



Northern Ireland  
Assembly

Committee for Social Development

# OFFICIAL REPORT (Hansard)

Business Improvement Districts

28 June 2012

# NORTHERN IRELAND ASSEMBLY

## Committee for Social Development

### Business Improvement Districts

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**Members present for all or part of the proceedings:**

Mr Mickey Brady (Deputy Chairperson)  
Ms Paula Bradley  
Ms Pam Brown  
Mrs Judith Cochrane  
Mr Mark Durkan  
Mr Alex Easton  
Mr Fra McCann  
Mr David McClarty  
Mr Alastair Ross

**Witnesses:**

Ms Gail Cheesman	Department for Social Development
Mr Henry McArdle	Department for Social Development
Mr Antony McDaid	Department for Social Development

**The Deputy Chairperson:** On behalf of the Committee, I welcome Antony McDaid, Henry McArdle and Gail Cheesman from the Department for Social Development (DSD). The Department has provided questions and answers for the Committee.

**Mr Henry McArdle (Department for Social Development):** Good morning. Thank you for the opportunity to provide a further update on where we are with business improvement districts (BIDs).

As you may be aware, the Minister for Social Development introduced the Business Improvement Districts Bill to the Assembly on Monday. That is another important milestone in the process of putting legislation in place in Northern Ireland to allow for the creation of business improvement districts. It will bring us into line with GB and the Republic of Ireland, where legislation has been in place for some time. The plan is that secondary legislation will follow next year, as will guidance from the Department on how to operate BIDs.

Putting BIDs on a statutory footing means that every business in an area that has voted for a BID will be required to pay a BID levy. That is in comparison with the current voluntary BID system, whereby people can pick and choose whether they pay a levy. So, if a collective of businesses get together, put forward a plan and there is a successful vote on it, everybody will be required to pay the levy for the term of the BID.

The idea behind BIDs is that local businesses will benefit. If they feel that they need additional services or some improvements in their area, they can get together and agree to collect a pot of money that they can decide to spend on whatever improvements they think are needed. They can put

together a plan that they can vote on and deliver. Business improvement districts work very closely with the local councils, so there is effectively a partnership between them to deliver improvement. It is expected that, over time, there will be increased numbers of visitors and increased business and revenue for those businesses that are in business improvement districts and that that will offset the BID levy. That has been proven to be the case in lots of areas.

So, the primary legislation was introduced on Monday, and it is planned that the secondary legislation will follow next year and that that will be followed by guidance from the Department. We will hopefully have BIDs in place then. My colleagues and I are happy to take any questions now.

**The Deputy Chairperson:** Thank you very much for that, Henry. Obviously, the Department has an enabling role in this matter. Do you envisage that stopping at some stage, or when do you think it might stop? I am just reading through the briefing, which suggests that that role is very much dependent on local areas and businesses.

**Mr McArdle:** Obviously, our role is to put in place the legislation that is necessary to allow this to happen. That is not in place at the moment. Central government, effectively, does that. However, this is not a government-led initiative as such; it has to be, and has to be seen to be, business-led. That means that it has to be an idea that comes from businesses, because it is effectively their money that will be used. Businesses are agreeing to put extra money into a pot each year for five years to effect improvements in their area, and close working with the local council usually does that. So, the Department's role will primarily be enabling as it will put the legislation in place and provide advice that is based on experience from elsewhere on how to go forward with a BID.

**The Deputy Chairperson:** There is an outer limit of five years, so will there be a minimum limit?

**Mr Antony McDaid (Department for Social Development):** The expectation is that a BID will be in place for five years, but, in their proposal, the BID proposer may suggest a shorter period. Experience suggests that the five years will be needed to see the results and get the return. So, we expect most BIDs to run for five years.

**The Deputy Chairperson:** Is more information available on the enforcement of the BIDs levy? Is it possible to get more information on it?

**Mr McArdle:** Yes. As part of the public consultation, the Department put out proposals saying that Northern Ireland would replicate what happens in GB in that local councils would effectively have responsibility for the whole system. Some people who responded to the consultation were not content with that and thought that there should be a role for Land and Property Services (LPS). So, through discussions with LPS, it has been agreed that it will be responsible for the first tranche in that collection role, meaning that it will issue the bills and the follow-up bills. Experience tells us that 95% of businesses pay on the first go. We must bear in mind that the debt does not belong to Land and Property Services; it belongs to the BID company and/or the council. The council will then be responsible for following up any unpaid debts.

**The Deputy Chairperson:** I will ask a final question before I bring Alex in. Is there evidence from other areas that BIDs have been successful and have worked?

**Mr McArdle:** Absolutely.

**The Deputy Chairperson:** In an item on the radio yesterday, somebody from Dublin, I think, was saying that BIDs have been very successful.

**Mr McArdle:** Absolutely. They are working well in Dublin, which has one of the largest BIDs. We have information that shows that a number of BIDs have gone for renewal this year after five years and that something like 90% of them have voted to go for another five years. That indicates that they feel that the BIDs have been successful. I imagine that it will be a slow burner; you will not see major improvements over the first few years, but people have seen that it is obviously working well after five years. It shows that, effectively, collective bargaining is in place, and businesses are stronger working together than separately. The proof of that is shown in the number of businesses that have gone for a further five-year term.

**Mr Easton:** I am reasonably excited about this. I am not 100% excited but reasonably so. I am in north Down trying to get people together to look at BIDs in more detail, and I am asking the council to do the same. I have just a few issues to ask about. If you can get a BID together and it is accepted, but some businesses in your area say that they do not want to be part of it, can you still have it, or does every business need to be involved?

**Mr McDaid:** The idea is that you will start with a rough outline of your prospective BID area. A consultation period will allow you to identify where the support for it is. The BID boundary can be anywhere, so it does not have to encompass the whole town or city centre; it could be one street. It could deviate from certain areas, so it could be in one block and then in an associated area. As the consultation process and the build-up of the BID proposal progress, the actual BID area tends to adjust over time, because those involved obviously want to get the vote through and get enthusiasm for the BID. So, where a BID area lies is totally down to the businesses.

**Mr Easton:** Obviously, the businesses are putting money into the BIDs to fund them. Will there be any funding from DSD, or can councils join in?

**Mr McArdle:** Councils in other jurisdictions are involved with their local BID partnership. In some cases, there may be some help from councils through funding or staffing or something like that. However, there are no plans at the moment for any central government funding to be made available.

We are saying that the Business Improvement Districts Bill is enabling legislation that will allow businesses to get together to collect and spend their own money and that we will facilitate that.

**Mr Easton:** Will businesses be able to decide how much they want to put in?

**Mr McDaid:** Absolutely.

**Mr Easton:** Does that mean that one could put in a wee bit and another could put in a lot?

**Mr McArdle:** No. The BID proposers will determine the BID levy. The BID could be determined on a percentage of the rateable value of the property, or it could be determined that there is a flat rate for everybody. It will be entirely up to the BID proposers to determine the levy. An individual business owner cannot say, "Oh, I'll just throw in a few pounds." I do not think that that is the idea; a set rate will be put forward in the BID proposal. That will go to a vote, and once it has been voted on, the businesses will be required to pay that rate.

**Mr McDaid:** Each business should know in advance and before it votes on the BID levy what its expected payment will be.

**Mr Easton:** When you say vote, do you mean that the businesses in the town vote?

**Mr McDaid:** Yes.

**Mr Easton:** What do you need to get it through? Is it 51%?

**Mr McDaid:** There is going to be a minimum turnout. So, at least 25% of the businesses eligible to vote should turn out to vote. The vote is a simple majority vote.

**Mr Easton:** The 51%.

**Mr McDaid:** Yes, with an additional majority of rateable value, which is there to protect small businesses, as larger businesses would have a larger rateable value. You have to meet the two scenarios, and there has to be a minimum 25% turnout.

**Mr Easton:** Thank you.

**Mr Durkan:** I want to follow up on Alex's question about businesses that do not want to join in. I think, Antony, that you clarified that at the end. You talked about the size of a BID and said that it could involve just one street. I think that the point that Alex was trying to make was this: what if number 1 and number 5 in the street are happy to be in a BID but number 3 is not? How would that impact?

**Mr McArdle:** If the BID proposers feel that all those properties need to be in the BID proposal, it goes to a vote. If number 3 votes against the BID proposal but the vote goes in favour of the proposal, number 3 would then be required to pay. Thinking practically, if you are putting forward a proposal and you know that there are four streets and that everyone is happy except for one street, you could exclude that street from the proposal. However, it gets a wee bit difficult if you exclude individual properties. Say, for instance, you are improving the public realm or something in the area, that business would not be paying for the improvements but could benefit from them.

**Mr Durkan:** I accept that entirely. I just wondered about the mechanics of it. I agree that the legislation is excellent and will complement the town centre regeneration work being done by the Department. However, it is also a case of selling it to every business. Businesses might think that they are already paying for work in the public realm through the rates that they are paying, which are extortionate in many places. Many will view it not as an opportunity but as an additional tax. What effect will a BID area have on vacant properties?

**Ms Gail Cheesman (Department for Social Development):** Basically, if there is no tenant, whoever is responsible for paying the non-domestic rate will be asked to pay the levy, and they will also have the opportunity to vote. Vacant properties will not be excluded.

**Mr Durkan:** Would there be a reduced levy for a vacant property?

**Mr McDaid:** Reductions in the levy would be down to the BID proposers. They could, if they wished, say that there would be reduced levies. However, the idea of the BID is to attract interest and footfall to the area. Therefore, the sell to the owner is that their premises may get let again because they are in a BID area.

**Mr Durkan:** Yes, and as soon as they are let again, the levy could be increased to the full amount.

**Mr McDaid:** Yes, and the owner would then pass the levy on to the tenant.

**Mr McArdle:** The BID proposal will set out clearly what each business is expected to pay over the period. So, everything that people vote on will be clear.

**Mr McDaid:** It will also set out the projects and services that they are hoping to put in place during the five-year term. The most common things that BIDs do are marketing and events. There would be little brochures for the collective shops in the area to show the type of businesses in the area. The advertisements could mention discounts and details of weekly markets. The next thing is crime prevention. They could pay for increased CCTV. Some areas employ a BID warden to patrol the area. They could also be asked to pay for extra policing or community policing in the area. The other obvious benefit is cleaning. They will get a certain element of cleaning from the local council through their rates, but they could use the levy to pay for additional cleaning.

**Mr Durkan:** But if they are based in a city centre or town, they will already be paying additional rates for those additional services.

**Mr McDaid:** The key to it is that any of the services that they are proposing to use will be in addition to anything that they are deemed to be paying for already.

**Mr Durkan:** I think it is a case of looking at where this has been successful elsewhere in order to sell it.

**Mr McArdle:** One of the first things that any BID proposer will do will be to baseline the services they already pay for and receive. Anything that they will be paying for will be over and above that. So, between themselves and the council they would have to agree on what services they are already getting through their rates. This is not rates; it is an additional levy, so there is nothing underhand. Whatever additional services the levy goes on will be set out in the BID proposal.

**Mr Durkan:** It is not just the councils, of course — we also have the Department for Regional Development, the Department of the Environment and the Department for Social Development.

**Mr McDaid:** Absolutely.

**Mr McArdle:** Yes, with other local authorities and Departments.

**Mr Durkan:** OK, thank you.

**Ms P Bradley:** Thank you for your presentation. I still cannot get my head round this at all. I suppose I should declare an interest as a business owner. However, we all need to declare an interest because every one of our constituency offices is in a main town or city or on a main street. What way does that work, then? Can we be part of this?

**Mr McDaid:** You can if you want.

**Ms P Bradley:** Can we put that through our office costs allowance? *[Laughter.]* What way does that work?

**Mr McDaid:** At the end of the day, it is about selling it to the businesses that will benefit from it, so you could possibly exclude non-retail businesses, because, obviously, they will not benefit from what is being proposed. Henry spoke about collective purchasing, which is a common theme in BIDs, where businesses come together and collectively try to negotiate a rate for their utility services.

**Ms P Bradley:** But we use all that as well.

**Mr McDaid:** If that were an element, those types of businesses could be included, because there is a potential benefit. It is very flexible, and it will be up to the BID proposers who to include, but they could equally say that they want just the retail shops in the area or just the chippies. They can be as specific or as broad as they want.

**Ms P Bradley:** I think, like everybody else here, that we would like to see some results or examples of where this has worked and made a difference. Maybe that would make it a little easier to understand. Our local councils in Northern Ireland are already doing lots of the things you mentioned, such as business directories. We have all those things already, so are we doubling up? That is what businesspeople are paying rates for.

**Mr McArdle:** It may well be that businesses in those areas will say that there is no value in doing this, but, equally, they may see that there is a value. What they need to do is go and see BIDs operating in other areas. They are operating very successfully in England.

**Ms P Bradley:** I think that is what we need to see as well.

**Mr McArdle:** Yes, I think so. It is operating very successfully but slowly in Scotland. The number of BIDs there is just into double figures. We should be looking at those areas where BIDs have voted to do it again to see what they did, what the extra services were and how they benefited from collective bargaining. That is something that was probably not envisaged at the outset, but it is something that has come into play. If you are bringing in a BID company and are negotiating for insurance for all the businesses in the area, surely there is a benefit through percentage discounts or whatever.

**Mr McDaid:** The other big thing is getting waste or recycling collected. Some businesses are finding that they are getting paid for their recycling, so they are coming together to get cardboard collected and are being paid by the ton.

**Ms P Bradley:** That I can understand. Elements of it make perfect sense but other elements do not make sense at all.

**Mr McDaid:** Every area will be unique, so certain elements will be in some areas but not others.

**Ms P Bradley:** It will be tailor-made for each area.

**Mr McDaid:** That is why the legislation is not very prescriptive. It was left as flexible as possible.

**Ms P Bradley:** OK, thank you.

**The Deputy Chairperson:** You may yet be converted, Paula.

**Mr Ross:** On that last point, is there anything to stop businesses doing that at present?

**Mr McArdle:** No; you can do a voluntary BID.

**Mr Ross:** So, the legislation is not actually necessary for businesses to do that.

**Mr McArdle:** It is not necessary to do that, but, with a voluntary BID, 20 businesses could get together, say they want to create a BID and put their money in, and, after a year, somebody could say that they are not keen any more. That person would not put their money in but would still benefit because the area will be improved. This legislation will require a bigger commitment from businesses. If they are in from the start, they have to stay in, and it is obligatory that they pay the levy.

**Mr McDaid:** It is to try to avoid the freeloading element.

**Mr Ross:** On the freeloading issue, Mark made the point that, if shop 1 and shop 5 in a street want to create a BID but shop 3 does not, where is the incentive for shop 3 to get involved if it is going to benefit anyway when shops 1 and 5 create the BID? It will get the benefit of more footfall in the area, but it knows that it does not have to put the money in because the other two will do it anyway.

**Mr McDaid:** That is if it is on a voluntary basis, but, if it is on a statutory footing, it goes to a vote —

**Mr Ross:** What happens if they do not want to be involved in the BID in the first place?

**Mr McDaid:** If it is in the area, they will be consulted, but that will be the BID area, so they cannot opt out.

**Mr Ross:** If we could see areas where BIDs are operating, it might be easier to get our heads round this.

**Ms Brown:** Thank you for your presentation. It all sounds great, but I am wondering about the smaller businesses that might have no choice and could end up trapped in a BID. That could be the straw that breaks the camel's back. Economically, the situation is very poor, and we are now seeing the downturn hit hard in Northern Ireland. Again, I suppose that we need to see BIDs working, and in this climate.

**Mr McDaid:** We were at a talk last year in the Waterfront Hall with a guy from New York. Times Square is seen as the leading light for BIDs. Someone from the Northern Ireland Chamber of Commerce gave some figures on businesses' knowledge of BIDs, and it is extremely poor. I think that more than 80% of businesses in Northern Ireland had never heard of BIDs, and, of those that had, 80% were public sector operations. An awful lot of education needs to be done in the North of Ireland around the concept of BIDs and their benefits. Through that, interested groups will get together and identify areas. We will obviously have guidance to point to very successful BIDs in other areas. Through visiting those or finding out the details, they will see the benefits.

With small businesses, the key is consultation. Whoever comes up with the idea must consult all the businesses, and, through that, they will get a flavour of who is or is not interested. As I said, you can adjust the boundary to suit, but, obviously, some businesses will be captured within that and cannot be excluded. The levy can be relatively small. It could be as little as £100 a year. Hopefully, that amount would not put small businesses over the edge.

**Ms Brown:** You said "captured", and I said "trapped". There is a fear factor. It makes me feel a bit uneasy, and I am not a business owner.

**Mr McDaid:** There is a double element to the voting: there is the rateable value and the majority voting.

**Mr McArdle:** We have found that the experience in other jurisdictions has been that, in some areas, small businesses are the prime movers in this. They get together first and then see whether they can get the bigger businesses to come on board, as they can see value in having the bigger businesses involved. The collective argument kicks in there. They are stronger as a group than as individuals.

A lot of persuasion goes on, and that is part of the process. You do not just kick off with a bid; you have to canvass support in the area and see who would be interested and who would not be. There is an element of persuasion: "Let's go and see one somewhere else, and let's see what the benefits are". I do not think that it is a case of people being trapped. Ultimately, if a vote is successful and they voted to pay a levy, all the businesses in that area would be required to pay the levy.

**Ms Brown:** The idea that there could be savings on utilities sounds good. Then again, we have very little competition in Northern Ireland when it comes to utilities. Would it even apply to us? If there is no gas in the area and there is no chance of it coming to the area, there is no competition.

**Mr McDaid:** I suppose it is about negotiating. There are a couple of providers, and they might be able to bounce one of the other. There is maybe a bit more choice when it comes to insurance, broadband and telephone providers. You are quite right; we do not have the same selection as there is in Britain. That is just one element that seems to be popular.

To go back to the point about small businesses paying the levy; I think that 75% of BIDs have a 95% collection rate. So, there is quite a high collection rate for the levy, and that would seem to suggest that businesses are content. Also, 90% of BIDs that have come up for renewal have renewed themselves. I hope that there are not small businesses that feel trapped in BIDs.

**Mr Durkan:** BIDs are business improvement districts, and you can see how they would improve business for retailers. However, what about businesses that are not retail businesses? Paula mentioned our constituency offices, but what about the likes of dentists', accountants' and solicitors' offices? They do not necessarily need any physical improvements to the immediate area to improve their businesses. BIDs will not necessarily improve their businesses in any way, shape or form. I was just chatting to Alastair, and he talked about charity shops. What would the implications be for them?

**Mr McDaid:** As I said earlier, the BID can be anything. It can include everyone, or it can include specific types of businesses. The non-retail premises that you mentioned may be on the upper floors of buildings. Therefore, you could have the BID for the shop below, with the dentists' office or whoever is upstairs not paying the levy. It is totally flexible. Again, it is done through consultation. If you start including a lot of those types of shops, there may be a risk that the BID will not go through because they do not see the benefit of paying a levy.

There are more and more charity shops appearing in our town centres. They do sell goods. There is no rateable element if those shops sell donated goods, but they do attract customers, and people come in.

**Mr Ross:** The profit that they make goes to the charity, though. That is why they do not pay rates.

**Mr McDaid:** But the more people who come in and buy stuff, the more money they collect for the charity. If the shop sells brand new products, there will be a small rateable element. That is based on the square footage of the shop. The likes of Oxfam sell cards, little souvenirs and stuff like that. Charity shops in other jurisdictions generally get some sort of discount, but the BID proposer could decide not to discount them.

**The Deputy Chairperson:** OK, there are no other questions. Thanks very much for the presentation.