

Industry Criteria and Guidance Notes for BIDs

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Produced by:



BRITISH RETAIL CONSORTIUM
for successful and responsible retailing



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1. Introduction

The growth of BIDs has been dramatic with over 130 now operating. The maximum term for any BID is 5 years. Most have been successfully renewed with an increased majority.

The BRC, IBRF and the FSB support the concept of BIDs, particularly in circumstances where they address issues of real local concern and where the benefits outweigh the costs. As a business-led solution, BIDs are the preferred mechanism for raising additional revenue to fund responses to local problems. When BIDs are developed, implemented and operated effectively, they can be a useful way for businesses to work together with other community partners to improve trading locations.

These guidance notes aim to assist developing and renewing BIDs as they set out their business case and provide some indications as to the minimum expectations of most levy payers.

Circumstances specific to each location may be taken into consideration.

2. Criteria – the ‘essentials’ for any BID Proposal

Each business case will be viewed on its merits, and individual stakeholders will be free to vote in accordance with their own views. However, those elements of a Business Plan which would normally be deemed to be essential are:

Business Case –

the requirements for a BID, and for the specific services to be offered, must be clearly demonstrated by reference to full consultation and research which should include businesses at local and Head Office level, both of whom should be fully notified at all stages. Sample sizes used (if any) together with response rates must be detailed. Local representatives will be able to contribute through their detailed knowledge of the locality. Head Offices should play a distinctive role in contributing specifically to the scale and nature of any BID proposal e.g. the levy amount, any proposed discounts, broad objectives etc. A period for responses to the draft BID proposal from local and Head Offices should be allowed.

Budget -

a detailed budget for each year of the proposed BID should be presented, including all management costs which should be included as a separate budget heading.

Additionality -

the services to be provided must be (a) exclusively additional to those already being provided by the Local Authority and other relevant service providers, and (b) relevant to the business community. Evidence must include any baseline agreements which the BID has entered into, and these should make it clear that the proposed BID will not duplicate or replace existing services.

Levy Calculation –

the levy should be calculated as a percentage of the rateable value, except in the case of industrial BIDs where banded arrangements will be considered.

BID Proposal –

evidence should be provided that the Local Authority has approved a detailed BID Proposal in accordance with the requirements of the legislation.

Public Sector –

in addition to the support of the Local Authority being evidenced by approval of the BID Proposal, any additional financial support should be clearly identified.

Costs –

assuming that the levy is calculated as a percentage of rateable value (RV), levies of up to and including 1% of RV will be considered favourably. However, it is appreciated that some BIDs will require a greater degree of flexibility and could not operate with a levy of up to 1%, given the income that would be derived from the cumulative rateable values available. A levy of more than 1% would need to be fully justified as an exceptional case and the reasons for such exception given, such as local circumstances or variations in rateable values between areas. It is generally unlikely, even in smaller locations, that a levy of more than 2% would prove acceptable.

Revaluation –

the Business Plan must detail how a revaluation of business rates and/or a revaluation of a specific hereditament would be treated for BID levy purposes.

Performance Measurement –

the BID levy should be viewed as an investment by businesses, in return for which tangible benefits over the period are expected. Systems of reporting should be detailed. An independent assessment of the performance and impact of the BID should be conducted at least once during each term, with results made available to all levy payers.

Discounts –

occupiers of managed shopping/leisure/office centres where additional service charges covering management, security and marketing apply should be subject to a reasonable reduction in the levy which would compensate for such existing costs.

Additional Income –

each business case should include details of additional income commitments. It is appreciated that property owners' participation in BIDs is not a legislative requirement. However, wherever possible, property owners should be engaged in the process and encouraged to support. In addition to any voluntary contributions, the positive support of property owners is preferred.

Management –

the BID should be business-led and managed, it should be a not-for-profit company, it should be independent of the Local Authority, and be managed through a Board (or similar) which has a majority of business stakeholder representation and which is chaired by a representative from the private sector.

Ballot –

BIDs should confirm whether the vote will be taken at local or Head Office level and make arrangements with the ballot holder accordingly. Unless advised otherwise, it is expected that ballot papers would be sent to the Head Office location and to the correct named contact.

Notifications –

businesses should have been fully engaged in the development of the BID Business Plan at local and Head Office level. The final Business Plan should be publically available and widely distributed no later than Notice of Ballot being issued. Head Offices should always be notified, with receipt of notification preferably obtained. The Secretary of State must be properly notified of any intended BID ballot.

Retail Crime Partnership –

the delivery of an effective Retail Crime Partnership should be a central component of any town or city centre BID.

3. 'Desirables' for any BID proposals

In addition to the 'essentials' of any BID proposal there are preferred aspects which include:

Additional Funding –

the BID levy should be supplemented by additional funding. It is appreciated that this may be limited in any start-up BID, but evidence of growth in additional funding over the lifetime of a BID, and certainly onwards beyond any renewal, is expected.

Refunds –

payment of the BID levy should be calculated on a daily charging basis and so mirroring the NNDR system. This would mean that a refund is made if a property is disposed of and liability transfers. This is considered less important with some smaller and/or industrial BIDs where refunds may increase collection and administration costs.

Management Costs –

other than in exceptional circumstances, centralised operational costs (i.e. the costs of administration, office, centralised staff, levy collection etc) should not exceed 20% of total expenditure. If costs exceed the 20% limit, a full explanation should be provided. A 'centralised cost' is defined as something which cannot be wholly attributed to one aspect of the BID's delivery. Management costs should be transparent in the budget for any BID.

Empty Property Relief –

if a hereditament should become untenanted, the freeholder should become responsible for payment of the levy until a new tenant is found.

Contingencies –

the BID should be able to achieve its objectives with a budget for a collection rate of less than 100% of the chargeable levy. The budgeted collection rate should be explicitly stated. Budgeting based upon a collection rate of 95% is advised. It should also have a contingency of no less than 5% on all items of expenditure.

Exclusions -

a threshold should be put in place to ensure that small hereditaments are excluded if the cost of collection would make their inclusion uneconomic.

Politics –

the BID should be non-political.

Collection Costs –

the costs of collecting the levy should be kept to an absolute minimum, or ideally should be at no cost to the BID. Any such costs must be explicitly detailed. If charges are necessary, they should not exceed £35 per hereditament, or 3% of levy income, whichever is the lower

Registration –

details of proposed ballots should be provided both to the Secretary of State and to British BIDs, who maintain a register for the BRC, IBRF and FSB.

4. Guidance for the BID Proposal

Each BID Business Plan and Proposal should be explicit and transparent about the following aspects:

(a) About the BID

Number and Type of Hereditaments –

the number of levy paying businesses and a description of the BID area (including a map) is required in every Business Plan. A realistic and manageable BID in any town or city centre is likely to include between 300 and 700 businesses, although this will depend on each location. BIDs of larger than this may be considered but clear reasoning must be provided.

BID Aims and Objectives –

the overall aims and objectives for the BID, and the resultant impact on businesses.

Term -

the term of years for the proposed BID, with a clear start and end date.

Business Case -

the need for the BID should be clearly demonstrated through robust research and consultation at both Head Office and local level (see also 'Criteria – Essentials', above). The sample sizes and responses from each element should be detailed.

Support –

the extent of confirmed public and/or private sector support should be detailed.

Themes –

the main objectives of the BID (short and long term) and details of the projects that will achieve these objectives.

(b) Cost of the BID

Levy Rate -

the method of calculation for the levy, and the valuation date and rating list being used (if applicable).

Inflation -

the rate of inflation (if any) applied to the levy in each year of the BID.

Income -

sources of income in addition to the levy should be detailed, together with clarification of whether each is committed and guaranteed.

Discounts -

whether any occupiers would receive a discount on the levy, particularly occupants of shopping/leisure/office centres where services already provided through service charge arrangements may apply. Discounts for charitable organisations should be referred to.

Operating Agreement -

confirmation that an Operating Agreement with the Local Authority will have been entered into prior to the start of the BID. Access to this should be provided, if required.

Untenanted Properties -

what levy should apply on untenanted properties and from whom it is collected.

Management Costs -

the centralised operational costs of running the BID should be shown separately within the budget.

Contingencies -

details of margins for bad debts and for over expenditure on projects. The total amount of levy to be billed should be detailed if it differs from the budgeted amount to be collected, to reveal a target collection rate.

Refunds Policy -

the circumstances in which a refund on the BID levy would apply (if any).

Baseline Agreements -

confirmation that agreements have been entered into with current service providers to ensure that BID services are additional to existing provisions and that such additional provisions will be preserved. Access to these should be provided during and after the ballot, if required.

Budget -

the budget for the full term of the BID setting out each anticipated strand of income and expenditure, the contribution in each year, a cashflow forecast and the resultant surplus at the end of the term. This should include the anticipated costs of any renewal ballot and/or the termination costs of the BID.

Collection Charges -

any costs associated with the collection of the levy.

Threshold and caps -

any minimum threshold (if any) beneath which a levy would not apply and/or any maximum limit above which no additional levy is charged must be detailed



(c) Management of the BID

Company Structure –

the BID should be operated through a not for profit company which has the capability of being partially/wholly exempt from Corporation Tax.

Governance Arrangements –

the arrangements pertaining to formal membership of the BID, election to the Board (or other), election of the Chair, and Annual reporting mechanisms.

Ballot Dates –

the exact dates of the ballot period and the date and time of the close of ballot.

Performance Management –

the methods to be used to assess the effectiveness of the BID and the return on investment for levy payers. All projects should have clear, timed and measurable targets.

Variation Policy –

any formal variation policy should be detailed, together with any requirements for an alteration ballot (if applicable) which, as a minimum, should be any alteration to the BID area and/or to the levy rate.

(d) Renewing BIDs

BID Proposal -

evidence should be provided that the Local Authority has approved a detailed BID Renewal Proposal in accordance with the requirements of the legislation relating specifically to renewal ballots.

Historic Performance -

clear reference to the previous Business Plan should be provided, together with evidence of delivery against the planned services and the extent of the benefits to the BID area and to those businesses within it.

Future Performance -

the Business Plan must inform as to how the scale of delivery will change in any renewed term.

Changes -

a clear outline of any differences between existing and proposed services and/or the previous BID area should be given, together with reasons as to why such changes have been made.

Impact -

the impact that the BID has made is an important additional consideration at the renewal stage and should be included in any Renewal Business Plan. Impact measures to show return on investment should be used to demonstrate this.

Levy -

irrespective of any inflation that may have been applied in the previous term, it is expected that the rate of levy would be adjusted to the minimum required, taking into account ongoing additional income commitments.

Additional Funding -

there will be greater expectation of additional funding streams being provided from renewed BIDs.

Further Information

Details of the contributing organisations follow. Each organisation may continue to update its own criteria for BIDs which may be published periodically on their own websites.

British BIDs

www.britishbids.info

British BIDs is the dedicated voice of the BID industry, focused upon thought leadership, research and market commentary.

It has led the way in the development, management, renewal and evolution of BIDs in Britain.

The organisation has managed successful partnerships with Jones Lang Lasalle (commercial), the University of Ulster (research), the Royal Institute of Chartered Surveyors (research), Alliance Boots (commercial) and The Green Brain (communications).

As BIDs continue to evolve and opportunities for innovation increase, British BIDs is at the forefront of the industry's development.

British Retail Consortium (BRC)

www.brc.org.uk

The British Retail Consortium is the lead trade association for the UK retail sector and the authoritative voice of the industry to policy makers and the media. It represents retailing in all its forms in every UK nation. Its members sell a wide selection of products through centre of town, out of town, rural and virtual stores.

The BRC aims to ensure that the UK's political and regulatory framework is such that retailers can maintain their outstanding record on job creation, consumer choice and product innovation.

Inter Bank Rating Forum (IBRF)

www.ibrf.org.uk/bids

The IBRF is a ratepayers' forum comprising representation from most of the financial community in the UK and includes all the major Banks and Building Societies, plus The Royal Mail. The IBRF Members' property interests are located in virtually every town and city in England, Wales, Scotland and Ireland.

The Federation of Small Businesses (FSB)

www.fsb.org.uk

The Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has 210,000 members across 33 regions and 194 branches.

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