Economic and Social Development

Evaluation of Scotland's Pathfinder Business Improvement Districts (BIDs)

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Executive Summary

This executive summary presents the overall findings of an independent evaluation of the Scottish Government's Pathfinder Business Improvement District's (BIDs).

The purpose of the evaluation is to assess performance, identify good practice, and provide written output that can be used to support the development of future BIDs. This study builds on previous work undertaken for and funded by Scottish Government, including:

- 2007 Monitoring and Evaluation Framework – developed to support the introduction of BIDs in Scotland (including the Pathfinders);
- 2008 A Guide to BIDs in Scotland – providing an overview of key issues to be addressed by BIDs at the development stage;
- 2009 Good Practice Framework – identifying good practice within individual BIDs that can be incorporated by others; and
- 2010 Interim Reviews – undertaken for four BIDs (Alloa, Bathgate, Clacksfirst and Falkirk) to help each maximise the benefits of operations, and ensure they are best placed for the renewal ballot exercise.

The study should therefore not be regarded as the end of the evaluation process, rather as part of a continuous learning cycle of understanding the potential for BIDs to support economic development and regeneration in Scotland.

It is important to note at the outset that EKOS approached this evaluation study from a specialist perspective, not a traditional evaluation exercise. Whilst the study was funded (as were the Pathfinder and subsequent BIDs) by the Scottish Government, the primary drivers of any BID are the private sector businesses that fund ongoing BID operation, management and project delivery. BIDs are therefore designed to meet the needs of businesses in improving the performance of places. As such, BIDs are focused on delivering projects that meet the demands of local businesses and to date have spent limited resource on measuring their performance, impact and benefit.

This makes consideration of value extremely difficult. Our approach has therefore sought to identify economic, social and community benefits through qualitative research methods and describing (where possible quantifying) the effect of BIDs.

Context and Background

BIDs allow businesses to work together and invest collectively in projects and services that improve business performance. A BID is not a substitute for the activity of statutory authorities, but delivers additional investment and gives businesses a unified voice in the management and development of their local area.

At the development stage (pre-ballot) BID area businesses are consulted on issues and opportunities for their area. Following this, a Business Plan is produced that establishes how the money that will be collected (the BID levy) would be spend (the BID activity).

The legislative framework for establishing BIDs in Scotland was passed in 2006 and 2007. Following a formal bidding process six areas were selected as Pathfinder BIDs with the objective of testing the BID concept and its applicability in Scotland. The Pathfinder BID process was led by the Scottish Government and provided central support together with seedcorn grant funding. The six Scottish Pathfinder BIDs were:

- Clacks First – incorporating 10 business parks across Clackmannanshire;
- Enterprising Bathgate – incorporating Bathgate town centre;
- Essential Edinburgh – incorporating the core retail area in Edinburgh city centre;
- Falkirk – incorporating Falkirk town centre;
- Glasgow's Style Mile – incorporating the core retail area in Glasgow city centre; and
- Inverness – incorporating the whole of Inverness city centre.

Each of the six Pathfinder BIDs was supported by the Scottish Government through seedcorn grant funding at the pre-ballot development period, at a total cost of £735,000. Additional support was also provided by the Scottish Government through a BID Project Director who provided information, knowledge, good practice and legislative advice.

All of the Pathfinder BIDs proceeded to formal ballot between April and July 2008, with five being successful and one (Glasgow) marginally losing the vote.

The Scottish Government has continued its proactive support for the development of BIDs – central support and seedcorn grant funding (of up to £20,000 per BID) to support the establishment of new BIDs. This has supported the establishment of five further BIDs in Scotland (Alloa, Dunfermline, Elgin, Kirkcaldy and Clarkston) with a further 18 at the formal development stage and 12 considering the potential of a BID in their area.

In January 2010, Improvement Districts Scotland Ltd (IDS Ltd) was established to deliver the Scottish Government's BID programme. It is the national support organisation for BIDs in Scotland, providing central support for knowledge sharing, whilst also informing and advising on BID policy as developed by the Scottish Government.

BID Review

At the date of the evaluation there were ten operational BIDs in Scotland, one of which (Falkirk) successfully secured a renewal ballot for a five year term (2011-2016). All organisations awarded the Scottish Government's seedcorn grant have subsequently proceeded to ballot.

Area of Focus: seven town centres, two city centres and one business park.

BID Organisation Structure: nine Private Companies Limited by Guarantee, and one Umbrella Company of a Chamber of Commerce (Clarkston).

Board Members: typically 12 of which 10 are levy payers, but with a range from 10-16 in numbers and 63-100% levy payers.

Operating Period: nine five year BIDs and one (Falkirk) originally three years, but renewed for a five year term in June 2011.

Project Themes: largely focused around cleanliness, safety/security, marketing, access, image/environment, and advocacy/facilitation. Non-Pathfinder BIDs have developed a broader range of activities to include: enhancing the retail mix, business support and tourism/entertainment.

KPI Data: limited focus on measuring BID impact and no consistent basis of reviewing performance. Most BIDs reported gathering some data (largely on an ad hoc basis) including: crime, vacancy rates, footfall, leveraged investment, and shopper/business surveys.

Business Base: the Pathfinders have an average base of 700 businesses of which 500 are levy payers. This is larger than subsequent BIDs which have an average base of 315 of which 310 are levy payers.

Exemptions: nine have some form of levy exemption with only one (Elgin) having full coverage; for seven BIDs 95% of all properties are liable to pay the levy. Exemptions fall into two categories – rateable values (under/over defined values) and type of property (e.g. non-retail charities, places of worship, schools, ATMs, etc).

Levy Rate: nine have fixed rates with an average of 1.5% of the non domestic rate valuation (within a range of 1% - 3.5%); Alloa adopted a variable rate from 0.6% - 16%. Only two (Clacksfirst and Inverness) fully include property owners – eight only include property owners where the property is vacant.

Full Annual Levy: the average levy is £217,000, within a range from £60,000 (Clarkston) to £915,000 (Edinburgh).

Non Levy Guaranteed Income: ranging from no external financial/in-kind support (Edinburgh and Inverness) to 100% levy match funding (Bathgate) with an average of £50,000 per annum (financial and in-kind).

Non-Project Expenditure: (Staffing and Administration) considerable variation depending on the size of the BID, ranging from £10,000 to £220,000 with an average of £70,000 equating to 38% of total levy and 27% of total guaranteed income.

Total Leveraged Funds to Date: significant variation, ranging from £20,000 to £2.5m, the largest source of leveraged funds was from the Town Centre Regeneration Fund, followed by local authorities.

Staff Resource: from 1 to 7 FTEs, typically 2.2 (1.6 excluding Edinburgh); average 1 FTE per £125,000 of levy.

Table E1 BID Financial Summary

	Pathfinder BIDs	Non Pathfinder BIDs	All Scottish BIDs
Annual Levy	£1,520,000	£645,000	£2,170,000
Full Term Levy	£7,220,000	£3,220,000	£10,440,000
Levy Collected to Date	£4,700,000	£1,030,000	£5,730,000
Leveraged Income to Date	£2,250,000	£3,460,000	£5,710,000
Scottish Government Seedcorn Grant	£735,000	£100,000	£835,000

Note: All values rounded

Based on the Scottish Government input, the return on investment is:

- Pathfinder BIDs:
  - £1 : £6.40 (levy collected to date)
  - £1 : £9.80 (full term levy)
  - £1 : £9.40 (levy and leveraged income – to date)
- non-Pathfinder BIDs
  - £1 : £10.30 (levy collected to date)
  - £1 : £32.20 (full term levy)
  - £1 : £44.90 (levy and leveraged income – to date)

There is considerable variation between the return on investment for the Pathfinder and subsequent BIDs, solely due to the level of seedcorn grant awarded to Pathfinder BIDs.

For every £1 funding awarded by Scottish Government to the Pathfinder BIDs a subsequent investment of £9.80 is generated through levy income over the course of the BID, largely from private businesses. This is significantly higher for non-Pathfinder BIDs, at £32.20.

Since BIDs were introduced in England and Wales in 2003, and subsequently in Scotland in 2006, there have been 160 BID ballots, of which 23 were renewal ballots. Of these, 136 have produced positive results with a BID being established; and 23 'no' results, with three failing in the ballot twice. At present there are 109 formal BIDs currently in operation across the UK and Republic of Ireland, with two-thirds in town/city centres, one-quarter in business parks, and the remainder in mixed, leisure or commercial settings.

From a later starting point, Scotland now has 9% of all established BIDs, with a further 18 at the formal development stage, 12 notes of interest plus other enquiries. If this rate of growth is continued Scotland is likely to have a significantly greater proportion of BIDs than other regions/countries across the UK.

There are a number of trends that emerge from the review of BIDs at the UK level:

- almost all BIDs have been established for a period of five years;
- the average number of properties within a BID area is around 400, but there is a considerable range (17 to 300 for industrial BIDs; 132 to 2,500 for town/city centre BIDs);
- excluding BIDs with banded payments, the average levy rate is around 1.5% (of non domestic rate valuation), but there is considerable variation (0.52% to 9% for industrial BIDs; 0.9% to 3.5% for town/city centre BIDs);
- the average Year 1 levy income is around £390k, significantly higher than the Scottish average of £215k (or £140k excluding Edinburgh);
- ballot turnout has generally been between 40% and 50% with higher turnout recorded in unsuccessful BID ballots (24% to 88% for industrial BIDs; 25% to 66% for town/city centre BIDs); and
- the average vote in favour by both numbers and rateable value is around 70-79%.

Scottish BIDs have generally performed in line with wider UK/NI trends, with the exception of the BID area profile. To date, there has been a significant bias within Scotland toward town and city centres, accounting for 9 of the 10 established BIDs; and 10 of the 11 ballots.

The UK/NI comparable proportion is around two-thirds of the total. This profile is expected to change with the BIDs currently in development in Scotland (four non-town/city centre from a total of 18).

Additionality and Future Intentions

The Pathfinders had a range of different pre-BID partnership arrangements:

- Glasgow and Clacksfirst had no formal structures focused on their BID area;
- Inverness had two separate groups, formal City Centre Management and a Traders Group, but with little cross-over between each;
- Bathgate had a Traders Forum and Town Centre Management Group (public/private/community) with good working links between each; and
- Falkirk and Edinburgh had formally constituted and funded public-sector Town and City Centre Management Companies.

Consultees thought that those with pre-BID partnership structures had benefited by having formal engagement processes. In Glasgow, while the BID itself was unsuccessful, the process has been used to establish a formal partnership between public sector organisations and private businesses. This has provided a good basis for consultation, and development and delivery of city centre projects.

Whilst pre-BID structures are regarded as beneficial, it is recognised that the BID structure itself generates the greatest impact through the provision of guaranteed income, thereby allowing detailed project planning over the BID term.

Selecting and developing projects is a critical element of the BID approval process, as presented in the Business Plan. There is a high level of consistency across the themes, objectives and activities of the Pathfinder BIDs.

The project activity of the Pathfinders has largely focused around six main areas:

- delivering marketing and promotion;
- reducing crime and fear of crime;
- creating a high quality image and environment;
- maintaining high standards of cleansing;
- providing advocacy and facilitation services; and
- improving accessibility.

Consultees believe that project activity has been additional and that there is a perception that it will have generated additional impacts for BID area businesses. There is, however, no clear logic process to link the two.

While none of the BIDs reported having a formal Monitoring Framework against which Key Performance Indicator (KPI) data is recorded, most reported collecting some data on the BID area. This largely falls into three categories – footfall, crime and vacancy rates. Feedback from consultees (and experience from the renewal ballot process in England) suggests that there is growing demand from businesses for quantified data on BID impact and performance measurement.

Those BIDs that produced an Annual Review (Scotland and England) reported positive feedback from levy payers – this is an opportunity for the BID to report both qualitative feedback and quantitative data on activity and benefits. At the end of the BID term this data can be used as supporting evidence for the renewal ballot.

With one exception (where the consultee was unsure) the Pathfinder BIDs thought it likely that they would seek renewal of the BID through a further ballot.

During the course of the study, Falkirk secured renewal for a subsequent five year BID term. Assuming renewal, most of the BID Managers would recommend changes to their defined BID area (too small, too dispersed, or to include/remove specific properties).

The only other major change that BID Managers would recommend would be the collation of baseline data and ongoing monitoring of KPIs – it should be reported, however, that this view was not unanimous with two reporting that they would be unlikely to do so, primarily due to budget and resource constraints.

BID Benefits and Effects

Consultees clearly recognised the need for, and importance of, *project additionality* for the BID. There was, however, less understanding on the issue of *impact additionality*. It should not be assumed that projects have not delivered additional impacts for businesses, merely that the concept is not tested by BIDs and very limited data is gathered against which any impact could be measured.

Based on the feedback the following types of impacts and benefits have been identified:

- generating additional footfall within the BID area;
- improved perception of the BID area;
- reduced vacancy rates in BID area properties;
- a greater sense of cohesion amongst BID area businesses; and
- better partnership and linkages between BID area businesses, public sector delivery bodies and other statutory authorities.

With a few limited examples it has not been possible to quantify the scale of these impacts and benefits. Feedback from English BIDs that have secured successful renewal ballots, suggests that data on impact has been (or would have been, if available) of significant benefit in demonstrating the additional value and impact of the BID.

It is important that BIDs understand and regularly report on the impacts and benefits that they generate for the businesses that pay the levy. It would be good practice for BIDs to consider a logic model approach, which allows consideration of project activity from initial resource input to final project impact:

- inputs, or what the BID is putting in;
- activities, or what the BID is doing;
- outputs, or what the immediate results are;
- outcomes, or what is achieved in the longer term; and
- impacts on businesses or the ultimate impact on BID area businesses.

Whilst it is not always possible to quantify impacts, this process of review allows the BID team to understand the type of impact that project activity will have, and who the ultimate beneficiaries of that activity are. As a largely private sector funded venture, the primary indicator of impact for all BID project activity should be increased turnover for those businesses that pay the levy.

To date, the focus of Scottish Pathfinder (and subsequent) BIDs has largely been on measuring activities, or for Falkirk's Safe Base/Safe Zone project, measuring outputs and outcomes in relation to reduced crime and cost savings. There is a need for BIDs to focus on the impact that activities have on businesses – this requires collation of regular and consistent data on business turnover. It is recognised, however, that businesses may be reluctant to provide this data, (for confidentiality reasons) and that proxy KPIs may be required e.g. footfall, property vacancy rates and customer spend.

Whilst this evaluation cannot quantify the impact of the Pathfinder BIDs, there is clear evidence of success and benefits that have arisen as a result of BID activity.

In particular, BIDs have been successful in developing a common sense of aspiration amongst the local business base – the presence of a central body promoting local business needs has created confidence about the future. They have also developed strong strategic partnerships between the public and private sector – the advocacy role of the BID has built a common sense of purpose and trust.

Rationale and Future Government Support

The study identified almost unanimous support for, and commitment toward, BIDs from the individuals and organisations that participated in the consultation process. Consultees cited the potential for BIDs to generate additional benefits and impacts, but in the main recognised their failure to capture and quantify these. The promotion of BIDs by Scottish Government has, however, been viewed by a small number of consultees as being at the expense of other forms of direct support for place making.

The Pathfinder process is regarded as being essential to the successful introduction of BIDs in Scotland.

Without the combination of legislation with seedcorn grant and Scottish Government funded resource support, most consultees believe that few BIDs, if any, would have been established in Scotland. This mix is particularly lauded as being critical to the success of BIDs in Scotland.

There was a general consensus on the rationale for the Pathfinder process – test legislation and give clarity on the process; demonstrate that BIDs can be successful in Scotland; and test whether businesses were interested in BIDs and would engage in the process. Overall, consultees reported that expectations from the Pathfinder process had been met, and all reported that it has been a good test of the process.

One of the major benefits of the process has been the development of a sense of responsibility on the part of the Pathfinders for development of subsequent BIDs. This was noted by a large number of consultees as being of significant importance in championing the establishment of subsequent BIDs.

The Pathfinder process itself appears to have been relatively straightforward, and created benefits for participants through discussing issues, sharing information and engendering a sense of trust and partnership which has continued.

Most consultees reported that the current seedcorn grant (£20k, normally matched locally) has been critical in levering investment and interest for new BIDs – this is likely to be increasingly important to the development of future BIDs as public sector funding becomes more constrained.

The benefits of IDS Ltd as the central support body were identified by consultees as:

- providing a formal mechanism for established and developing BIDs to share information, experiences and good practice;
- providing a dedicated on-call resource with the IDS Ltd Director in a co-ordinating role, available to established and developing BIDs as well as those considering the potential applicability of a BID for their area; and
- providing a framework for established and developing BIDs to discuss and share problems, and test what solutions work best in different situations.

Two minor concerns were, however, noted by consultees – the focus of IDS Ltd in supporting the establishment of new BIDs with no formal protocol to work with established BIDs that may not be reaching best value or quality; and the potential for quarterly BID meetings to focus more on sharing good learning and experience.

Consultees believe that there is a need for continued Scottish Government support for BIDs in Scotland through the combination of developing BIDs seedcorn grant and the central support provided by IDS Ltd (funded by Scottish Government).

Consultees also believe that without the seedcorn grant there would be a significant drop in interest, with most new BIDs being established in larger and wealthier towns. The central supporting role of IDS Ltd is also critical to supporting the establishment of, and sharing good practice and experience between, new and established BIDs.

Conclusions and Recommendations

The overall findings of the evaluation are that the Pathfinder BID process was highly successful and effectively demonstrated the potential for BIDs as an effective tool for place regeneration. The BID Pathfinder process is considered to be good practice in relation to the introduction of new legislation i.e. the combination of legislation, seedcorn grant and central resource support.

All of the Pathfinders delivered projects in line with their Business Plans, as voted for by businesses through the BID ballot. Project activity is not clearly aligned with national or local policy objectives, but this is unsurprising from business-led organisations. Some BIDs are, however, beginning to adopt an 'advocacy' role in promoting the collective interests of their business base to the local authority and other public/service delivery partners.

There is limited evidence around the impact that BID activity has had in relation to business performance – primarily due to lack of local business information (confidentiality reasons) and lack of other measurement. There has been a recent shift in business attitudes and now greater demand for BIDs to provide performance data and facts. Preparation of an Annual Review of BID activity and performance is recommended as good practice.

Issues that emerged from the research include: the need for (and benefits of) central support at the pre-BID development stage; the predominance of town and city centre BIDs in Scotland; and the failure to measure and understand the impact of BID activity on businesses. There has been a tendency for BIDs to over-promise (at the pre-BID stage) in relation to leveraged income potential – outwith the Town Centre Regeneration Fund (which provided significant external grant income for some BIDs) local authorities have been the main source of leveraged income.

The most effective legal structure is the Private Company Limited by Guarantee, but BIDs should also consider the benefits of establishing a separate charitable company which may open access to additional funding, and can be financially efficient for some types of project activity. The BID company should employ its own staff and should have an independent Board with members predominantly (though not exclusively) drawn from levy payers. The inclusion of other local partners, particularly the local authority, expands the profile and partnerships of the BID.

Learning outcomes from the Pathfinder BIDs are:

- the benefits of being part of a wider group in testing the concept and launching new initiatives i.e. sharing knowledge and experience;
- the need for public sector grant funding to support the development of BIDs at the pre-ballot stage, and to support ongoing project development and delivery through a central support body;
- the need to obtain external resource input (non-levy guaranteed income) to ensure the sustainability of the BID (particularly for small BIDs) and avoid significant levy expenditure on non-project related costs; and
- the potential to use the BID mechanism to promote area regeneration in small communities, for example the current work with the Mull and Iona Development Trust in developing a hospitality and possible future food BID.

The evaluation identifies four recommendations for future BID activity in Scotland:

- the current approach to the development of BIDs in Scotland is recognised as good practice and should be continued – the combination of seedcorn grant for developing BIDs (pre-ballot stage) and the provision of co-ordinated central support through a non governmental body such as IDS Limited;
- standard KPIs should be developed against which BID impact and performance can be measured on a consistent basis – this should be a condition of the seedcorn grant and would form a solid base from which future impact assessments could be made;

- the established English practice of issuing annual performance statements to accompany BID levy bills should be encouraged – this could take the form of an Annual Review of activity and impact, reporting on progress against the expected benefits outlined in the Business Plan; and
- there is an opportunity to expand the scope and scale of BID activity in Scotland due to the flexibility of the BID legislation e.g. sectoral and thematic BIDs. There is, however, a need to carefully consider the viability of very small BIDs which will rely on a combination of: substantial supporting infrastructure (other organisations taking a delivery role), guaranteed external funding, and very high levy rates.