

**REPORT TO: ECONOMIC DEVELOPMENT COMMITTEE - 18TH AUGUST 2003**

**REPORT ON: BUSINESS IMPROVEMENT DISTRICTS IN SCOTLAND**  
**- A CONSULTATION PAPER FROM THE SCOTTISH EXECUTIVE**

**REPORT BY: DIRECTOR OF ECONOMIC DEVELOPMENT**

**REPORT NO.: 521-2003**

**1. PURPOSE OF REPORT**

1.1. This report has been prepared to enable the Council to contribution to the Consultation Paper.

**2. RECOMMENDATIONS**

2.1. It is recommended that the Director of Economic Development be remitted to reply to the Paper on behalf of the Council in line with the suggestions made in the report as amended by the Committee (if applicable).

**3. FINANCIAL IMPLICATIONS**

3.1. There are no financial implications directly associated with this report. Any financial implications will only become apparent once a Government Bill is in place.

**4. LOCAL AGENDA 21 IMPLICATIONS**

4.1. There are no Local Agenda 21 implications

**5. EQUAL OPPORTUNITIES IMPLICATIONS**

5.1. There are no equal opportunities implications.

**6. REPORT**

6.1. 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. The Scottish Executive is suggesting that they be funded, at least in part, by increased business rate payments - ie a levy on businesses in the area of the BID. It is a concept that originated in the USA, where they have been successful in revitalising local areas, and where one of the best known BIDs is in Times Square, New York. In England and Wales, 22 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.

- 6.2. In "A partnership for a better Scotland: The Partnership Agreement" the Scottish Executive set out its aim that they "would 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 Finance. Subsequently, it was considered as part of the Scottish Executive's Cities Review and a number of issues were highlighted for consideration as part of this consultation.
- 6.3. The consultation paper seeks views on how BIDs can best be implemented in Scotland. Specific questions have been raised by the Scottish Executive and are outlined later in the report. They 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.
- 6.4. The proposals put forward by the Scottish Executive are similar to those planned for England and Wales.
- 6.5. Responses are invited by 10th October 2003.

## 7. THE SCOTTISH EXECUTIVE'S PROPOSALS

- 7.1. The Scottish Executive believes 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
- 7.2. 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 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).

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

- 7.4. 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.**

- 7.5. 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.

- 7.6. 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.

### 7.7. **Local Solutions for Local Problems**

- 7.7.1. As stated in the previous section, the Scottish Executive 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 7.3 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 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.

7.7.2. The Scottish Executive's first question relates to the above subject matter - ie local solutions to local problems. The question is:-

**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".

7.7.3. It would appear that the Scottish Executive is taking a minimalist approach to the matter leaving a great deal of flexibility to the local area and it is suggested that the Executive be informed that the Council agrees with the proposed balance.

## 7.8. Agreeing a BID Proposal

7.8.1. One of the Scottish Executive's principles set out for BIDs is that both local businesses and the local authority should agree BID before it can go ahead. The Scottish Executive's proposals on how to achieve this are outlined below, from both the ratepayers perspective and the local authorities perspective.

### 7.8.2. The Ratepayers Perspective

7.8.2.1. 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.

7.8.2.2. 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.

7.8.2.3. 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.

7.8.2.4. 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.

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

7.8.2.6. The vote would be on the full BID proposals. 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.

- 7.8.2.7. 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.
- 7.8.2.8. The Scottish Executive's next four questions relate to the ratepayers' perspective in agreeing a bid. The questions and the suggested answers follow.
- 7.8.2.9. **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?"
- 7.8.2.10. It is suggested that the Scottish Executive's proposals are reasonable. The second part of the question is also reasonable as long as a reasonable number of business vote in total, and this is addressed in question 3, following.
- 7.8.2.11. **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 the level should be?"
- 7.8.2.12. The process would be more legitimate and would have greater support within the business community if there were seen to be a large turnout. It is therefore suggested that the Council's view should be that there should be a minimum percentage of businesses voting both by number and rateable value. To keep things simple and understandable it is suggested that the 50% level should also be used as both minimum targets.
- 7.8.2.13. **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?"
- 7.8.2.14. As long as a thorough consultation process is undergone and the voting process itself has the minimum threshold requirements outlined in questions 2 and 3 it would seem a needless waste of time and resources to require an additional counting-type process to be undertaken. It is suggested, therefore, that there should be no need to demonstrate a minimum level of support among businesses in the BID area.
- 7.8.2.15. **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?"
- 7.8.2.16. This proposal seems fair and reasonable and it is suggested that the Council agree to it.

### 7.8.3. **The Local Authorities Perspective**

7.8.3.1. The Scottish Executive point out that, 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 (eg traffic management)
- views of local residents

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

7.8.3.3. The Scottish Executive's next two questions relate to the local authority's perspective. The questions and the suggested responses follow.

#### 7.8.3.4. **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 7.8.3.1, which you think should be considered?"

7.8.3.5. While it is likely to be only of academic interest (as a Dundee BID would likely only ever arise via a partnership process with the Council as a leading partner) it would seem to be a prudent safeguard to retain a power of veto. It is suggested, therefore, that the Council should agree that local authorities have a right to veto. It is also suggested that the outlined circumstances are sufficiently comprehensive.

#### 7.8.3.6. **Question 7**

"Do you agree that local businesses who support a BID should have the right to appeal to Scottish Ministers if they disagree with the use of the veto by a local authority?"

7.8.3.7. This is also likely to be only of academic interest but it is in line with typical current democratic legislation and it is suggested that the Council agree to this right of appeal.

### 7.9. **Other Issues For Consideration**

#### 7.9.1. **Occupiers and Owners**

7.9.1.1. As well as local businesses, 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.

7.9.1.2. 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.

7.9.1.3. Question 8 below refers to this issue.

7.9.1.4. **Question 8**

"Do you agree with the approach taken towards landlords ie 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?"

7.9.1.5. The Scottish Executive's approach on this issue again seems fair and reasonable and it is suggested that the Council agree with it.

7.9.2. **Rural Areas**

7.9.2.1. The consultation paper also looks at the issues relating to BIDs in rural areas. However, since this is not applicable to a wholly urban authority like Dundee it is suggested that no response is made to this part of the paper.

8. **CONSULTATIONS**

8.1. The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance) and Director of Planning & Transportation have been consulted in the preparation of this report.

9. **BACKGROUND PAPERS**

9.1. No background papers, as defined in Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

**DOUGLAS A A GRIMMOND**

**DIRECTOR OF ECONOMIC DEVELOPMENT**

**DATE: 11TH AUGUST 2003**