



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

Business Improvement Districts Bill:
Nationwide BID Survey 2012

28 November 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Ms Paula Bradley
Ms Pam Brown
Mr Gregory Campbell
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark Durkan
Mr Fra McCann
Mr David McClarty

Witnesses:

Professor Jim Berry	University of Ulster
Dr Lesley Hemphill	University of Ulster
Professor Stanley McGreal	University of Ulster

The Chairperson: The aim of today's session is to receive a briefing from the University of Ulster on the findings of its nationwide BID survey 2012. We will also be briefed by the Department for Social Development this afternoon, which will allow the Committee to begin to deliberate formally on the Bill to identify the key issues.

I welcome the university's representatives and invite them to brief the Committee. We have Stanley McGreal, professor in property research and director of the Built Environment Research Institute; Jim Berry, professor in planning and real estate; and Dr Lesley Hemphill, a lecturer in property and sustainability.

Ms Brown: May I say before we start the session that there may be a bit of coming and going because there is also an all-day Health Committee meeting.

The Chairperson: I think that you mentioned that earlier, Pam. Thanks for that. It would be useful for parties with more than one member on the Committee to keep someone here to represent their party group.

Professor Jim Berry (University of Ulster): Thank you, Chair. We thank the Committee for its kind invitation to address members. Our team, as you outlined, consists of key players from a number of organisations, including British BIDs, a consultancy practice that operates throughout the UK and Ireland; Boots plc is represented by Andy Godfrey, who is also part of the consortium and has previously spoken to the Committee; and the University of Ulster, which brings the academic

component to the research. Stanley, do you want to say a little more about the team by way of introduction?

Professor Stanley McGreal (University of Ulster): Good morning, Chair, and members. I am the director of the Built Environment Research Institute based at the University of Ulster's Jordanstown campus. As its name suggests, the institute covers all aspects of the built environment. We are, for example, strong on energy, renewables, bioengineering, and property and planning research areas. The regeneration area is one of our major strengths, and we have done a lot of work on it locally, nationally and internationally. Indeed, our interest in BIDs goes back at least 10 or 12 years, when we got a research grant from the Economic and Social Research Council to look at the operation of business improvement districts (BIDs) and tax increment financing in North America. So we bring quite a lot of experience to the Committee.

Dr Lesley Hemphill (University of Ulster): Good morning, Chair, and members. I have been involved in urban regeneration research for a number of years, dating back to my PhD, which looked specifically at the performance measurement of sustainability in an urban regeneration context. I have been specifically involved in BID work for the past two years as part of a wider research team. I am very interested in the performance measurement of the impact that such regeneration vehicles have in their local areas.

Professor Berry: May I add to that? At the university, one of the critical dimensions for regeneration that we are keen to promote is delivery vehicles, the delivery mechanism and how that mechanism can be implemented to facilitate economic returns, social aspects and environmental components in a regeneration context. We come to the issue from that angle.

As my colleague outlined, our history with business improvement districts goes back to the Economic and Social Research Council grant that we received in 2002. In 2006, we undertook some work for Belfast City Council, evaluating BIDs and their performance in mainland UK and looking at what lessons could be learned for Northern Ireland, specifically for Belfast City Council. We have also been involved in the annual nationwide BID survey, which has been in existence for the past five years. We have been building up our ability to evaluate UK and Republic of Ireland BIDs in that context. As to the outcome and dissemination of the research that we have undertaken, we are publishing papers in peer-reviewed journals. If required, there are other sources of information that we can build on to help you with your determination and evaluation of the initiative.

I will outline how we intend to proceed with the presentation. We are aware that the Committee has a very comprehensive understanding of what business improvement districts are. As a starting point, we will give a broad context to the business improvement district concept: what a BID is; what the benefits are; what the challenges are; and what the key components are. We will then present the key findings of the nationwide BID survey 2012 and try to draw together some policy implications for Northern Ireland.

My colleague Dr Lesley Hemphill will make the first part of the presentation, after which I will address the policy implications.

Dr Hemphill: As Jim said, what we want to do is take you quite quickly through the basic background material. We are aware that you are familiar with the BID concept. I think that it is important to stress, for your understanding of BIDs, some operational issues. We will then focus on the findings from this year's nationwide BID survey.

One of our slides gives a definition of what we mean by a business improvement district. I want to draw out four key points from that definition.

First, the definition refers to a defined geographical area. That is important, in that people need to be very clear about where a boundary line is drawn. In the past, many BIDs found that after they had drawn the initial boundary line, they realised that they had not necessarily captured all the businesses that they should have. Effectively, they then had to wait five years until the BID came up for renewal before that boundary could be changed. Getting the initial boundary right is an issue, as is making sure that there is a critical mass of businesses within that boundary.

Secondly, there is the issue of non-domestic ratepayers. Even though there may be residential properties within the boundary, those people do not have the option to vote. Only businesses can come forward — that is, the people who pay business rates. We have to be careful about any queries

around that at a later stage. A business initiative is being pushed forward, and it is about how that sits alongside the community in which the BID is. There is also the fact that sometimes BIDs are entirely retail-led; at other times, they may be mixed use; and they may also be commercially led. There are different types of BIDs, and tourism business improvement districts are also emerging. It is about trying to figure out the best mix of BID for a local area.

Thirdly, the BID definition refers to collective investment in an area. It is about trying to achieve local improvements. Through that collective investment, you are effectively trying to ask businesses in an area, "Can you invest in the area to get a pot of money that will help to bring about local improvement?" There is an element of consensus building. There is also an element of trying to identify local priorities. We will come back to that later in the presentation.

Finally, the definition refers to additionality. A key finding from much of the research is about how you prove that BIDs have been additional. Have they brought something over and beyond the services that were already provided? That goes back to performance measurement and making sure that the right indicators are in place to show that additionality and to prove to the businesses up front that this is a good option and a good thing to sign up to.

I will recap. We are talking about BIDs being business-led initiatives. We are also talking about BIDs in respect of the partnership that they can have with local authorities and about how they can improve decision-making in town and city centres.

I will now move on to look at the benefits and challenges that are posed by BIDs. I will deal with the benefits first. You have probably been told about these over the past number of months. First, BIDs support a vision and try to build leadership and help competitiveness. That is important in that a group of businesses come together to try to work collectively on a vision for an area. They can start to generate a lot of good ideas on how to deal with it. It is no longer government, local government or local authorities going in and saying, "This is what we think we should do." It is a bottom-up approach with businesses now being able to generate that vision and say what they want in their local area.

The second point is obvious. The hope is that a BID area will increase the footfall of people who come to a town or city. A lot of the activities involved with that are to do with marketing. It is about place-making and the promotion of town and city centres. The hope is that that will have an impact and increase footfall.

Thirdly, there is the idea of trying to drive up standards, which links to the additionality debate. It is about the partnership between local businesses and local authorities. There would be a baseline agreement between a local authority and a BID to make sure that services that are already provided are not being replicated and that instead people are starting to say, "These are the services that the council provides, but these are the additional services that the BID will use its pot of money to try to generate." That debate is important. Establishing that baseline at the outset is critical to a BID.

I will focus on the main activities in more detail later, but a BID is about creating a safe and clean environment. BIDs tend to have more of an influence on that early on. They tend to move on to more sophisticated issues as time goes on. However, in the early stages, it is definitely more about trying to improve the attractiveness of a town or city centre.

The final benefit is probably the most important one: income generation. That is in respect of both the BID levy and, as we are finding out more and more, the additional funding that they are able to source.

I will switch briefly to BID challenges. There is a challenge in getting BIDs started. You have been told about the lead-in time that is needed to try to get them established, making sure that the correct consultation has been undertaken and the cost of that. That is critical.

It must be borne in mind that the support of businesses is required up front. To get the businesses' support, the consultation needs to ensure that they are bringing forward what they think are important matters for local areas. It should not be somebody else's view on what is needed in that area; it should be the businesses' view.

I touched on the area of performance measurement and making sure that that is clearly set at the initial stage. It is also about starting to try to prove the counterfactual position. It is about what would have happened if the bid was not in place. A lot of the research refers to that. It is about trying to prove the counterfactual position to make sure that if that bid had not been there, some of the initiatives would not have already happened. That is a challenge.

The final point concerns the services that are passed on to a BID and the services that remain part of a local council area. A lot of dialogue is required to take that forward. Management is needed to ensure that both those issues are brought forward. Careful management is needed not only to make sure that people get the benefits of the BIDs but to make sure that the challenges are dealt with correctly.

I do not want to labour the point about BID ballots too much because you are all familiar with the processes of a BID ballot. I know that you are interested in the idea of a minimum turnout figure, such as Scotland has with the 25% threshold. We found that, on average, the turnout figures across the UK for a first-time ballot is somewhere between 40% and 50%. The minimum threshold could be set at 25%, but the majority of BIDs are already well above that; I do not think that any BID has scored a turnout of below 30%. The threshold is not the main issue; the main issue is trying to make sure that you sell the idea to the businesses in that area so that they are already enthused about what a BID can do. They should then think that they want to support a BID, so the turnout figure will be high anyway.

During our academic work, we noticed that, with renewal, turnout figures increase. If the figures are 40% to 50% at the initial BID, with renewal, which is after the first five years, the figure probably moves up to 50%, 60% or more. You could say that that is evidence of a willingness to accept that they have already bought into the improvements in the area, and that, as a result, they see the benefits. Different majorities are needed in the yes vote and in the spread across the rateable values. It is important to maintain that to make sure that no large businesses can push it through in an area in which there is obviously a mix of large and small businesses. That is something to be mindful of.

In many ways, the BID levy is the contentious point. It is about the level at which it is set. Businesses will see it as an additional burden, another outgoing that they have to meet. We need to be mindful of selling it to the business at its real amount. Our table sets that out. If we apply a levy rate of only 1% to a rateable value of, say, £30,000, that is effectively looking at an annual levy of £300 on that business. If we look at that as a weekly cost, it is £5-80. If we look at it as a daily cost, it is 80p. When those figures are shown, it starts to make it seem an awful lot more affordable than being told that another 1% is being added, on top of the business rates that they are already paying. We need to be mindful of the story that we are telling and the figures that we are giving to businesses to make sure that they can make an informed decision.

That slide also has information about the idea of introducing exemptions or discounts. Exemptions tend to be at the discretion of a BID, but they would normally be in place for charity organisations. Discounts are normally for small businesses or shopping centres. Shopping centres do not have a frontage onto a high street, so they usually tend to get some discount. That can vary between 30% and 50%, but it is at the discretion of a BID to decide on the potential discounts that it offers. Agreeing all that with local businesses is part of the consultation process.

I will move on to the BID term and size. It is important to bear in mind that they are area specific when it comes to the boundary and the size that are put up front, which cannot be changed until renewal. Normally, there is also a time-bound element, whereby a BID is put in place for a five-year period. Sometimes they can be introduced for a three-year period, as a couple of BIDs in the UK have been. Those BIDs are almost being run as a pilot to see whether they work and get interest generated in them at that early stage. As you will hear when we discuss our findings, the early stages of BIDs do not necessarily show a lot of impact. Therefore, if a BID is introduced for a three-year period, it is unlikely that it will show big impacts. People might be more minded to go for a five-year term to try to show the bigger impacts over that longer period.

The final point of the contextualisation is to look at the BID proposal. It is important to bear in mind that the BID proposal is a critical document in setting up a BID because it is the brochure for what a BID is trying to do. It is about the up-front consultation to try to create a brochure or information pack that will be distributed to various businesses that will vote. I have tried to look across a number of different BID proposals to find the information that is recurring, and the slide presents my findings.

You will find that most proposals have information on what the BID is designed to do, why it is needed and what its overall benefits are. You will also see information on the core themes that have come through from the consultation process and how they will be implemented in the context of a five-year budget. You will also see information on the BID ballot process, such as who is entitled to vote, what the voting process is, what majorities are needed, and so on. That means that everybody is aware of their role when they vote in the BID ballot.

You will also see information on the BID levy. As I said, that payment is broken down in the way shown in the table on the previous slide. You will see information on the baseline services, which are the link to the local authorities in what the BID is trying to do and how it is showing additionality. There will be a map of the streets within the boundary that the BID covers, there will be information on the income and expenditure over the five-year period, and there will be further information on the management of the BID and how it will operate, including information on some of the performance indicators that will be in place. That is the typical information that will be contained in a BID proposal, and it is a very important document in trying to put a BID in place. A lot of the start-up money is needed to try to develop that document.

I will move on to the findings of this year's survey. Jim set out the fact that the University of Ulster has been involved in the survey over the past three to four years. Our role in the survey is to act as independent verifiers of the figures that are coming forward and to try to give some interpretation of what the figures actually mean. We all know that statistics can say a thousand things, so our role is to take those statistics and independently decide on the real story.

The strength of the BID survey over the past number of years has been that it acts as an industry benchmark document. It gives BIDs an opportunity to see how their performance compares with other UK and Republic of Ireland BIDs. It enables performance benchmarking against others in the industry.

I will move on to the number of BIDs in the UK. Since BIDs were introduced in 2004-05, there has been a steady increase. As of April 2012, we had 129, and as of November, we are up to 148, so even in that period there has been an increase in the number of BIDs in the UK. We continue to be dominated by what are categorised as town centre BIDs. There is a small group of what are known as industrial BIDs, which tend to be a very niche market. The performance of those BIDs is at a lower level because their goals are slightly different to those of the town centre BIDs.

Statistics show that 50 out of 56 applications to renew BIDs have been successful. At least some of those could be multiple renewals because some BIDs are into their third term. Again, we talk about five years but few BIDs do not decide to go for a renewal. A high proportion of them are successful. A number of the outstanding six that have not gone forward failed to do so because of the natural dissolution of a BID. Rather than being unsuccessful, a BID may have served its initial purpose, and there has been no need to continue it.

Although the survey looks at the UK mainland, we should not forget that the survey also considers two Republic of Ireland BIDs: Dublin and Dundalk.

Over the past number of years, we have noticed that two key base levy rates — the 1% and the 1%–2% — come through as prevalent. That is in line with industry best practice guidance on where to put a levy rate. They do not want levy rates to be set so high that it becomes an additional burden on local ratepayers. You can see how the introduction of higher rates might make that an issue. A rate lower than 1% tends to apply only in areas where there are very high rateable values. Therefore, a critical mass of money is already coming through, and they do not need the higher rates. There tend to be special circumstances where the rate is higher than 2%, such as in Dublin. Quite often, as is the case in Dublin, the BID budget is set first, and they work back to develop the rate. So they recognise that they want a certain pot of money and then try to determine the rate that is needed to create the pot. There are also variable rates. Sometimes, bands are introduced so that different rateable values are put into different band categories, or a different rate is introduced, depending on how close a BID is to a city centre. Obviously, the closer to a city centre, the higher the rate; more peripheral ones may pay a slightly lower rate. The one that is the best fit for a particular area is part of the consultation dialogue.

Over the past number of years, we found the critical mass of a typical BID size to be 300 to 600 hereditaments — businesses. That will again differ depending on the rateable values in an area and the natural line or boundary in a town or city centre. Some very small towns will not have that number of businesses, so the numbers will change accordingly. Great Yarmouth, for example, is the smallest bid in the UK, with 181, whereas, at the other extreme, Dublin has more than 3,400. So there is a great variation in size, but typically we are talking about 300 to 600 properties.

You should bear in mind, when looking at the BID population across the UK and the Republic of Ireland, that, at the minute, BID levies are being collected from more than 54,000 businesses. So a significant number of businesses have already signed up and are supporting the BID model.

A lot of our research over the past years has tried to draw out the real potential of BIDs to generate income. A look at those income figures shows that there are two key areas in which that potential comes through. The first is obviously the BID levy — the mandatory part and what BIDs must pay once approved. What we can see from our slide, and we go into it in more detail in this year's survey, is that the chargeable income from April 2011 to April 2012 was over £39.8 million, which is quite a significant amount to plough in during an economic downturn. If you take that average across the whole BID population, you are talking about roughly £390,000 per BID. Obviously, whether that figure is slightly higher or slightly lower will depend on the size of the area.

We want to point out that, beyond the statutory money that is coming in and what is mandatory once the area has signed up to the BID, there is also evidence of increasing leverage of additional income. A BID is set up, and already those businesses are signed up to the fact that they have to pay the levy. The fact that that BID has the potential to generate additional funding sources is also one of the reasons why they are so popular. We can see from the slide that we had additional direct income — we call it that because it is coming into the BID bank account — of £11.6 million over the past year, which averages out at £169,000 per BID. So, you can see that the fact that we are potentially able to leverage in significant additional funding makes the model even more popular. I should say at this point that the two main sources of that additional funding are local authorities and property owners.

The report goes on to talk about regeneration investment or indirect income, which is more of a grey area. When we start to talk about a BID's impact on attracting wider regeneration investment to an area, we have to be mindful of what would have happened if the BID were not there. That counterfactual can sometimes be quite difficult to establish where a BID is concerned. However, there is certainly evidence from what we have found in the reports over the past number of years that cities and towns that have BIDs tend to be more successful in generating wider regeneration investment. The challenge for us, as academics, is to try to point out whether that is part and parcel of the BIDs impact or of the fact that that area has a vision with a number of businesses working collectively together.

The next slide shows a table for leverage ratio analysis. This is one of the key areas that we have been looking at in trying to establish the leverage of levy income versus additional income. I want to draw your attention to two key things here. The first is the fact that we have started to try to develop some sort of broad categories of BIDs. You can see that we have what we call first-term BIDs, advanced first-term BIDs and renewed BIDs. Effectively, that has now started to create an age categorisation of BIDs. First-term BIDs are effectively BIDs that are within their first two years of development. Advanced first-term BIDs tend to be within years 3 to 5. Renewed BIDs are those in years 6 to 10, or 10-plus if they have gone through a third renewal.

Look at the progression of BIDs and their capabilities. The basic ratio of additional income to levy income in the first two years is only an additional 9p on every £1 of levy income. In the three-to-five-year period, that increases to 14p. In the renewal phase, it increases significantly to 34p in every £1 of BID levy money. You can see that there is a natural progression. It is important that we do not set too ambitious targets for BIDs in the early years and that we recognise that it is a long-term model. It is a five-year plan, and there is the anticipation that you will then probably try to go for renewal beyond that. Once you move into the renewal phase, you start to see more potential for significant income generation.

The last slide that I want to focus on reflects the typical activities that we see coming through, as shown in the annual survey. These activities tend to reflect the development phases that we have identified. The early focus seems to be more on creating a safe and clean environment and trying to improve the look and attractiveness of our town centres. Then, you see them moving more towards the whole idea of promoting the local area, which is about marketing activities, promotional campaigns etc. The final phase of renewal is about having more of a regeneration influence by starting to think about the wider impact that the BID can have on the regeneration of an area. So, you do see that progression.

At this point, I will hand back to Jim, who will take you through the policy implications for Northern Ireland.

Professor Berry: I am a bit concerned about the word "implications". Maybe it should be policy "considerations" for Northern Ireland, because we want to try to look at this as a vehicle with opportunity and from a positive perspective. In considering the policy considerations, I would like to

bring together some of the concluding points that my colleague made. Perhaps those are the sorts of issues that we might want to discuss.

The considerations are at the higher level of the type of analysis that we are doing. A lot of the work focuses on more detailed findings and conclusions. For today, we will stick to the higher-level ones. We have heard that BIDs are a key driver in implementing the potential for place-management strategies and adding value to both service delivery and destination marketing in town centres. That is critical when one considers the Portas review and research undertaken by other organisations.

The second point is that BIDs are a response to market forces and competition factors in our town centres by facilitating and sourcing additional income and investment potential, and through their capacity to largely counteract, we hope, what is a very difficult issue to counteract — retail spend and shopping vacancies. That, again, was reflected in the Portas review. We are seeing evidence of that in our own cities and town centres. It would be great if we could use BIDs in that proactive way to counteract some of those difficulties.

The third point is that investment in BID areas tends to focus initially on the early stages of the process through the provision of enabling infrastructure and/or public realm projects, largely to help the regeneration process from the physical, environmental and appearance perspective. Obviously, as Lesley said, things will improve, increase and move towards higher-level regeneration activities as the BID matures and develops.

We feel that more research is needed, particularly to analyse the economic viability and property market impacts through the benchmarking of things like, for example, rental levels, footfall, vacancy, etc, and to try to establish what the distinctiveness of BIDs is in relation to turning our town centres around and making them more buoyant and profitable.

We are doing some work on an index to try to look towards benchmarking performance in town and city centres. We have that benchmarking process in other parts of the UK, and it is also in the Republic of Ireland. Northern Ireland does not have that benchmark, and we are working with the Investment Property Databank (IPD), which is an industry-established data provider, to try to have an index created for Northern Ireland and, specifically, for Belfast. That index is being launched in December; the Chair may well be aware of that. Hopefully, the Minister for Social Development will be with us for that launch. We are hoping to use that index in a more proactive way alongside the type of benchmarking that we will be doing for BIDs and property performance through the IPD index.

Moving on to the next slide, the critical point that we would like to make is that there is evidence to suggest that BIDs are beginning to leverage additional income and investment from various sources, including public and private funds, and Lesley has highlighted what those potential sources are. A major benefit of BIDs is that they have that leverage capacity. BIDs are becoming a crucial conduit for sourcing town/city centre funding and have an increasing track record and experience. That is based on our analysis of the UK mainland BIDs and the Republic of Ireland BIDs.

The cumulative income and investment potential of BIDs becomes more significant the longer the BID operates, and, therefore, regeneration benefits should be capitalised over the longer term. BID renewal figures show evidence of BID popularity and success, but maximising the percentages is important for the acceptability and credibility of BIDs. So, we would like to suggest that we try to maximise the turnout percentages from that perspective. There is a need for ongoing research to focus on establishing the counterfactuals. That is a very difficult area for us. We are trying to bring academic rigour to that particular component using methodologies that are well established in other areas, such as enterprise zones. We are now trying to apply those to measuring the counterfactual evidence for business improvement districts where they have been clearly established over a period. We really need to try to consider the real additionality through indicators such as displacement, dead weight, leakage, etc. Those are the types of indicators that we have used in the evaluation of other policy mechanisms.

On the last two slides are a number of questions that you might want to contemplate in your consideration of the legislation and guidelines. I will run through them very quickly. We have structured them into operational and strategic questions. These are the types of questions that we suggest really do need answers. What levy should be proposed? How many business hereditaments should be included in the BID designation? What length of term should we be proposing? What objectives should be set for the BID proposal? What exemptions, thresholds or discounts would operate? Then there are the strategic issues. How can we ensure business buy-in to the payment of the additional surcharge — the levy; the 1% or 2%, or whatever we go for — in the current economic

downturn? What performance measurement mechanism should we be trying to implement in order to assess performance over time? Should a property owner be able to vote in favour, or otherwise, of the BID? That is a big issue in the US. The property owners are clearly part of the BID structure. We are discussing this in mainland UK and the Republic of Ireland. We have got to take a position in Northern Ireland on where we stand on that issue. Also, how are we going to deal with the increasing vacancy and the fact that we will not have the tenants? Who is going to pick up the BID levy in that case? We have to look at the length of term and the objectives. Lesley has set out the types of issues that are contained in a BID proposal. Again, when we get to that stage, those are the types of issues that we will have to consider. Then we have the exemptions, the thresholds, the discounts and the question of how those would operate in the context of this jurisdiction.

Chair, those are our key findings. Hopefully, we have informed the Committee this morning of the types of challenges that lie ahead for it. We would, nevertheless, like to be positive and say that we think this is a fantastic opportunity to introduce a mechanism, an initiative, that has potential and that will, hopefully, help to address some of the major problems that our high streets are facing.

The Chairperson: Thank you very much for a very comprehensive presentation. I have two questions. First, do you think that the legislation is flexible enough to allow the various BID proposals to address specific local circumstances? The second question goes back to your last point. You referred to charities, vacant properties and the fact that the property owners issue is a big issue elsewhere. On the level of discount that might be made available to charity shops, given that in some high streets there is a prevalence of such shops, would that undermine the basis of a BID? You are posing the question and telling us that that is a big issue in America and elsewhere in Britain, but do you have any evidence that might help us in our deliberations? We obviously have those concerns. This is really about the flexibility of the legislation. What is your view on that? Is it flexible enough to allow people to tailor the BIDs to suit their local circumstances? What does the evidence tell you about the number of charity shops and owners of vacant properties looking for discounts? Does that help or undermine the BIDs, and, if so, how?

Professor Berry: Those are very important questions. I will deal with the issue of flexibility first. Flexibility would be better considered in relation to the guidelines. Once you get your legislation passed, you have got to look at how you are going to interpret that legislation through a set of guidelines, which I imagine will be produced by the Department for Social Development. I have looked at the procedure that is applied in other parts of the British Isles and the Republic of Ireland, and that is the way they have handled the process: there are detailed guidelines setting out exactly how the legislation should be interpreted. You can bring in your flexibility concerns at that point. However, I am not sure how far you want to push the flexibility issue. Transparency is clearly important when it comes to what you are expecting from the business community and from those who are going to be exempt from the levy.

You are right that we have a problem with increasing numbers of charity shops and increasing vacancy on our high streets. For that reason, I think that the sooner we get the property owners into the equation, the better. I do not know what my two colleagues would say, but from the research that we have looked at, for a lot of reasons, it is imperative that property owners are engaged with and are encouraged to come on board. If you look at what happens, you can see that they benefit considerably from improvements in the environment, which has the potential to impact on the value of their property, etc. So, there is every reason for property owners, as well as tenants, to be included.

Professor McGreal: Jim is quite right on the flexibility issue. The flexibility needs to be with the individual BID. Given that they are business-led and very local in nature, flexibility is necessary so that a BID in Belfast can interpret something differently from, say, a BID in Derry or Dungannon. That local capacity to work within the guidelines is very important.

The property owner situation is fundamental. When the legislation for mainland UK was coming in, there was a lot of debate about whether it would involve occupiers or property owners. This is one of the big distinctions with the US model, in that property owners are firmly involved. That certainly helps, and possibly our legislation should reflect that.

Dr Hemphill: Picking up on your charities scenario, you need to be mindful that it is very much the BID that decides what exemptions and reductions are in place. So, it would very much depend on the area. The BID team would have to look at how many charity shops there are, the types of shops in the area, the rateable value of the properties there and the pot of money that is needed. On the back of that, a BID might not be the right vehicle in an area where there are a lot of charity shops or vacant

shops. So, it is a case of every town and city centre that comes forward looking at whether there is a critical mass of businesses to support a BID in the first place, what the mix of businesses is in the area and whether that could cause a challenge if exemptions or reductions were introduced.

Mr F McCann: I have to say that there are probably some charity shops in Belfast with a bigger income coming through their doors than many of the businesses. To add to what Alex said, that is about the continued rise of fast-food bars, which have taken over town and city centres, and the impact that that has on businesses.

Thank you for the presentation. It was interesting. It was obviously very upbeat about BIDs, but there has to be a downside, Jim. You must have come across that in all the work you have done. What we need to do is look at the positives, but also look at some of the negatives that may be out there.

I am interested in getting some information on the evaluation you did for Belfast City Council. What was the outcome of that? There is not a day goes by that you do not go down to the city centre or into a town and see that more businesses are closing. How would this benefit them? A lot of that is down to the economic problems, but many businesspeople would say that a lot of it has to do with out-of-town shopping and the impact that has had on town and city centres.

Across the North, you are dealing with the review of public administration (RPA) and major changes to local government. More powers are going to go back to local government. It is about where community planning fits into all this. It could be good for business, but it may have a downside.

A number of years ago, we went to Boston, where they had the Streets Ahead and Boston Main Street programmes. There, local businesses bought into something similar to BIDs. On the face of it, it looked good, but, when you talked to some of the businesses, you could see that it had its difficulties and problems.

Professor McGreal: I will start with the downsides. The first point we should make is that BIDs will not necessarily turn around a really failing town or city centre. There has to be a basis to work on. Do not expect BIDs to come in and deliver everything. Other complementary structures have to be in place. Some other possible downsides are to do with the displacement of activities. I know that, certainly in the American model, there were concerns about a BID operating very successfully and displacing certain users from one area of the city to another. That is something that you have to be very sensitive about. Indeed, Jim referred to, for example, the enterprise zone model of a number of years ago. Displacement effects, whether you are inside or outside that boundary, can be very important. We need to be sensitive about that in the wider scenario and in community planning, which you mentioned.

Professor Berry: Stan talked about not depending exclusively on BIDs. Other proposals are on the table for consideration; for example, tax incremental financing and enterprise zones. What you might begin to think about is having a number of initiatives rather than just simply exclusively business improvement districts trying to address the issues in our town and city centres. There are more and more structural issues and more difficult matters to deal with than the BIDs themselves can cope with. That is the attractiveness of the American model, and Boston has already been mentioned. That model has overlapping initiatives all trying to address one goal: the regeneration and facilitation of the high street. We have a fair bit of catching up to do.

I can make the Belfast City Council research available to the Committee, if you so wish. Basically, in 2006, we concluded that we should really move as quickly as possible towards bringing BIDs in. That was on the back of evidence that we were beginning to see in the case study analysis that we carried out for Belfast City Council. We looked at, I think, 15 case studies. We drew out evidence, positive and negative, and came to a conclusion that BIDs could work for Belfast City Council. The evidence is there and we can produce that for the Committee, if it is considered to be appropriate.

You mentioned RPA and the community planning aspect. We have been considering that, particularly with regard to the localism agenda in mainland UK, which is broadly similar to what you are saying about the community side. Localism is basically trying to give more power down to the communities and businesses, for example, and we would be part of that. The BID model sits very neatly within the context of the arguments that you are making — community planning, the review of public administration, etc. However, what the local authorities have to think about is what services will transfer through the baseline service agreements from the local authority to the BID management company. That is an issue. We have to realise that these are business-driven initiatives, and the BID

becomes the vehicle by which services and so on will be delivered in future. You have to decide what transfers from the local authority across to the BID management team.

Mr F McCann: I have a couple of comments. This seems to be happening at a time when we are looking at giving more power back to councils. In this case, we are looking at removing some of the power from councils. How does that fit in with the likes of the local chambers of commerce and the local town or city management? It seems to be doing the same thing.

We have had a number of sessions, especially in and around town-centre regeneration, when we talked about how we populate, or repopulate in some ways, some of the towns, villages and cities to give them a live and vibrant atmosphere. I am going to be Belfast-centric, because that is where I come from. The University of Ulster has plans for Belfast over the next number of years. This deals with non-domestic ratepayers but, in future, you could have thousands of domestic ratepayers living in the midst of a BID. What happens if there is a conflict between what is expected from domestic ratepayers and what is expected from non-domestic ratepayers?

Dr Hemphill: As we said, the BID deals with businesses only. There is potential for tension between residential and business when you start to set your objectives. However, again, for a BID to work properly at the consultation phase, there needs to be consultation with the local community to see not only how businesses can serve themselves in trying to create jobs and sustain income levels but how they can work with the local community. For any BID, we would advise that part of the proposal should be that it looks towards community engagement. As Jim said, there is the localism agenda in the UK. I do not know what stage it is at or what potential there is for it to come here; it is probably more through community planning. However, there is the potential to use BIDs because they will be a collective business voice and a mechanism to try to incorporate some of those wider community voices. It goes back to the fact that mainland UK has local strategic partnerships that are starting to bring businesses and local communities together. That sort of model could involve a BID as the vision for the area, but have that community input.

Professor McGreal: The successful BID will build upon existing structures. So, if you have a strong community traders' association, and so forth, that would provide a very strong foundation for a successful BID. The enhanced powers to local government could be quite favourable towards BID structures, and it would involve the BID company working with the local authority on shared services rather than any transfer of powers.

Professor Berry: Those are good points. We have a number of town-centre management schemes already in place in this jurisdiction. We also have voluntary BIDs. That is a tremendous stepping stone towards getting the statutory BID in place relatively quickly. It establishes a degree of maturity so that people understand them. They have been in existence for a long time in places such as Lisburn, Ballymena, Belfast, Derry, and so on. There is already a good understanding of town centre management schemes. BIDs are just the next stage of progression. In mainland UK, they started as pilot BIDs. Those pilot BIDs showed what could be delivered and they began to influence the wider agenda for the introduction of statutory BIDs.

Ms P Bradley: Thank you for your presentation; it was very interesting. My point follows on from what Fra said. I got the answers that I required, but I want to tease it out a bit more.

I looked through your examples of the activities. I am a local councillor in Newtownabbey. We have two towns — Glengormley and Ballyclare — as you will know. Of your nine examples, seven are already covered by the local council, and we have officers in place who can handle the other two. You are talking about transferring those responsibilities from the council to the BIDs. What incentive is there for a business owner to put more money into something that the council has already been doing for the past however many years? How do you convince a BID area to take that up? You will be saying to people, "We will transfer these powers over to you, but you will have to pay more." The council has already been doing it.

In Newtownabbey, there is a very strong relationship between the traders, the Chamber of Commerce and the council. We have meetings constantly — we will have another one tomorrow on the Glengormley revitalisation project. Every week, there is a meeting between the traders and local councillors to drive things forward. I just cannot understand what incentive there would be for business owners to take on these responsibilities. We already have the likes of crime prevention schemes, CCTV and the crisis management of civil disturbances. Next year's 12 July parade is in

Glengormley, and we are already starting work on that. It is the local council that is driving that along with the Orange Order, businesses and whoever else.

If local councils are going to hand over some of these powers and take a step back, local representatives and MLAs need to be part of those talks. I am sure that most councils would love to say: "Be a BID; you deal with that and work through it, because that is something less for us to do." I just do not understand how we could sell it. We would be saying to businesses, "Here is a list of things that the council is already doing, and if you pay more, we will hand control of them over to you."

We are in the same position in Glengormley as the Chairperson outlined. Glengormley comprises charity shops and takeaways. It comes to life at 5.00 pm when all of the takeaways open. I just do not know how we could form a BID there, albeit that it would be wonderful if we could. When I was a child, Glengormley town centre was thriving with businesses; you had everything on your doorstep. Ballyclare is slightly different, but there is now very little in Glengormley to entice people into the town centre. How do we sell that? How do we make it look attractive to businesses to take on a lot of powers that council already has, plus other initiatives, and make them pay for it?

Dr Hemphill: We are not suggesting that councils that already do the activities on that list just hand them over to the BID and ask them to pay. When a BID is established in the first place, there will be liaison between the local authority and the BID businesses in developing the proposal and doing the consultation. You would then look at what is not being done, not what is being done. It is not really a case of saying, "These are the activities that we do. Which of these can the BID take over?" It is more a case of, "What can we do beyond the activities that the council always does that can take it forward? My list has a slight —

Ms P Bradley: I know that it is not exhaustive.

Dr Hemphill: Yes. These are just examples of certain initiatives that have not been done in mainland UK. That is not to say that it is the list of activities that you would think of introducing here, because, as you say, a lot of councils are already doing them. It is more about the process of consultation between your local authority and BID businesses to see what is needed in the area, what the priorities are for the area, and what we can try develop that goes beyond what the council already does; that is the additionality. It will not work if you just to try say, "Take this and pay for it." We perhaps need to give that clarification. It is not just that you hand those powers over. It is about the additional things that are not being done and that the BID will have a collective pot of money to try to bring forward.

Ms P Bradley: I do not know whether Fra made this point because I was busy reading. In your research, did you discover that there is a difference between our local authorities and those on the mainland? We are small and insular. All of our local councils are extremely "hands on". They are involved in everything. They are usually around the corner from the town centre, or the civic headquarters is based in the town. They are so accessible. I know that it is slightly different in mainland UK. Will the fact that local authorities here are so engrained in everything mean that there will be a big difference between BIDs here and those in the mainland UK?

Dr Hemphill: I would have thought so. It is not something that we have studied. We have not looked specifically at the local government structures and services provided by local government here. However, as you say, there are certainly big differences with the UK in respect of structure, size, remoteness and whatever. There may need to be a slightly different BID model here and certainly much more involvement between the local authority and BID businesses to try to see where additionality can be created.

Professor Berry: You have identified a really positive attribute. If that is the strength of your local authorities, you will then want to ask this question: what more can the businesses bring to the contribution that local authorities are making? At the end of the day, it is a partnership. You have to remember that it is a partnership. The BID will be looking for a business-led approach. If the local authority is already providing a very strong support base, that will really help to sell the BID, get the percentage votes up and make sure that the BID operates.

Professor McGreal: You are quite right, Jim. Indeed, in mainland UK, you see very strong partnerships between BID companies and local authorities. It is quite interesting that, in actual fact, some of the other revenue raised comes from the local authority. So, the BID and the local authority are working together: that is really important.

I go back to your very first question. You raise exactly the same issues that we heard 10 or 12 years ago when we started to look at BIDs in England and Wales. Exactly the same questions were posed then: how can we sell this to local traders who already get these services? What added value and benefits does this bring?

Mr Douglas: Thanks very much for your presentation. I have two quick questions. I imagine that the timing of the introduction is very important. Given the way things are at the moment with the economic downturn, is there such a thing as an ideal time, or can a BID be introduced and implemented at any time? Maybe an economic downturn is a good time to do it.

Government, statutory bodies and all of us love lines on maps. In my constituency, work has been done recently to try to improve some business areas. A lot of work was done on the streetscape. However, it stopped in the middle of a street. People in a housing estate there felt like second-class citizens in many ways, and we are trying to remedy that. They had very bad footpaths but, all of a sudden, the business area had some lovely streetscape in which nice work had been done.

Professor McGreal: Is there ever an ideal time to bring in any initiative? If you look at the presentation — [*Inaudible due to mobile phone interference.*] — we can see why there was a peaking around 2008, which was when the recession hit. Obviously, those BIDs were in the pre-planning stage. There are, nevertheless, still a lot coming through, and the number of new BIDs coming through rose slightly in 2011. The message is that, even though we are in the midst of an economic recession, BIDs are still being formed. Therefore, although the timing is not ideal, there is no reason why a good BID, based on the type of structures that we mentioned — strong local authority support and strong trader support — cannot work.

Professor Berry: The timing is interesting. I often think that, in a downturn, we need to plan and prepare for the beginning of the upswing. I imagine that it will take a little time for us to get through the legislation, get our guidelines structured and identified and have some transition towards setting up the BIDs. It will probably be 12 to 18 months before you see any real activity of moving towards the actual structures. I do not know what the property market and all those other things will be like in two years' time. However, perhaps the timing is good to at least look at the legislation and all the background material.

Dr Hemphill: Obviously, where a property is vacant, the levy is picked up by the property owner. It does not mean that there is not the potential for a levy to come in just because a property is vacant. There is still the potential of that income stream even in areas where there are a number of vacant properties.

Professor Berry: Presumably, income is still being generated with your voluntary BIDs. Therefore, you are trying to build on that through the designation of your line. I do not know whether the Committee has done anything on this, but it might be useful to look at some of our town and city centres, do a little bit of financial modelling with a view to bringing 300 to 400 hereditaments together, look at a line that might constitute the BID area, look towards the rateable value that those 300 to 400 properties would generate and then look at 1% on top of that. We need to do the financial modelling to see what will and what will not work. We started to do a little bit of that in consultation with Lisburn and Belfast, but it is very much in the early stages. However, that would give us a lot of clarity as to what is pragmatic.

The Chairperson: I know of one or two examples in which local businesses have come together and are already doing a voluntary BID. A business community came together in one of the arterial routes, and it has made a contribution. A number of them are doing that. This is one of the organisations that the Committee would like to speak to. We will decide on that matter at a later stage. I think it would be a positive engagement, because that work is under way. We would like to talk to the traders who are doing that so that we can find out how much they are paying, how many are paying, and what they think are the benefits. They would argue around that counter-factoring, because they did not do that. I think that the economy as it is at the moment would have a much more serious impact on it. It is worth doing.

I have two points. Fra earlier mentioned the tension between out-of-town development and town-centre or high street developments, and Gregory raised it at an earlier meeting. Do you have views on that? Is that a counter-bid scenario or is it that that is the way that things are? The BIDs might speak for themselves and bring value to wherever they may be. However, as you know, there is ongoing tension between out-of-town development and city-centre or town-centre development.

My second point is that people have asked us about the relative start-up cost provided by the Department. Do you have any views on that? Is it a reasonable ratio or would additional funding from the Department make any difference. Obviously, no matter what the Department gives, local businesses will make a certain contribution.

Professor Berry: In-town development versus out-of-town development is a big issue facing us nationally and internationally. A number of quite interesting reports have been produced recently, particularly by the British Retail Consortium. I am not sure whether you have had a chance to see some of them, but they look at the whole future of the high street. We face big challenges in our town and city centres. It raises the question: what sort of future do we want to see for those town and city centres? Are they going to change? Are they going to offer a different service or profile? My view is that we really do need to control our out-of-town retail activities. I know that that may not sit comfortably with everyone, but I really do feel that we need to try to help facilitate the town and city centres.

This is a difficult one. We have a little bit of a weakness in that we do not have planning policy guidance for retailing. We really do need that.

Professor McGreal: What we are looking at is how we can make town centres attractive and how they can compete with out-of-town facilities. Some town centres have a lot of character and a lot to offer. If there were a BID structure, it could really help the competition between the town centre and out-of-town facilities.

The point was raised earlier about residents coming into town centres. Again, more people coming back to live in town centres will certainly be highly beneficial as we look more towards a mix of uses in town centres rather than simply retailing alone. If we could get an assemblage of different uses and bring people back into town centres, that would really help the vibrancy.

Mr Campbell: Further to the out-of-town issue, I can see a conundrum. Look at either existing or developing out-of-town centres, which tend to attract new businesses and may be more prone to more successful BIDs, precisely for the reason that people see that they are attracting new businesses and are vibrant and novel. Adjacent town centres — I am thinking of Londonderry, Coleraine and Strabane; those are just three in the north-west, there are probably another 15 — might say that their town-centre BID is not going to be able to compete with the out-of-town BID, for all the reasons that existing businesses are struggling to compete with those in out-of-town centres. The rationale for BIDs might actually compound the issue that you and I agree is the problem: that we need to control out-of-town development. You could have the position where BIDs exacerbate the problem rather than help alleviate it. Is that not the case?

Professor Berry: To be perfectly honest, I am not sure whether an out-of-town BID would work. You would probably be building it around a shopping centre. What would that BID look like? At least, in the town centre, you know what you are dealing with: you are dealing with businesses and 300 to 400 hereditaments. You can identify those in a reasonably straightforward manner. If you go out of town, what would that look like? Take the likes of Sprucefield. Would a BID there include all the major shopping complexes? Would they become the essence of the BID? There are maybe other examples you could look at, but I am not sure how that sort of BID would work effectively.

Professor McGreal: In essence, out-of-town centres probably already do this, because they are providing the services, the security and the marketing. In actual fact, out-of-town centres are doing this themselves as part of their activities or functions. That is what has weakened our town centres.

The Chairperson: What you are saying is that the very nature of the out-of-town development does not lend itself to BIDs. That is what you seem to be suggesting, and that probably makes sense to the Committee. I do not know whether there are any currently, of the 148 —

Dr Hemphill: No, not in mainland UK.

Professor McGreal: There are none; but the way that out-of-town centres market and promote themselves is, effectively, part of their structure.

The Chairperson: I appreciate that. It makes sense. It is interesting that there no out-of-town BIDs under way, yet there are 148 in total.

Mr Douglas: My second question is about lines on maps, but, first, you mentioned hereditaments a number of times. That sounds like a very painful illness. *[Laughter.]* I have no idea what it means.

The Chairperson: It could be very painful, if you are paying rates.

Professor Berry: My apologies. It is essentially a property.

Mr Douglas: My question is about lines on maps. Take Belfast city centre as an example. A tremendous amount of work has been done there, but some peripheral areas are, quite honestly, run down and need attention. Is it possible that those sorts of streets and areas could be excluded from a BID or is there some legal obligation that they would have to be included?

Professor McGreal: It comes back to where the boundaries are drawn. In the presentation, Lesley made the point that there would be probably a minimum of around 300 business properties in a BID. Look at Belfast city centre. There is the potential there for possibly a single BID or for different BIDs. For example, there could be a BID for, say, the entertainment zone in Belfast, including the Dublin Road, the Golden Mile area, and so forth. There could be another in the Cathedral Quarter. Potentially, there could be different BIDs in one city, or you might go for an overall BID.

The Chairperson: Geographical or thematic BIDs.

Professor Berry: That is a very important point you have made, Chair. Look at Birmingham. It has eight BIDs: an evening economy BID, a retail BID, an office BID, a mixed-use BID. It is a very interesting model. Birmingham is perhaps the best example of how a super BID might actually work, because it raises the question about the management structures you put in place for each of those eight BIDs. You have to have an overlying management structure.

Mr Douglas: I was thinking about the likes of North Street and Smithfield. I do not know how many hereditaments we would have there. Maybe you could have a special BID for those hereditaments.

The Chairperson: You can get treatment for that type of thing nowadays. *[Laughter.]*

Mr Douglas: I was just trying to impress you.

The Chairperson: You are doing that already. You said that word three times. *[Laughter.]* As no other members have indicated that they would like to speak, I thank you for your comprehensive presentation and very elaborate answers to the questions people have put. That information will be very helpful to us in our deliberation of the BIDs Bill. Thank you very much indeed.

Professor McGreal: Thank you.

Professor Berry: If there is anything we can do to help you with additional information, please ask, and we will try our best to do that.

The Chairperson: I think that you already agreed, in response to Fra, to provide information about the work for Belfast City Council. We are really only returning to the BIDs Bill now, so we will be getting well into that today and will make some decisions. Thank you for that offer. I have no doubt that we will avail ourselves of that. Thank you very much.