having senior public sector representation on the Board
- have a minimum of 50% business stakeholder representation on the board
- be led by a private sector chair

8 Boundary

The boundary of the BID should demonstrate that it is fit for purpose, sufficiently focused on existing business provision, and economically viable/sustainable.

9 Shopping Centres

Where a store is situated within a shopping centre, a reduced levy should, in normal circumstances be payable (particularly where the store faces into an enclosed mall). This reduction will reflect both the voluntary commitment being made by Property (see 2 above), and/or the services already provided to tenants within their service charge.

10 Levy

Boots UK will consider support for a BID levy of up to 1% of Rateable Value (1.5% in smaller communities and market towns). Support will be dependent on;

- Criteria 1 through 9 being met
- The benefits to be derived from, and relevance of the BID's Business Plan
- The quality of the BID structure and delivery resource

In smaller locations (for instance, in market towns) consideration will be given to marginally higher levies, so as to reflect the reduced rateable value available. Only in exceptional circumstances will the company support a levy higher than 1% of RV (1.5% in smaller locations).