

What is a Business Improvement District?



A clear and concise definition is given in the *BIDs Guidance Document* from the Office of the Deputy Prime Minister (ODPM), January 2003:

“A Business Improvement District (BID) is a partnership arrangement through which local authorities and the local business community can take forward schemes which will benefit the local community, subject to the agreement of the ratepayers.”

There are a number of key terms in this statement: partnership arrangements; schemes which benefit the local community; local authority; business community; and subject to the agreement of ratepayers. I will take each in turn.

Partnership arrangements

There are numerous examples of excellent partnership arrangements in many town centres and retail environments across the country.

Retailers, property owners, private contractors, the police, town centre companies and local authorities work together in these schemes for the benefit of all. Services through partnership arrangements are varied, and might include focusing on creating a clean and safe environment, improving the streetscape, marketing and promoting the area, or generally creating a better business environment.

Partnership arrangements ensure everyone is a winner: property owners see their asset values rise; retailers have more customers, who feel happier, safer and inclined to stay longer; the private company offers a quality service; and the local authority benefits from the increased prestige of the area.

Many of these initiatives obtain capital and start-up money, but struggle to receive a regular and reliable income stream over a period of time. The BID mechanism offers the opportunity to build a steady income stream into these projects. Ratepayers in the defined area pay an additional levy to fund the project. The levy then provides the regular revenue stream over a number of years to sustain the programme, but does not make other income sources redundant.

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Local community

The Government is keen to encourage local ideas and flexibility to benefit local communities. BIDs support this concept as they address the particular needs and circumstances of the area.

The legislation in the Local Government Act 2003 provides a broad framework for BIDs. The regulations, which are expected to be published for consultation in December 2003, will attempt to strike a balance between providing adequate safeguards and clear direction and allowing variation for local circumstances.

There has been some pressure to produce tight prescriptive legislation that everyone will be obliged to follow and that will create homogenous repetitive schemes. While many desire these tight regulations, they do not agree on the way schemes should be constrained. We hope that the draft regulations will show that there are safeguards and direction, while allowing the best schemes and structures to develop.

National retailers in particular have said that they do not wish to be involved in many different schemes with vastly different underlying processes. We have taken on board these comments and tried to address them without sacrificing the principles outlined above.

Local authorities

Over the last few years local authorities have developed a better understanding of the importance of working with the business community. BIDs are designed to take these relationships forward, by encouraging local authorities to discuss their needs with business communities and to seek solutions that will benefit all. We hope that this will be part of an ongoing dialogue.

Local authorities have certain duties and responsibilities with the money raised by the levy, as it is regarded as public money. They have an obligation to ensure that the public is protected. As a result the local authority will have to be satisfied that the proposals are sound and the BID organisation is an appropriate body to which the local authority can hand over the money.

It is for this reason that the local authorities have the right of veto over any proposal. It is never anticipated that local authorities will use the veto, but they will set out the criteria for an acceptable proposal early in the process. There should be no surprises and no misunderstanding at this early stage of the process. BID proposers get the local authority to establish the criteria early in the process.

For example, only those proposals that have a broad base of support, can demonstrate financial accountability, and have a well constructed case should reach the vote. Local authorities should ensure that these conditions are met in the early phase of discussions.

Business community

One aim of BIDs is to allow the business community to demonstrate leadership within the community. We expect BID boards to consist mainly of property owners, retailers, businesses and people with a vested interest in making the business environment safe, attractive and vibrant. The best models, based on the experience in other countries, are those where all stakeholders in the community are involved and where most make some financial contribution, voluntary and statutory, to the funding of the scheme.

There are 22 pilot projects across the country, coordinated by the Association of Town Centre Management (ATCM) and sponsored by the ODPM, English Partnerships and some retailers. Many of these are currently being led by representatives from local authorities. This shows the level of interest, but it is anticipated that over time the leadership will be provided by the businesses in the area. This will ensure true representation of the group that is receiving the service and funding the initiative.

Ratepayers

It is the ratepayers (businesses) who will be paying the levy. It is only right that they have the vote to decide in favour of the scheme.

The ballot process is an innovative idea for the constituency to be given flexibility to vote for a tax in their area, and has generated some debate. This has obviously created a number of concerns for some people as we enter this new territory.

There are no voting thresholds that have to be met before the vote can be

declared valid. This is a deliberate measure, as any threshold would be arbitrary. We believe that good practice will tell you that you need a significant degree of support to give the scheme credibility and to avoid it being dogged by resistance and legal challenge throughout its life. The degree of support, and the type of people who need to support the scheme, will vary from scheme to scheme. For example, if a particular group within a geographical area is excluded from the levy, this does not mean that attempts should not be made to gauge the attitude of that group. It does not preclude the local authority from its responsibility to ensure that the scheme is of benefit to the whole community.

The dual-key mechanism of needing a 51% majority of those who vote and a 51% majority of the rateable values of those who vote protects the interests of both small and large ratepayers. Good practice will tell anyone that a 51% vote of a low turn-out with little evidence of support prior to the vote will lead to problems and difficulties.

Best practice

Developing best practice has been a constant theme of the work over the last few years. There is now a body of basic principles drawn from several sources:

- retailers: both the BRC and other major retailers
- property owners: see the *British Property Federation Guide*, recently published
- the ATCM pilot project: visit www.ukbids.org
- the Circle Initiative: visit www.londonbids.co.uk
- other town centre initiatives
- the draft *BIDs Guidance Document* from the ODPM and the feedback to the consultation on this document: visit www.local-regions.odpm.gov.uk/bids/index/htm
- various overseas experiences.



As new projects are developed a significant body of knowledge will emerge. The ODPM will be advised of every BID proposal that goes to the ballot and alongside the web-based discussion, this will enhance and develop that knowledge.

If everyone involved in developing a proposal follows the principles outlined in these best practice guides, BIDs projects should be robust and serve the best interests of all the community.

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