



BRIEFING PAPER

Number 04591, 7 May 2018

Business Improvement Districts

By Mark Sandford

Contents:

1. What are Business Improvement Districts?
2. The introduction of BIDs
3. How do BIDs work?
4. Policy developments 2014-18
5. Property owner BIDs
6. Relationship with business rate supplements



Contents

Summary	3
1. What are Business Improvement Districts?	4
2. The introduction of BIDs	5
2.1 England and Wales	5
2.2 Scotland and Northern Ireland	6
3. How do BIDs work?	7
3.1 Proposals	7
3.2 BID ballots	7
3.3 Management of BIDs	8
4. Policy developments 2014-18	9
4.1 England	9
4.2 Wales	10
4.3 Scotland	10
4.4 Northern Ireland	11
4.5 British BIDS Nationwide BID Survey	11
4.6 The BID Loan Fund	11
5. Property owner BIDs	13
5.1 England: consultation	13
5.2 Property owner BIDs in existence	14
6. Relationship with business rate supplements	15

Summary

Business Improvement Districts (BIDs) are partnerships between local authorities and local businesses which are intended to provide additional services or improvements to a specified area. A BID must be agreed by ballot and is funded in whole or in part by a levy on those liable for non-domestic rates. This is sometimes linked to, but usually collected separately from, their business rate liability, and non-payment of the levy is subject to similar remedial action by the billing body.

This briefing paper sets out the working of Business Improvements Districts in England, Wales, Scotland and Northern Ireland. It provides details of the legal framework for BIDs, with recent statistics and developments.

1. What are Business Improvement Districts?

A Business Improvement District (BID) is a partnership between a local authority and local businesses which is intended to provide improvements to the public sphere within a specified geographical area. In the UK, BIDs are funded in whole or in part by a levy on non-domestic ratepayers. This is sometimes linked to, but usually collected separately from, their business rate liability, and non-payment of the levy is subject to similar remedial action by the billing body.

BID-style systems have been operating on the North American continent for some years. The achievements of individual BIDs in the USA have been described in glowing terms, although the concept has had its critics.¹ BIDs originated in Canada and have been implemented in other countries including South Africa, New Zealand and Germany.

The benefits of BIDs cited by businesses are wide-ranging and include:

- Businesses decide and direct what they want for the area;
- Business are represented and have a voice in issues affecting the area;
- BID levy money is ring fenced for use only in the BID area – unlike business rates which are paid in to and redistributed by government;
- Increased footfall;
- Increased staff retention;
- Business cost reduction (shrinkage, crime, joint procurement);
- Area promotion;
- Facilitated networking opportunities with neighbouring businesses;
- Assistance in dealings with the council, police and other public bodies.²

¹ This is discussed on pp29-30 of the Library briefing [The Local Government Bill](#), 6 January 2003

² See the [Britishbids website](#)

2. The introduction of BID³s

The Conservative Government commissioned research in 1997 to help assess how BID³s might be established in the UK.³ Tony Blair announced in April 2001 that the Government had decided to introduce legislation to create BID³s funded by an additional rate agreed together by local businesses and councils.

2.1 England and Wales

Proposals were made for BID³s in England and Wales in the 2003 White Paper *Strong Local Leadership – Quality Public Services*. These were given legislative effect in Part 4 of the *Local Government Act 2003*. Detailed regulations for England were provided by the [Business Improvements Districts \(England\) Regulations 2004](#) (SI 2004/2443) and for Wales, by the [Business Improvement Districts \(Wales\) Regulations 2005](#) (SI 2005/1312).⁴

The two sets of regulations are very similar, covering the following matters:

- Who may propose BID³s (billing authorities, landowners or businesses, or bodies concerned with promoting BID³s);
- Detailed regulations for the holding of a ballot;
- Specified circumstances under which a BID ballot can be vetoed, by the billing authority or the Secretary of State;
- Keeping of a separate revenue account for BID funds by the billing authority;
- The circumstances in which a BID may be altered or terminated. A change in the area covered, or the levy rate, requires a new ballot.

BID³s were piloted in 22 locations in England and Wales during the period 2002 to 2005. The programme was co-ordinated by the Association of Town Centre Management (ATCM), working with the then Office of the Deputy Prime Minister (ODPM), and was designed to help shape government legislation. The first formal ballot was held in December 2004.

In 2007, the Department for Communities and Local Government commissioned York Consulting to carry out research into the development and implementation of BID³s in England. In particular, the consultants sought to identify the factors that determine why BID³s are established in some areas and not in others.⁵ Further DCLG research suggested that, whilst local businesses identified opportunities for BID³s, the BID³s were often dependent upon local authority support for taking

³ [HCDeb 19 Feb 1997 c583-4WS](#)

⁴ These regulations were passed by the National Assembly for Wales. Powers over BID³s are now devolved to the National Assembly.

⁵ York Consulting, [The development and implementation of Business Improvement Districts](#), DCLG, Jan 2007

forward the establishment of the BID.⁶ Equally, according to the Royal Society for the Arts, BID improvements have tended to have a positive effect on surrounding communities.⁷

2.2 Scotland and Northern Ireland

In Scotland and Northern Ireland, BIDs are a devolved matter. The legislation in Scotland is Part 9 of the [Planning etc. \(Scotland\) Act 2006](#); and in Northern Ireland, the [Business Improvement Districts Act 2013](#).

In Scotland, the [Business Improvement Districts \(Scotland\) Regulations 2007](#) (SI 2007/202) contain much of the detail. They are very similar to those in England and Wales. However, they explicitly provide for owners of property in BID areas to be covered where a property does not have an 'eligible tenant'.⁸

Regulations for Northern Ireland, [the Business Improvement Districts \(General\) Regulations \(Northern Ireland\) 2014](#) (SI 2014/143) came into operation on 1 July 2014. These too are very similar to their English and Welsh counterparts.

⁶ DCLG, [The Development and implementation of Business Improvement Districts](#), 2007, p24. See also the DCLG research, [The Role of Property Owners in BIDs: Second Phase Research Report](#), 8 Dec 2008

⁷ RSA, [Business Improvement Districts: Connecting business and the community](#), 2010, p5. An American journal article from 2012 suggests that BIDs tend to form in areas which are already showing signs of regeneration, and tend to include wealthier rather than poorer districts: Rachel Meltzer, "Understanding Business Improvement District formation: *An analysis of neighborhoods and boundaries*", *Journal of Urban Economics* 71:1, 2012, pp66-78

⁸ [Planning etc. \(Scotland\) Act 2007](#), s39

3. How do BIDs work?

3.1 Proposals

Despite the separate legislative provisions across the UK, the procedure for establishing BIDs is almost identical. A ‘proposer’⁹ must develop a proposal describing the additional services that will be provided under the BID. The proposal must also set out the proposed levy upon ratepayers, including which ones will be exempt.

A BID may be applied to a “specified class” of properties e.g. retailers, and reliefs may be applied. Thus liability for the BID levy may not necessarily follow the standard pattern of business rate reliefs that apply, for instance, to small businesses. In Scotland, the proposer must demonstrate support from at least 5% of local ratepayers before the proposal may go forward to a ballot.

3.2 BID ballots

Non-domestic ratepayers in the BID area vote on the proposal in a ballot. In England and Wales, voting is restricted to those ratepayers who would be liable for the levy; but in Scotland and Northern Ireland, all ratepayers in the area concerned may vote. In most cases in England, the levy takes the form of a liability of between 1% and 2% of the rateable value of the ratepayer’s property, whilst in Scotland the typical pattern has been for BID levies to be applied in a series of bands covering different ranges of rateable value (e.g. one rate for properties with rateable values between £10,000 and £20,000, one rate for properties between £20,000 and £40,000, etc.). However, no maximum or minimum levy rates are set in the various regulations.

The proposal must also specify the length of time that the BID will last: the vast majority last for the maximum five-year period. It may also include provisions for discounts or exemptions from the levy (for example, for properties below a certain rateable value).

A BID levy ballot must be conducted by post. The cost of the ballot must be met by the billing authority. In England and Wales, if fewer than 20% of businesses by number vote in favour of the proposals, the billing authority is permitted to recover the cost from the proposers. This does not apply in Scotland or Northern Ireland. The proposer is entitled to a list of electors for canvassing, and to be able to identify who has cast a vote, in the manner of a democratic election.

In England and Wales, a BID must be approved by a numerical majority, and a majority by rateable value, of the businesses covered by it.¹⁰ This “dual-key” mechanism offers some protection against large firms forcing through a proposal against the wishes of small firms, or vice

⁹ A proposer may be a: (1) billing authority (2) non-domestic ratepayer (3) person with an interest in land within a proposed BID area (4) members of a body which has, amongst its aims, the intention to manage a BID.

¹⁰ [Local Government Act 2003](#) s50

versa.¹¹ In Scotland and Northern Ireland, alongside these two requirements, the ballot also requires a minimum turnout of 25% of businesses affected, both in number and by rateable value; and the proposers can require a supermajority for approval, either in number and/or rateable value.¹² In each part of the UK, the billing authority has a veto power over the establishment of the BID under certain circumstances.

If the result of the ballot is in favour of the BID, all businesses which fall into the geographical area, and the business sector defined in the proposal, will be obliged to contribute to the scheme. It is not possible for businesses to refuse to pay a BID levy once it is in place: the only option would be to argue against the scheme being extended after its end.

3.3 Management of BIDs

The maximum term of a BID is five years.¹³ After this time, a new ballot must take place, which will lead to the BID being either renewed or abolished. The BID may also be altered at this point, including changing the rate of the levy and/or the area covered.

A BID can be established covering any geographical area: examples range from town centres to industrial parks. There is no upper or lower limit to the number of businesses that can be covered by a BID.

Billing authorities are permitted to charge the BID participants for collecting the levy.¹⁴ Not all authorities make a charge for this. Billing authorities are also required to hold BID income in a separate 'BID revenue account'.

The various regulations do not address how a BID scheme should be managed or administered once it has been established. BIDs have a free hand to constitute their managing board, make spending decisions, and seek additional income as they see fit. According to British BIDs, the national advisory agency, most BIDs are non-profit bodies, but this is not required by the legislation. BIDs are not public bodies and are therefore not subject to the transparency and accountability requirements that apply to public bodies.

The Government published two notes in March 2015, one for those planning to set up a BID, [Business Improvement Districts: guidance and best practice](#), and one for local authorities, [Business Improvement Districts: Technical Guide for Local Authorities](#). These notes provide guidance on how to set up and manage BIDs for both councils and participants.

¹¹ Consultation paper on the *Draft Business Improvement Districts (England) Regulations 2004*, ODPM, 2004,

¹² [Planning etc. \(Scotland\) Act 2006](#), s40-41

¹³ *Ibid.*, s54

¹⁴ This provision is in the English, Scottish and Welsh regulations. No such provision is yet in force in Northern Ireland.

4. Policy developments 2014-18

4.1 England

The Government published a review of BIDs in November 2014, and launched [a consultation](#) in March 2015, to which it has not yet produced a response.¹⁵

The 2014 review committed the Government to allowing BIDs to exercise the Community Right to Challenge. The [Community Right to Challenge \(Business Improvement Districts\) Regulations](#) were passed in 2015.¹⁶

In the review, the Government also committed to set out further guidance and increase transparency of BIDs, including requiring the publication of annual reports and accounts. British BIDs' formal response to the review recommended measures to improve the quality of BIDs, the delivery of local place management services, democracy and transparency of BIDs, the public sector in BIDs and how to extend the BID concept.¹⁷

The 2015 consultation covered four specific proposals:

- Increasing transparency for all Business Improvement District bodies to strengthen accountability and quality;
- Mandating certain information to be included in any locally agreed Service Level Agreements between Business Improvement District bodies and local authorities in order to encourage closer working;
- Proposals to give Business Improvement Districts the choice of who collects the levy on their behalf; and
- A streamlined approach for Business Improvement Districts to bring forward neighbourhood plans and neighbourhood development orders in non-parished areas.

British BIDs responded by supporting most of the Government's suggestions, with the exception of annual auditing.

The London Assembly scrutinised BIDs in London in a February 2016 report, entitled [The Role of BIDs in London's Regeneration](#). The Committee noted that although BIDs now had the power to tender for public services (under the Community Right to Challenge), most were unwilling to do so, giving reasons "including public services not being part of their remit, a lack of resources to apply, or no demand among BID members".¹⁸ However, they noted a minority of BIDs did run or intend to run public services. For instance, KingstonFirst BID have taken

¹⁵ See [PQ 48162 2016-17](#).

¹⁶ There was a short debate on the regulations in the House of Lords on 24 February 2015 ([HLDeb 24 Feb 2015 cGC318](#)). See also the Library briefing paper [The Community Right to Challenge](#).

¹⁷ British BIDs, [Formal Response to the Government's Review of BIDs](#), June 2014, p9

¹⁸ London Assembly, [The Role of BIDs in London's Regeneration](#), 2016, p. 14

over services such as community events, open space management, street activities, and the market.

4.2 Wales

There are twelve BIDs in Wales. Ten were supported by funding from the Welsh Government (Bridgend, Caernarfon, Bangor, Llanelli, Pontypridd, Neath, Aberystwyth, Abergavenny, Pant & Merthyr Tydfil Industrial Estates, Colwyn Bay), joining the first two to be established, in Swansea and Merthyr Tydfil. These ten applications followed a research report published in June 2013, [Review of Business Improvement Districts in Wales](#), which suggested that many more BIDs should have been established in Wales and that strong support from government would be a useful resource to encourage this.

In April 2018 the Welsh Government launched a support fund of £270,000, to be used to establish up to nine further BIDs. The funding will be made available to local authorities, with a maximum of £30,000 available in each case: it is expected that 25% match funding will also be found locally:

The £270,000 fund will provide grant support to local authorities working in partnership with the business community to:

- explore the feasibility of a BID
- take the BID Proposal to ballot (if feasible)
- support post ballot implementation.

There are currently 12 BIDs in Wales and we are encouraging applications for themed BIDs such as Tourism and Industrial BIDs, in addition to the tradition Town Centre BIDs.¹⁹

4.3 Scotland

The Scottish Government published a consultation paper in July 2003²⁰ and subsequently established a BIDs Working Group which helped to develop the legislation for Scottish BIDs. This came into force in 2007. Six BID 'pathfinders' began work in June 2006, in advance of the legislation coming into effect.²¹ These were located in Clackmannanshire; Bathgate; Edinburgh; Falkirk; Glasgow; and Inverness. They were overseen by a national steering group. Each of them then faced a BID ballot in late 2008, which approved each of them except for Glasgow.

Additionally, a support agency, [BIDs Scotland](#), was established by the Scottish Government. Their first survey of BIDs in Scotland was published in March 2013, and the latest was published in 2017.²² In May 2018 there were 38 operational BIDs in Scotland with another 21 in development.²³ Five are 'single-sector', as are a number of those

¹⁹ See Welsh Government, [Business Improvement Districts Wales](#), 16 April 2018

²⁰ Scottish Executive, [Business Improvement Districts: a consultation paper](#)

²¹ The relevant legislation is part 9 of the [Planning etc. \(Scotland\) Act 2006](#)

²² See <https://www.bids-scotland.com/about-us/the-national-report-on-bids-in-scotland-2017>

²³ BIDs Scotland: [BID projects](#). For more information about BIDs in Scotland, see the BIDs Scotland briefing, [12 Key Questions on Business Improvement Districts](#)

under development. Local bodies can access grants of up to £20,000 as 'seedcorn funding' to develop proposals for BIDs.

4.4 Northern Ireland

A pilot programme, the [Northern Ireland BIDs Academy](#), was established to support the introduction of BIDs into Northern Ireland. In March 2014, the successful applicants for the BIDs pilot programme were announced: Enniskillen, Belfast Lisburn Road, Strabane, Belfast Cathedral Quarter, Newry, Belfast City Centre and Ballymena.²⁴ As of May 2018, Enniskillen, Ballymena, Belfast One, Newry City, Strabane and Cathedral Quarter have voted to establish BIDs.²⁵

4.5 British BIDS Nationwide BID Survey

The national association of BIDs, British BIDs, runs an annual survey of BIDs in the UK and Ireland. The [latest to be published](#), carried out in 2016, surveyed 279 BIDs, of which 227 were active. It included the following statistics:

- The vast majority of BID rates were between 1% and 2% of normal business rates liability: only two sat above 2%. Using different bands for different rateable values was particularly common in Scotland;
- All 197 surveyed BIDs operated a five-year term;
- 43% of BIDs provide no charity discount (charities enjoy an 80% reduction in normal business rates liability);
- 20% of BIDs provide a shopping centre discount;
- Average annual levy income is £427,002. The smallest is £20,000 and the largest is £3.73 million.

The survey states that the total BID levy income across the UK and Ireland in 2015-16 was £75.5 million. BIDs also raised £13.6 million from other sources.

4.6 The BID Loan Fund

The Loan Fund scheme was launched on 14 October 2013.²⁶ Loans of between £10,000 and £50,000 are available to new BIDs in town centre locations.²⁷ BIDs from places other than town centres (e.g. industrial parks), and renewing BIDs, are excluded:

A fund of £500,000 has been made available by Government in order to facilitate the establishment and successful growth of new BIDs within England. Upon application and, subject to approval, loans of between £10,000 and £50,000 can be granted to developing BIDs and BID partnerships. On successful ballot, the loan will be repayable to the Government Loan Fund, with interest, on a pre-agreed renewal payment plan.²⁸

²⁴ [Northern Ireland Executive Press Notice](#), 27 March 2014

²⁵ See <http://nibids.org/support/news/>

²⁶ DCLG, [New support to help communities re-energise their high streets](#), 14 Oct 2013

²⁷ See MHCLG, [The Bid Loan Fund Application Guidance Note](#)

²⁸ British BIDs, [Formal Response to the Government's Review of BIDs](#), June 2014, p9

12 Business Improvement Districts

24 areas have been awarded loans as of May 2018.²⁹

²⁹ See <https://britishbids.info/services/bid-loan-fund>

5. Property owner BIDs

Business rates, and BID levies, are paid by the occupants of a property. In 2014, the Government introduced regulations for England allowing BID structures to implement a levy on property owners. Property owner BIDs were permitted under the initial BID legislation in Scotland and Northern Ireland.

Property owner BIDs were proposed in the 2011 Portas Review. This recommended developing the BID model into 'Super BIDs' that would be able to use the Community Right to Challenge and the Community Right to Bid, and acquire powers to use Compulsory Purchase Orders.

The Portas Review also recommended that landlords as well as business tenants should have a stake in their areas, thus BIDs should be able to levy a charge on property owners.³⁰ The Government's response committed to looking further at involving property owners in BIDs:

On landlords' involvement, there are already examples where landlords are effectively engaged in Business Improvement District activity. We will build on this knowledge to explore how a property owner Business Improvement District could be delivered, with the support of the industry.³¹

5.1 England: consultation

A consultation was launched on 23 July 2013 to explore how property owners could be involved in BIDs.³² It held out the possibility of separate BID agreements for property owners as distinct from occupants, or BIDs with both owners and occupants involved. The consultation noted that identifying the owners of properties, and collecting payment from them in the event of a scheme being established, could present problems. The consultation related to England only.

The Government's response was published in March 2014 together with a summary of the consultation responses.³³ In their response, the Government noted the difficulties around the compilation of a list of property owners. They therefore recommended that the responsibility for identifying and compiling the list should lie with the proposer:

The Government considers that it will be in the interest of any proposer of a property owner BID to ensure that any list that it compiles is accurate to minimise the risk of challenge to the integrity of the proposals and to ensure that the levy is collectable. Ownership of the scheme lies with the proposer who will have to take account of time

³⁰ [The Portas Review: An independent review into the future of our high streets](#), 2011, pp 21-22. See also [The retail industry: statistics and policy](#), SN06186, Jun 2014

³¹ *Ibid.*, p10

³² DCLG, [Property owners and business improvement districts: formalising the role of property owners, who are not ratepayers, in business improvement district schemes](#), 24 July 2013

³³ DCLG, [Property owners & business improvement districts: summary of consultation responses and Government response](#), 4 March 2014

and costs in compiling the list as part of its consideration of the viability of the proposal.³⁴

The [*Business Improvement Districts \(Property Owners\) \(England\) Regulations*](#) took effect in 2014. They provided a mechanism for property owners to set up and manage BIDs.

5.2 Property owner BIDs in existence

There are currently three property owner BIDs, all in London. These are New West End, Piccadilly & St James's and Leicester Square to Piccadilly Circus. The New West End company only covers property owners with a property with a rateable value of £250,000 or more, and noted that there were 125 landlords in the area that fulfilled the criteria. It expects to raise £3.2 million in its first year.

Two property owner BIDs have been established to date in Scotland, in Inverness City and Clackmannan. In each case, both the property owners and the occupiers are liable for the levy. No such developments have taken place to date in Wales.

³⁴ Ibid., para 34

6. Relationship with business rate supplements

The *Business Rate Supplements Act 2009* empowers upper-tier local authorities to levy a supplement on the business rate in their area in order to fund economic development projects.³⁵ The most significant example of this is the business rate supplement levied by the Mayor of London in order to part-finance Crossrail. BIDs, too, involve an additional levy on the business rate but there are important differences between them and rate supplements. These include the following:

- BIDs run for a maximum of 5 years. There is no national maximum limit for rate supplements, although the duration must be specified in the prospectus;
- BIDs arrangements are made by billing authorities which, in a two-tier area, would be the district council. Rate supplements are levied by upper-tier authorities which, in a two-tier area, would be the county council;
- BIDs tend to be focused on defined areas such as town centres or business parks; rate supplements must be levied on the whole area of an upper-tier authority(ies);
- BIDs tend to involve measures designed to improve the attractiveness and/or safety/security of an area (although the legislation is not prescriptive). Rate supplements must be used to promote local economic development; various prohibited categories of spending are set out in the 2009 Act;
- Under regulations, properties with a rateable value of under £50,000 (£55,000 for the Crossrail development) are exempted from business rate supplements.³⁶

Concern was expressed during the passage of the 2009 Act that the introduction of a supplement in an area could damage any BIDs operating there because BID members who were not exempt from the supplement would not wish to contribute to both. Under Schedule 2 of the 2009 Act, levying authorities have discretion to offset a BID liability against the BRS. The Government stated in its white paper on rate supplements that it believed that this decision should be taken locally.³⁷ For Crossrail, the Greater London Authority decided not to levy the rates if businesses were part of a BID.

³⁵ Some changes were made to business rate supplements in the *Localism Act 2011*, s68.

³⁶ See the [Business Rate Supplements \(Rateable Value Condition\) \(England\) Regulations 2009](#) (SI 2009/2542).

³⁷ *Business rate supplements: a white paper*, Cm 7230, October 2007, p27

About the Library

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publicly available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email papers@parliament.uk. Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email hcenquiries@parliament.uk.

Disclaimer

This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the [conditions of the Open Parliament Licence](#).