



SCOTTISH EXECUTIVE

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Consultation on Business Improvement Districts (BIDs) in Scotland

The Minister for Finance and Public Services, Andy Kerr, today issued a consultation paper on establishing Business Improvement Districts in Scotland. Your views are requested on how BIDs can best be achieved.

BIDs were considered as part of the Scottish Executive's Cities Review – and a number of issues highlighted for consideration in this consultation. Andy Kerr also today approved the Cities Visions and City Growth fund proposals which followed from the Cities Review.

If you have any questions about the consultation, please contact Ian Duncan. ☎ 0131-244 7025.

Views are requested by 10th October 2003. Your responses can be sent either by e-mail or by post. Postal comments should be returned to: Anna Gilbert, BIDs Consultation, Area 3-J (North), Victoria Quay, Edinburgh, EH6 6QQ. Electronic comments can be sent to: bids@scotland.gsi.gov.uk.

Yours faithfully

Ann Thomson

Business Improvement Districts: A consultation paper

Introduction

1. A Business Improvement District (BID) is a partnership arrangement through which local authorities and the local business community can agree to take forward schemes of benefit to the local business community. It is suggested that they be funded, at least in part, by increased business rate payments. It is a concept that originated in America, where they have been successful in revitalising local areas, and where perhaps one of the best known BIDs is Times Square in New York. In England and Wales, a number of pilot BID projects have already been identified and the Local Government Bill will provide the necessary enabling legislation to allow BIDs to operate in England and Wales.

2. In "A partnership for a better Scotland: The Partnership Agreement"¹ we set out our aim that we "work with local authorities to establish Business Improvement Districts...". The development of a BID system in Scotland was recommended by the Local Government Committee of the Scottish Parliament in its Report of Inquiry into Local Government Finance². Subsequently, it was considered as part of the Scottish Executive's Cities Review³ and a number of issues were highlighted for consideration as part of this consultation.

3. This consultation seeks views on how Business Improvement Districts (BIDs) can best be implemented in Scotland. Specific questions on which views are invited are summarised at the end of the paper. These cover:

- the level of local flexibility which should be allowed in determining a BID
- how to seek agreement to a BID
- the potential for BIDs in rural areas

4. The proposals put forward here are similar to those planned for England and Wales⁴ – this seems a sensible starting point as many businesses operate both north and south of the border.

5. We invite responses by 10th October 2003. Please let us know if you wish your response to remain confidential. E-mail responses should be sent to: "bids@scotland.gsi.gov.uk" and paper responses to: Anna Gilbert, BIDs Consultation, Area 3-J (North), Victoria Quay, Edinburgh, EH6 6QQ. Copies of the Consultation Paper can be obtained from the Scottish Executive website; by post from Anna Gilbert, Area 3-J (North), Victoria Quay, Edinburgh, EH6 6QQ or by e-mail to bids@scotland.gsi.gov.uk.

¹ This can be found on the Scottish Executive website at: <http://www.scotland.gov.uk/library5/government/pfbs-00.asp> on page 11 of the Report

² Local Government Committee of the Scottish Parliament, 6th Report 2002, Report of Inquiry into Local Government Finance, Vol.1, 2002

³ "Review of Scotland's Cities" published 9th January 2003. It can be found at: <http://www.scotland.gov.uk/library5/society/rsca-00.asp>

⁴ Detailed guidance setting out the BID framework and practical information and advice for those wishing to set up a BID partnership in England and Wales was published by Office for the Deputy Prime Minister (ODPM) in January 2003. It could be found at: [HTTP://www.local-regions.odpm.gov.uk/bids/index.htm](http://www.local-regions.odpm.gov.uk/bids/index.htm)

Business Improvement Districts

6. We believe that the basic principles underpinning BIDs should be:

- BIDs should be a partnership between the public and private sector
- BIDs should provide the financial and management structure to take forward projects of benefit to local businesses and communities
- projects should provide services *additional* to the agreed baseline local authority services
- a BID should be agreed by both local businesses and the local authority before it can go ahead
- once a BID has been agreed to by the majority of businesses, all businesses which are part of the BID would be required to pay the agreed levy.
- projects should address a specific local concern and deliver specific, measurable benefits
- any legislation should be flexible enough to allow the development of local solutions

7. BIDs are an *alternative* to the types of schemes that can currently be set up and which are in operation in towns and cities across Scotland. The above principles would ensure that local businesses and local authorities would work in partnership to address local concerns and ensure that those benefiting from the scheme contribute to its funding. One of the concerns expressed about the type of scheme currently available is that a business can gain benefits without contributing to the project so securing funding can be difficult (the ‘free-loader’ issue).

8. Successful BID proposals are only likely to emerge from local councils and businesses working together in partnership. Exactly what the additional services could be secured by a BID would vary according to local need - it could be as modest, or as ambitious, as the local business community wants. Examples are:

- improved environment (e.g. new street furniture, tree planting, a speedier response to graffiti and litter)
- improved security (e.g. the installation of CCTV cameras)
- improved facilities for visitors and shoppers (e.g. better marketing and signposting)
- improved transport and accessibility

9. The benefit secured by local businesses could include higher turnover, increased property values, improved staff recruitment and retention, or improved security and subsequent lower insurance payments. **It would be for local businesses to decide whether or not the benefit they receive from participation in a BID would be worth the additional business rates levy.**

10. Funding of a BID could come from a number of sources including businesses, property landlords, European funding, local enterprise agencies and local authorities. The management of the BID could be similarly wide ranging. The funding to be raised from businesses would be through an agreed and time-limited levy on non-domestic rates and would not be taken into account in the general local government settlement calculations.

11. An example, intended to give a better understanding of the steps which might be necessary to form a BID, is given in Annexe A.⁵

12. Primary legislation is required to lay down the basic rules that would govern BIDs. The Scottish Executive believes that the enabling legislation should allow maximum flexibility at the local level, where the local needs can be best judged.

Local solutions for local problems

13. As stated in the previous section, we believe that the details of the BID should be agreed at the local level, within a legislative framework. Working within this framework, items for local agreement would include:

(a) Initiating a BID

If a local need is identified, then either the public or the private sector could initiate a BID. A local need could arise, for example, from the decline of a town centre due to the proximity to a large out-of-town shopping centre. Businesses and landlords may want to participate or lead the running of the BID (as often happens in America).

(b) The scope of the BID

Some examples of the scope of the BID are given in paragraph 8 above. As part of this, baseline services that the local authority and other public bodies are providing in the BID area should be defined.

(c) Partners in the BID

Management of the BID can be taken forward through a Board set up for that purpose. Again this would depend on local circumstances but could include representatives from local businesses, property landlords, local authorities, local residents, voluntary sector, town centre managers, visitscotland, Historic Scotland or local enterprise companies.

(d) The coverage of the BID

The coverage of the BID should again be determined at the local level depending on local circumstances. It could, for example, be a town centre, a main shopping street, a peripheral shopping area, a public park or open space, an industrial estate or even the local authority as a whole. It could be that a BID crosses a local authority boundary. The BID could also be restricted to certain types of businesses in an area, for example the retail sector, particularly if only those types of businesses are to benefit.

(e) How long will a BID be set up for?

Many BIDs, by their nature, will be short-term improvement projects and will have a natural life span. For others, it may be appropriate for the BID mandate to be

⁵ This is based on a similar diagram given in the ODPM guidance (see footnote 4 for source)

reviewed after a period of time. This will be for local agreement but it is proposed that renewal should be mandatory after 5 years. It seems sensible that any commitment to paying a levy should be for a time-limited period.

(f) Funding of the BID

Once the scope and the coverage of the BID have been defined, it will need to be costed. Again, how much needs to be raised through a local business levy and how much can be raised through voluntary contributions from landlords, grants or other sources of funding is for local agreement.

(g) The rate of the levy.

Again it is for the council and local business to agree the form and amount of the BID levy. It could be based on rateable value or based on the bill net of reliefs or even fixed for all businesses. The amount could vary for different types of businesses or for different sizes of business. The form and amount would be set out prior to seeking agreement to a BID.

Local Solutions to Local Problems

Question 1. Do you agree with the proposed balance between a legislative framework and local choice? Do you think more (or less) aspects should be covered by legislation?

Agreeing a BID proposal

14. One of the principles set out for BIDs is that both local businesses and the local authority should agree any BID before it can go ahead. How this can be achieved is discussed below.

- Agreeing to a BID – ratepayers

15. The Executive proposal is that all ratepayers covered by the BID should be eligible to **vote** on whether or not to have a levy. ‘Ratepayers’ include not just conventional ‘businesses’ such as shops and restaurants but also such diverse subjects as offices (both public and private sector), banks, schools, hospitals, non-profit making organisations, advertising hoardings, car parks and bus shelters. It would be for local agreement which premises are included in the BID, and only these will be eligible to take part in the ballot.

16. Large and small businesses may have a different perspective on the need for additional services and whether that justifies paying an additional levy. The ballot system proposed aims to be fair to both small and large ratepayers and to ensure that a small number of large businesses cannot force through a measure that small businesses do not support and vice versa. It is proposed that in order for a BID to be agreed:

- at least 50 per cent of non-domestic ratepayers *who vote* should be in favour of the proposal

and

- those voting in favour of the proposal should represent at least 50 per cent of the rateable value of all ratepayers voting.

17. By basing the percentage on those who vote, rather than those eligible to vote, the aim is to encourage voting – both by those in favour and those against.

18. However, views are sought on whether there should be a minimum percentage of businesses actually voting for the vote to be valid. This could be a safeguard against a rate-levy being imposed after a low voting turn-out.

19. A possible alternative would be to ensure that there was a minimum level of support among local business before a ballot can take place.

20. The vote would be on the full BID proposal. This would include:

- what the money raised by the BID would be used for
- how the project would be managed
- time period
- amount to be raised
- amount and form of BID levy
- role and contributions from other bodies.

21. If the BID proposal is agreed, all non-domestic ratepayers in the BID would be required to pay the levy on the rates, regardless of how or whether they voted.

Agreeing to a BID – ratepayers.

Question 2: Do you agree with the voting scheme proposed? Is the dual 50% threshold by number and rateable value reasonable? Is it reasonable to base the percentage on those *voting*, rather than those *eligible to vote* ?

Question 3: Should a minimum percentage of businesses have to vote (by number and / or rateable value) for the vote to be valid? Do you have a view on what that level should be?

Question 4: Should there be a minimum level of support among businesses in the BID area **before any vote** goes ahead? Do you have a view on what that level should be?

Question 5: The proposed **maximum** number of years the BID mandate can last before a new vote is required is 5 years. Do you agree?

- Agreeing to a BID - Local authorities

22. From a local authority perspective, a proposed BID would need to be developed with reference to:

- other plans formally adopted by the council
- other areas of council policy e.g. traffic management
- views of local residents

23. The legislation could include measures to prevent conflict with the above. The local authority could be given a power of veto. This decision could then be appealed to Scottish Ministers. In practice, we hope that the partnership approach would ensure that issues are resolved at an earlier stage in the process and that these steps are not necessary.

Agreeing to a BID – local authorities

Question 6. Do you agree that a local authority should have the right to veto a BID scheme under circumstances set out in legislation? Are there any other circumstances, apart from those listed in paragraph 22, which you think should be considered?

Question 7: Do you agree that local businesses supporting a BID should have the right to appeal to Scottish Ministers if they disagree with the use of the veto by a local authority?

- Other issues for consideration

Occupiers and Owners

24. The possible benefits secured by local businesses from being part of a BID have already been discussed. Property owners will also benefit from any increase in the value of their property resulting from being in a BID area. In some cases this will be the occupier, in others it will be a landlord. BID partnerships will be encouraged to include landlords from the start of any BID so they can participate in the development, implementation and subsequent funding. It is proposed that this should be on a voluntary basis, as the levy would be paid through the non-domestic rates system, which is occupier based.

25. It is possible that higher property values could result in higher rents and a higher rateable value at the next non-domestic rates revaluation. If local businesses feel this is an issue, it would be for them to discuss with their landlord, and would form part of their consideration of whether or not the benefits outweigh the costs.

Occupiers and Owners

Question 8. Do you agree with the approach taken towards landlords i.e. that they are encouraged to participate in the development, implementation and funding of a BID through voluntary contributions and that the contribution is disclosed as part of the BID proposal? If not, do you have any other suggestions?

Rural areas

26. In its response to the Local Government Committee Report of Inquiry into Local Government Finance, the Scottish Executive said that it would seek views on how the BIDs model might operate in rural areas, acknowledging the rate reliefs already available in these areas. Annex B gives a summary of these reliefs. Their aim is to help sustain local communities and reduce social exclusion in areas that might otherwise suffer from a decline in business activity.

27. The generally smaller scale of business activity in rural areas does suggest that it might be difficult to generate support for a proposal to pay additional rates in return for additional services. But the opportunity should still be available. Views are invited on how the basic BIDs framework might be adapted to make it more attractive in rural areas.

Rural Areas

Question 9. We would welcome views on whether there is a need for the BID concept to be developed further to be of greater use in rural areas and, if so, we would welcome suggestions on how this could be done.

Next steps

Consideration

28. Ministers will consider all views received carefully before deciding on how best to implement BIDs in Scotland. A summary of the consultation will be published.

Legislation

29. BIDs will require primary legislation which will be introduced at the next legislative opportunity.

Guidance

30. It is proposed that central guidance would be issued to help in setting up BIDs.

This is a **purely illustrative** example, intended to give a better understanding of the steps that might be necessary to form a BID.

Step One: Begin to form a partnership: meet with key stakeholders in the local area: the local authority, business, property owners, residents and the voluntary sector and discuss possible improvements.

Step Two: Stakeholders interested in forming a BID should come together and discuss the issues. This should give them an idea of whether a BID would be feasible in their area.

Step Three: The initial plans that the stakeholders produce should be discussed widely in the proposed BID area to ensure that they are well directed and receive initial support.

Step Four: Forming the BID board. Once it is clear that the initial work of stakeholders will be developed into a BID proposal, a BID board must be formed which will produce the business plan and the proposal to be voted on.

Step Five: Drawing up the BID proposal. This is the most important part of the BID preparation and depending on the size of a BID could take many months of detailed work.

Step Six: Consulting on the BID proposal and securing support from key businesses in the area.

Step Seven: Gaining agreement to the BID from the local business community (by vote).

Step Eight: Should the BID be agreed, the BID arrangements can commence from the date stated in the BID arrangements.

Summary of Reliefs in Rural Areas (Annexe B)

Rural (Village Shop) Rate Relief Scheme

A rural (village shop) rate relief scheme has been in existence since 1997. Under this scheme, mandatory 50 per cent rate relief is available to qualifying post offices and general stores with a rateable value of no more than £6,000 in areas designated as rural by the Scottish Ministers. Local authorities have the discretionary power to "top up" this rate relief to 100 per cent. Additionally, local authorities have discretionary powers to give up to 100 per cent rate relief, for property with a rateable value of no more than £12,000 used for purposes beneficial to the local community.

In recognition of the continuing concern about the decline in services in rural areas, the Executive extended the scope of this rate relief scheme to petrol filling stations, public houses/hotels and small food stores with effect from 1 April 2003. The rateable value threshold for small food stores is £6,000 in line with that for general stores. The rateable value threshold for petrol filling stations and public houses/hotels is £9,000.

Derating of automatic telling machine sites

To further assist in helping to maintain important services in rural areas the Executive has exempted from rates the sites of Automatic Telling Machines in areas designated as rural by the Scottish Ministers. To implement this exemption required primary legislation and the necessary provision was made within the Local Government in Scotland Act 2003, which received Royal Assent on 11 February. The provision relating to Automatic Telling Machines took effect from 1 April 2003.

Small Business Rate Relief Scheme

Rural businesses will also benefit from the small business rate relief scheme which the Executive introduced from 1 April 2003. From that date, all non-domestic subjects in Scotland with a rateable value of £10,000 or less will be eligible for a discount of between 5 per cent and 50 per cent.

Summary of Questions

Annexe C

This is a summary of the questions on which views are requested. Any more general points you wish to raise would also be welcomed. It would be helpful for us if the reasons for your views were explained.

Question 1: Do you agree with the proposed balance between a legislative framework and local choice? Do you think more (or less) aspects should be covered by legislation?

Question 2: Do you agree with the voting scheme proposed? Is the dual 50% threshold by number and rateable value reasonable? Is it reasonable to base the percentage on those *voting*, rather than those *eligible to vote* ?

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Question 5: The proposed **maximum** number of years the BID mandate can last before a new vote is required is 5 years. Do you agree?

Question 6: Do you agree that a local authority should have the right to veto a BID scheme under circumstances set out in legislation? Are there any other circumstances, apart from those listed in paragraph 22, which you think should be considered?

Question 7: Do you agree that local businesses supporting a BID should have the right to appeal to Scottish Ministers if they disagree with the use of the veto by a local authority?

Question 8: Do you agree with the approach taken towards landlords i.e. that they are encouraged to participate in the development, implementation and funding of a BID through voluntary contributions and that the contribution is disclosed as part of the BID proposal? If not, do you have any other suggestions?

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