

Item No.	Classification:	Date:	MEETING NAME
	Open	07/10/03	EXECUTIVE
Report title:		BUSINESS IMPROVEMENT DISTRICTS	
Ward(s) or groups affected:		SOUTHWARK	
From:		STRATEGIC DIRECTOR OF REGENERATION	

Recommendations

1. That Members agree to continue with preparations for the introduction of BIDs legislation as set out in Paragraphs 15-21, and 31-41.
2. That Members agree to become an ODPM "Pathfinder" authority to facilitate the necessary changes to the VME Business Rates System, as discussed in Paragraphs 34-39.
3. That Members note the establishment of a cross-departmental Officer group to facilitate policy, administration and BID development work across the Council, as highlighted in paragraph 20.
4. That Members receive a further report in March 2004, reviewing financial and policy implications for the Council.

BACKGROUND

Summary

5. This report will provide members with background information on the concept of Business Improvement Districts, and an update on work towards the establishment of Business Improvement Districts (BIDs) in Southwark. It will cover:
 - An introduction to the main characteristics of BIDs.
 - A progress report on current pilot projects and potential BID development areas in the borough.
 - An outline of statutory requirements proposed in the upcoming legislation and a discussion of essential liaison and engagement issues.
 - The resource and policy implications for the Council.

The Bid Concept

6. Business Improvement Districts (BIDs) are an American model and have been in existence for twenty years in some areas of the States. Businesses within specific areas vote to fund improvements to their environment via a levy on top of their standard business rate. This additional funding is ring-fenced. BIDs are a time-limited and locally controlled method for improving the environment and economic performance of a defined area of a town or city. Well-known BIDs include the areas of Times Square and Grand Central Station in New York. Examples of services or projects funded via BID initiatives include:
 - Street/business security;

- Street, alley, and pavement cleaning and graffiti removal;
 - Promotions/ public events/ expanding tourism;
 - Marketing;
 - Retail retention and recruitment;
 - Development of parking facilities, pedestrian shelters, public amenities, fountains, parks, kiosks, lighting, benches, and litter bins.
7. By working alongside local stakeholders, the private sector can lead on long term, sustainable local area management arrangements which are over and above the services traditionally provided by local government in the UK.
 8. Under current UK proposals a BID can be initiated either by local business or by a local authority. Whoever initiates each BID, the local authority will have certain administrative responsibilities to undertake as set out in paragraph 25. The local authority has a right to veto proposals if it can demonstrate that the proposed BID would conflict with locally adopted plans. Businesses would then have the right to appeal to the Secretary of State. There is to be no time limit, but business endorsement will need to be renewed at least once every five years.
 9. As it is intended that BIDs will be implemented at a local level, the White Paper states that many areas of a BID arrangement are for the local authority and businesses to define. This includes locally agreed administrative and Board processes, as well as providing the local area with the flexibility to introduce improvements suited to their local needs. The government guidelines also recommend strongly that the local community and voluntary sector be engaged in both the development process and the long-term management of the BID.
 10. A successful ballot requires that the vote is not swayed in favour of either small (and potentially less supportive) businesses, or towards big business. In order to ensure this the result must produce a majority of votes cast and also represent a majority of the rateable value of the area that is eligible for the vote.

Legislative Progress

11. The Government White Paper “Strong Local Leadership – Quality Public Services” (published Dec 11, 2001) sets out a new vision for local government, including the concept of Business Improvement Districts (BIDs). The Government’s Guidance defining the development, establishment and management of BIDs was released on January 21st 2003. Royal Assent was gained on 18th September 2003 and the first BIDs will be able to operate from around Spring 2004. Details and advice on the running of BIDs, on which the ODPM is currently consulting, will shortly supplement the Local Government Act. .Until now no legislation concerning BIDs has existed in the UK so any BID type initiative has had to rely on voluntary contributions from landowners and occupiers. However, in order to pave the way for the introduction of legislation there are a number of government funded pilot projects in place across the country:
 - Central London Partnership Circle Initiative (£4.6m 2001-2005): five pilots – Bankside, Lower Marsh, Holborn, Coventry Street, Paddington.
 - ODPM (£206k: 2003 – Legislation implementation): 22 pilot schemes countrywide.

12. The current timetable for the implementation of legislation is as follows:
 - Formal consultation on the regulations during October and November (informal consultation prior to this);
 - Final ratification early 2004.
13. The delay in the implementation of the legislation until late 2003/early 2004 has meant that many of the advanced pilot BIDs, for example Holborn Business Partnership, have postponed their ballot until later in 2004 to ensure that they can begin their formal BID (assuming a successful vote) at the start of a financial year 2005. Their voluntary BID work will continue in the meantime.

Previous Decisions Taken

14. There have previously been no formal Member decisions made with regard to Business Improvement Districts.

BIDs in Southwark

Current Resource commitments

15. The local authority is a formal Member of the Better Bankside Board and the Central London Partnership Circle Board. Officers from across the local authority have been formally supporting the development of Better Bankside pilot projects and administrative processes since 2001. As this is an SRB funded pilot this entails a commitment to project development, appraisals and monitoring.
16. In addition, officer time and support has been given to the development of the Pool of London Partnership BID proposals, and to initial feasibility studies for Peckham Town Centre and Bellenden Renewal Area. Environment Officers are researching baseline service and contract information, and Finance Officers have been liaising with the ODPM, other local authorities and relevant organisations with regard to financial administration and software requirements of BIDs. Strategic Services Officers are researching the implications for the BIDs ballots. This cross departmental liaison will continue formally as recommended in Section 2.1, and future resource implications will be discussed in detail in the follow-up report recommended in Section 2.2.

Better Bankside

17. There are currently two voluntary BIDs in Southwark working towards "BID readiness" (more detailed information can be found at Appendix 1):
18. The first is the "Better Bankside" BID, which is one of five voluntary BIDs being piloted in the London area, as part of the SRB funded (£4.6m) Central London Partnership Circle Initiative programme. This pilot began in 2001 for a limited period of five years (2001 –2005). The objective is to seek match funding, in this case primarily from the private sector, and to provide seed funding to enable the five pilot areas to become "BID Ready" once legislation is in place to formalise the arrangements. A particular focus for all government supported BIDs holding ballots over the coming years will be working to ensure that all local authority systems are in place if the vote is successful. These systems can be used as a model for the future development of BIDs in other areas.

Pool of London Partnership

19. The second pilot in the borough is within the Pool of London area. This was initiated by the Pool of London Partnership (PLP) in 2002; since that time PLP has commissioned a comprehensive scoping exercise to identify several potential BID areas and ascertain the level of business support for such a scheme.

Peckham Town Centre, Camberwell and Bellenden Renewal Area

20. In addition, officers have begun investigating the potential for developing BIDS in less high profile areas to the south of the borough. Bellenden Renewal Area, Camberwell and Peckham Town Centre are being explored as potential models, but are by no means the only possibilities. Other areas that have been mooted as potential BID areas are: Canada Water, Walworth Road and Surrey Quays. Furthermore, an initial cross-departmental officer group meeting has been held (18/08/03) with a view to establishing regular liaison and skill sharing.

Potential Revenue

21. Officers have done some preliminary investigations into the potential revenue generated by BIDs. The five areas identified above have been used as illustrations. The table below gives some very rough estimates of the potential income generated from the five BIDs if the levy was set at 1.5%; this has then been set against the costs of a selection of current services. It has to be born in mind that these are only crude illustrations, as more accurate figures will depend upon the exact percentage of the levy and the geographic boundary of the BID, as well as factoring in exemptions for certain types of business or organisations such as churches and education establishments.

Table 1: Potential BID revenues and approximate service costs:

Area	Total Rateable Value for area ¹	Levy Rate charged (example)	Total BID revenue for area £	1 extra commercial waste collection per week for one year (council as contractor) £	1 extra street clean per week for one year ² (council as contractor) £	1 warden for a further 12 months ³ £
Bankside ⁴	35m	1.5%	514k	Southwark St: 15k Borough High St: 32k	Southwark St: 84k Borough High St: 90k	38k
Pool of London ⁵	109m	1.5%	1.638m	Tooley St: 8k	Tooley Street: 90k	38k
Peckham ⁶	9.1million	1.5%	138k	Rye Lane: 24k	Rye Lane: 90k	38k
Bellenden ⁷	765k	1.5%	11k	Bellenden Rd: 6k	Bellenden Rd: 78k	38k
Camberwell ⁸	3 million	1.5%	45k	Camberwell Rd: 13k	Camberwell Rd: 90k	38k

¹ These figures include the RV of those premises which *could* be exempt e.g. colleges, surgeries, and are **estimates** since areas have not been officially determined.

² Includes cost of usual team of sweepers, broom, 1 wet vehicle and 1 bulk vehicle

³ Including salary and on-costs, start up costs (uniform, equipment, etc)

⁴ Area defined as covering Southwark street up to Thames, east to Blackfriars and west to Borough High Street

⁵ Area defined as Pool of London area, north *and* south of the river

⁶ Area defined as part of Peckham High Street, Rye Lane and immediate shopping surrounds

⁷ Area defined as Part of Bellenden Road main shopping area, Choumert Road, Choumert Grove, Blenheim Grove.

⁸ Area defined as part of Camberwell Road/Denmark Hill, Camberwell Green and shopping surrounds, small part of Coldharbour Road.

- A business with a rateable value of £10,000 will pay the following in business rates per year:
- £10,000 RV x 0.435 (government multiplier) = £4,350.00 (monthly payment £362.50)
- If levied at 1.5% of their rateable value, this business would have to pay an extra £150 levy on top of their business rates, per year. This breaks down to £12.50 per month extra.
- Percentage levied in areas will vary, depending on improvements/services required by businesses, and how much businesses are willing to pay. This will be determined before a BID is voted in.

KEY ISSUES FOR CONSIDERATION

Achieving “BID Readiness” – The Proposers

22. The following steps must be undertaken in order to achieve “BID Readiness” and reach a position whereby a formal ballot can be held:
 - a) The Proposers of a BID must engage local businesses so that they feel a sense of ownership and control over the BID. There is a requirement for a petition of 5-10 % of ratepayers within the proposed BID area to call for a ballot, before it could take place. There will be no point in seeking a ballot in an area where this has not happened.
 - b) Define the geographical area for the BID using the criteria below. Because of the local emphasis of BIDs there may be unique criteria used for establishing each project, however, there are still a number of issues which need to be considered in each circumstance:
 - Marketability - will business in the area support a BID proposal or initiate their own? This is linked to the question as to whether LBS wishes to lead on, rather than support BIDs, and to the solidity of the following;
 - Sustainability” – can the BID generate enough income from the levy to sustain a viable programme of realistic projects?
 - “Do-ability” – are the issues which need to be tackled of a practical and realistic nature for a BID to address, and will they make the desired impact whilst representing value for money?
 - Social Impact – the local community needs to also have a say in the development of each BID programme, but should the BID be value-driven or address simply practical projects which will inevitably have a knock-on effect on such things as safety and security, and inward investment?
 - c) Secure accurate, up-to-date information on local businesses and the potential rateable value in proposed areas.
 - d) Develop a detailed and comprehensive BID prospectus outlining precisely what projects will be implemented by the BID and how costs are broken down. Part

of this process will necessitate stakeholders agreeing what exemptions and allowances will be made for certain types of business or organisation.

- e) Considering the logistics of the ballot and levy collection in partnership with the local authority.
- 23. Key to BID success is defining the right kind of business location in which to promote a BID. There are concerns regarding whether small retailers would support a BID; whether nation-wide firms/franchised businesses would support and how they should be marketed to; whether offices and tenants on upper floors would consider supporting BID-led improvements on the ground. Because of the unique nature of each BID the only way to determine this is for BID Proposers to spend time in liaison and negotiation with businesses in the chosen area.
- 24. In order to effectively promote the BID concept to businesses, Proposers of any BID must be able to demonstrate that BID levy revenue would provide tangible and measurable improvements in, for example, trading performance and crime levels. The Council will need to promote the BID ideal so that local businesses consider it to be empowering them in decisions on the environment where they trade and an enhancement to the services already provided by the Council.
- 25. A central concern of many engaged with the development of BID schemes is that under proposed UK policy landowners will not have to pay a levy. Although the British Property Federation⁹ is in favour of mandatory contributions from land and property owners and they will be able to pay voluntarily, there will be no way of ensuring ongoing commitment, other than through engagement and instilling a sense of ownership in the scheme. A requirement for viable programme budgets may mean that voluntary contributions from property owners become more of an issue for areas without big business support. Some of the smaller town centres have to deal with the issues of empty retail units, short-term lets and non-VAT registered businesses. It is a moot point as to whether many of these small businesses will support a BID, whereas property owners/landlords may see the BID as an inward investment opportunity that will make their premises more marketable.

“BID Readiness” for the Council

- 26. The Council will necessarily have a role in the development of any BID within the borough, to a greater or lesser extent; and primary legislation for BIDs states that the local authority will have certain administrative responsibilities. Local authorities will be required to deliver the following aspects:
 - a) Holding the ballot: the local authority is responsible for holding the deciding ballot for a BID whether this is contracted out or undertaken in-house. (Appendix 2). The local authority must announce the result.
 - b) Collection of the BID levy: the local authority must collect the levy through the rating system. This can be organised in several ways, which are debated in Appendix 3. Again, the local authority must be diligent in ensuring that all businesses in the given area pay the levy.

⁹ The BPF and others have lobbied to have this written into the legislation.

- c) Administering the BID fund: the local authorities will also be responsible for setting up and administering a separate BID ring-fenced Levy fund (Appendix 3).
27. In addition to the above, the local authority is the only organisation able to undertake certain procedures or provide certain information necessary for the successful implementation of a BID. These are:
- a) Compatibility with Statutory Plans and Council Policy - At a basic development level, each BID prospectus has to ensure that it is compatible with the local authority's and other statutory or regeneration plans for the area. This must include consideration of the UDP and any relevant Supplementary Planning Guidance, traffic plans, public realm management, community safety issues and the needs of local residents and other user groups such as tourists.
 - b) Base lining of current services in order to develop appropriate programmes for the BID prospectus and monitor effectiveness.
 - c) Gathering, in partnership with the BID Proposers, accurate information on active businesses and mapping potential BID levies.

Accountability

28. The local authority will have to demonstrate, in the same way as the Proposers, that the levy procured via the BID will provide additional services for the area. The most effective way to do this, for both parties, is through a robust system of appraisal and monitoring. Lack of transparency has been cited as a failing of some of the U.S. BIDs. Since projects will impact on the local community as a whole, liability must be clearly defined and a transparent, inclusive process designed. The Community Councils may also have a role to play in ensuring that BIDs are widely accountable to local communities.
29. Under UK proposals BIDs must be business-endorsed at least every five years; therefore the success of projects after this time must be recorded and measured to inform any decisions concerning the future of a BID scheme. Progress of the projects and impact on the community should be tracked and evaluated during this five-year lifetime. The ODPM Guidance leaves the administrative processes and structure of each BID to the discretion of the Proposers and the local authority/ies in question; however in order for both parties to make informed decisions, the local authority should push for BIDs to adopt formal reporting systems that are consistent across all BID areas. BIDs should disseminate information to all stakeholders, including:
- Businesses/property owners;
 - Community Groups and voluntary sector interests;
 - Local authority Officers, Members and forums.
30. The Council has to play a major role in monitoring the process and effectiveness of BIDs, since its administrative processes must be transparent and its current level of service maintained alongside the BID. In addition to tracking core service provision and the additionality secured via the BID, regular service audits should be undertaken, and existing service agreements should be documented. Council resources may be required to assist in:

- Formalising and documenting (in the BID contract) agreed service levels for the area, including waste management, street cleaning, security measures, etc;
 - Completing regular audits of environmental management services within the area;
 - Checking that agreed levels of contracted service delivery are being maintained.
31. Areas where Street Action Teams (SATs¹⁰) are already in operation will be better placed than others to undertake service audits. However, it should be a relatively simple matter in any area being developed for a potential BID to instigate local area management networks with representation from major stakeholders, including the local community and police.

Resource Implications

32. The proposed legislation does allow for the above administrative costs to be absorbed in the BID levy. This must be discussed with the Proposers of the BID so that costs passed on to businesses can be assessed before the ballot is held and an appropriate percentage of the levy can be determined. However, the local authority needs to take a view as to what in-kind support it is willing to contribute to the development of BIDs. For example, financial and to some extent personnel resources deployed by the local authority during the development of the Bankside BID do not necessarily have to be duplicated when developing later BIDs, since relevant systems (such as levy collection software) would already be in place. This may therefore be a cost that the local authority is willing to contribute. Similarly, the costs of the ballots may be something the local authority wishes to absorb as an in-kind contribution. When considering these financial implications the local authority needs to bear in mind that the purpose of a BID is to provide additional funding for an area: it could begin to defeat the purpose if the Council absorbs too many of the implementation costs.
33. Costs incurred through local authority work on the BID will include:
- The work of the Returning Officer/Taxation Officers to help compile a list of all those businesses in the defined BID area for voting purposes.
 - The cost of holding a ballot.
 - Changes to LBS computer systems in respect of levy collection through the business rates system.
 - The costs of setting up a separate financial coding structure for the BID's ring-fenced funds.
 - Officer time in respect of the above administration.
 - Officer time in respect of BID development, auditing and base-lining service delivery.

Ballot Costs

¹⁰ The SATs, include representation from relevant Council departments and local stakeholder groups, and organise regular visual audits of the area (for example, monitoring lighting conditions in the area). SAT areas include Peckham, Bankside, Camberwell.

34. With regard to conduct of the ballot, the Head of Administrative Services reports that the major issue is likely to be the identification of businesses eligible to vote, and the voting arrangements. A strict definition of eligible businesses would need to be provided to become the register of those entitled to vote: an initial cost of a few hundred pounds will be sufficient to compile the basic register, with additional costs to refine it. It will be an easier and more cost effective process if the ballot is conducted by post, as the costs will remain proportionate to the size of each BID. There are a number of organisations which could conduct the ballot by post and it would be reasonable to work on an estimate of £2.50 per elector to meet the cost of printing and posting an information sheet with the ballot paper and return envelope, and administrative cost of issuing and counting the votes. As an indicator, based on the postal system, in Better Bankside a ballot is likely to cost £1,265; and in Peckham £1,675. Other forms of balloting would be more expensive.

Charging Costs

35. Anite LG, the company that provides the software for the Business Rates system, advised that they are a long way from preparing changes in the VME ICL (Virtual Machinery Environment) B-Rates system. This is unlikely to occur until after October as there are certain factors that will influence how this progresses. These are as follows:
36. So far there are twenty local authorities (using VME B-Rates) expressing an interest in this new initiative. The main ones are: Hammersmith & Fulham, Ealing, Greenwich, Plymouth, Blackpool and Hull. Each of these authorities has contacted the ODPM direct and have signed-up as 'Pathfinders' to help influence the 'BIDS' preparation procedure. In order for Officers to be in pole position to safeguard the local authority's interests in this matter, Members may wish to consider joining the "Pathfinder" group in order to facilitate the process, and to ensure that Southwark is in the vanguard of local authorities benefiting from progress.
37. Anite's initial estimates are high - 'BIDS' implementation will mean extensive changes to the structure of the existing B-Rates software and major changes would need to incorporate a method of calculating the community levy, representing this on documentation, applying this to the recovery process and year on year accounting, etc. A global figure of £3-400,000 is currently being estimated for which there are various finance options being debated.
38. Anite is currently in consultation with the ODPM and is looking at two options for funding the project: firstly that Central Government might fund this project direct; or alternatively that those members of the 'Pathfinder' group will pay initially. Anite feel there is a possibility that Central Government will fund such projects in order to facilitate BID development nationwide. With either option the cost could then be recouped from amongst the existing members of the VME B-Rates user group (about 70 sites), which translates as £4-6,000 per site. If the system is represented as a software upgrade it will be non-discretionary (in the past sites have been able to have bespoke elements added to their system; what they are saying in this case is that this particular functionality will be made available on all sites and charging will be mandatory). However, until a decision has been reached as to who pays, Anite is unable to commence the necessary work.

39. In addition to any changes for this initiative, there would be costs from Liberata (Liberata is Southwark's contractor providing the revenues & benefits service, formerly CSL) for any changes we must make with regards to documentation, etc. These costs cannot be estimated until we have a clearer idea of Anite's proposed changes.
40. Finally, there will be issues relating to potential contract variation costs, which are uncertain at this time. The ODPM has re-issued the draft guidance and are consulting on a number of specific questions such as charging policies and collection methods. The document differs little from the working draft issued back in January. Draft regulations will be published in the light of comments on this consultation.

Officer Resources

41. The issue of individual BID development is less quantifiable in terms of the local authority resources needed to promote BIDs across the borough, and in helping business to achieve "BID Readiness". This is more likely to be an issue in the town centre areas already discussed: Peckham, Camberwell and Bellenden, where there may be a lack of big business to promote the concept and lead the way. Although these particular areas already have a high level of Officer support via specific regeneration initiatives, there will be business capacity building issues to resolve, which will be resource intensive and will therefore put an added strain upon existing LBS regeneration and economic development resources. There may also be areas of expertise needed that do not currently exist within the local authority.
42. To date, the BID research work that has been undertaken has been absorbed within existing resources, mainly within the Strategic Partnerships Team with support and expertise from other departments, particularly Finance. The detailed policy development and necessary cross-departmental support needed over the next year will be a significant area of work and will be time-consuming and resource intensive. Without downsizing existing Partnership work and further limiting the resources of existing regeneration programmes there will be a need for a council-wide dedicated BIDs Officer to resource and coordinate the local authority's policy and administrative responsibilities. This will be promoted as part of the current Business Planning process as a growth bid.

The cost of administering a BID

43. The issue of resource implications, such as administration costs for businesses, is also difficult to quantify at this stage and has further implications for the local authority. SRB regeneration schemes spend roughly 7-10% of income on administration costs; this figure can be applied to larger BID schemes. Whilst this may be feasible for large BID schemes, it will not make sense for smaller areas where such a percentage cost could not sustain a viable independent administration team, and would not be cost effective if it could. It is more likely in these instances than that smaller BID schemes would look to provide added value to existing local authority services and projects, rather than to commission independent contracts.

Policy Implications

44. BIDs such as Better Bankside can contribute to the aims of the Environmental, Health, Employment and Enterprise, and Inward Investment and Tourism

Strategies at both a local and regional level. Physical improvements to the area, including waste management, street lighting, greening, etc, will improve both the physical surroundings and the safety and well being of those who live in, work in, and visit the area. This helps to attract both large businesses, and smaller support services to the area, hence helping to increase prosperity via increased local employment.

45. The BIDs would create an effective opportunity for local businesses to have a voice on subjects relating to the environment in which they trade. Development of these forums complements actions within the Enterprise strategy to build business networks and encourage economic growth. SME's would benefit from such networks as they make up a large percentage of businesses in LBS. Any Business Improvement Districts would make property not yet occupied more attractive to businesses wishing to move into the area. Focusing inward investment opportunities in key areas is also one of the priorities of the strategy. This is positive for economic growth and by linking BID's with projects such as Business Incubators and crime reduction, it will not only support existing business but also create the ideal setting for entrepreneurs to start and develop their businesses locally. This will support the objectives of the Employment strategy by encouraging increased employment and opportunities, as well as improving access to, and sustainability of businesses in Priority Neighbourhoods.
46. Council policy concerning community involvement (for example Local Area Management and Local Strategic Partnership schemes) will also be upheld by BIDs. BIDs empower local businesses to take responsibility for their surroundings and help to impact/change those aspects of it that are considered to be sub-standard. BIDs encourage partnerships between the various community-led groups in the area. For example, links may be made where necessary between the Street Action Teams and BIDs to consider areas for improvement. Council Officers should promote these links wherever possible. There needs to be a coherent spending plan between BIDs and Community Councils, so that we avoid duplication of effort and we ensure that residential communities are fully included.
47. The local authority must ensure that BID partners do not unduly influence the development of Council policies and services through their direct involvement with the delivery of Environmental Management Services. It is possible that conflicts of interest may occur.
48. The government is consulting upon "Local Authority Business Growth Incentives: A Consultation Paper" and Officers are currently working on a response to the paper for the end October. Currently, all business rate revenues are collected and passed into a central pool. The Business Growth Incentive scheme would allow authorities to individually retain a percentage of these business rate revenues, if a certain "floor" of performance with regards to growth and employment was achieved. This initiative is likely to have implications for the delivery of BIDs and other local area management initiatives.

Potential Advantages

49. BID projects are likely to have benefits for the community and the local authority as well as the business community. BIDs have the potential to contribute

towards urban regeneration; BIDs in the U.S. and in some areas of the UK (e.g. Coventry) have achieved an increase in the footfall in city centres.

50. BID schemes, if fully implemented, will provide private sector resources for public realm improvements. Therefore the adoption of BIDs should help to make more effective use of Council resources.
51. BID projects should engender a closer relationship with the police, since projects work towards creating a safer and cleaner environment. These improvements may prompt a reduction in crime.
52. A possibility for BIDs could include forging links with local groups and training agencies in order to provide training and local employment. This could go some way to encouraging social enterprise and intermediate labour markets.
53. The local authority's involvement with BIDs will help to clarify the Council's position with the local business community, enabling and fostering clearer communication and genuine partnership with businesses.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Environment

54. The goal of any BID is to identify gaps in the LA's services (as above) and provide additional services to Council provisions. The primary service provider is the Local Authority, who can provide those services without huge additional start-up costs. To date this has been the basis for the Council's involvement with Better Bankside. For example, the Council has been contracted to provide new bins for a project to improve waste management in an area of Bankside.
55. BIDS offer an innovative opportunity to enhance further the quality of the public realm. Local area management has been at the centre of the delivery of Environment & Leisure services, and as such I welcome the proposal contained in this report. The areas identified for possible BIDS are currently serviced by SAT's and warden schemes, which could be central to any BID established.
56. Improvements in E&L ICT have meant that we will be well place to provide baseline data and service audits. Data that could be provided includes:
 - Asset data - location & condition of street lighting, furniture, waste facilities, CCTV etc
 - Service demand - public enquiries, commercial enquiries
 - Business data - e.g. Numbers of food premises, offices etc
 - Environmental audits
 - Enforcement activity - public realm and commercial
 - Current service provider - - service levels and response times

Director of Finance

57. There are no immediate financial implications related to this report. A more detailed report dealing with long-term financial implications for the local authority outlined in previous Sections will be prepared for March 2004.

Borough Solicitor and Secretary

58. Part 4 of the Local Government Act contains provisions that will enable local authorities to work with local businesses in establishing Business Improvement Districts. The Act sets the framework for the creation and running of BIDs; the detail will be contained in regulations.
59. As indicated earlier in the report, BIDs can be set up for any period not exceeding five years. A ballot of local businesses will have to take place before a BID can be set up. The proposal must be supported both by a majority of those voting in the ballot, and the aggregate rateable value of those voting in favour must exceed the rateable value of those voting against: this is to ensure that small business cannot force a BID on large businesses in an area and vice versa.
60. The cross-departmental officer working group will need to investigate the potential links and overlaps between BIDs and other community forums, such as community councils and the Southwark Alliance, and the other programmes and strategies in the borough, including the Community Strategy.
61. More detailed advice on the legal implications of BIDs will be contained in the further report scheduled for March 2004.

Consultation

62. This document is primarily to inform Members of the BID concept and to highlight implications for Council policy and resources. However, consultation on BIDs has been ongoing with various partners since 2001. Officers have a close working relationship with the staff and Board of Better Bankside in particular, and are developing a similar relationship in relation to the Pool of London BID. Officers represent the local authority on the Circle Initiative Board and liaise via this, and through other means, with other local authorities and pilot BIDs. Community involvement in BIDs and other local area management initiatives is of paramount importance to the local authority and Officers are ensuring that the proper connections and partnerships are developing, for example by linking the pilot BIDs with our Cross River Partnership Local Area Management programme, which aims to empower the local community and voluntary sector so that they can make a meaningful contribution to such initiatives.

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APPENDICES

1. Background Information on existing and potential pilot BIDS – Pages 15 – 17
2. The BIDs Levy and Accounting Issues to be Considered – Cattermoul & Roman Haluczak - Pages 18 – 27
3. Maps of Potential BID areas – Pages ...

BACKGROUND DOCUMENTS:

Background Papers	Held At	Contact
ODPM BID Guidance Documents	Chiltern House	Aelswith Frayne Ext. 55338
BIDs Proposal Document: The BIDs Levy and Accountancy Issues to be Considered	Spa Road (Woodmill)	Dominic Cain Ext. 53539
Circle Initiative - Various briefing papers	Chiltern House	Helen Moore Ext. 55621
Better Bankside – Various papers	Chiltern House	Helen Moore Ext. 55621

CONSULTATION ON REPORT:

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BACKGROUND INFORMATION ON POTENTIAL BID AREAS

Pool Of London Partnership

The vision of the Pool of London Partnership has been to create a new “quarter” for London. Substantial private sector investment has been attracted to the area, and the PLP now wishes to establish long-term, sustained private sector investment through the BID mechanism.

Income so far: Approximately £175,000 SRB plus match funding

Projects so far:

- Commissioning a scoping study to help determine a BID area, and consultation with businesses in the Pool of London area to determine interest and views.
- Setting up a joint Wardens scheme with the Bankside BID (4 wardens and a supervisor), which will run for the next 18 months. Wardens should begin work in August.

Current state of readiness

Businesses have shown a good level of interest and can generally see the benefits of such a scheme, although some large businesses are concerned about extra service charges when their areas are well maintained already. Before any BID can go ahead proposals for a BID structure and recommendations must be put to the PLP Board (in October 2003).

Next Steps

The results of the business consultation process and research recommendations are to be put to the PLP Board in October 2003. Recommendations will probably include making the Partnership a Limited Company in order to distribute revenue. Contracts will be arranged with LBS to deliver services.

Subject to Board approval, PLP workers anticipate a ballot in October 2004 and the BID becoming fully operational from April 2005.

Bankside

The “Better Bankside” BID is one of five voluntary BIDs being piloted in the London area, as part of the SRB funded (£4.9m) Central London Partnership Circle Initiative programme. Better Bankside has engaged with local community groups, such as the Bankside Residents Forum, throughout this process. BID workers also have close links to the Bankside traders’ Association and the Bankside Business Partnership.

Income so far: £375,000 plus match funding

Projects so far include:

- Borough Market composting
- Business Green Grants
- Joint wardens scheme with PLP (due to start soon)
- Engagement with Street Action Team

Current state of readiness

The Better Bankside Board is currently making a decision on the BID's geographical area. Once this has been done, much more work will be done to contact all the businesses in the chosen area. The BID workers, with the support of the Bankside Business Partnership, must gain enough support (particularly amongst smaller traders) to warrant a petition and ballot.

Next Steps

Better Bankside is aiming for the ballot in Nov 2004 to go live in April 2005.

Peckham

There are a wide range of initiatives that are helping to improve cleanliness and safety in the Peckham Town Centre area in line with the Southwark Plan. The redevelopment of Peckham Town Centre is helping to revive the local economy, with the Peckham Town Square at Canal Head, the Peckham Pulse Healthy Living Centre, the award winning Peckham Library, and the proposed Peckham Wharf development.

Current State of BID readiness

Officers feel that that:

- Peckham Town Centre Management Group needs 1-2 years to reconstitute and be fully representative. Limited initiatives and low representation at meetings.
- There is low confidence in the business community regarding Council initiatives to improve the trading environment

Next Steps

The following is being done to regain trust and initiate change in the business community:

- The PTCMG is aiming to launch a number of new initiatives, for example sponsorship schemes and an inclusive Clubcard loyalty scheme;
- A new Business Watch scheme is being launched, which engages members of the local business community in being "patch champions" representing different trading groups;
- The PTCMG has input into the Peckham Street Warden Steering group.

Funding for the wardens scheme expires in 2005, and if the scheme is a success in the area, the PTCMG can begin to endorse a backing for a BID to fund this 'success story' after funding expires.

Bellenden Renewal Area

The Bellenden Renewal Area lies in the wards of The Lane and South Camberwell. Set up in 1997, spend in the area is expected to be around £12.42m over ten years to achieve improvements in housing, the environment, and to encourage economic development.

Renewal Projects so far:

- Face-lifting residential streets and business areas such as Bellenden Road (i.e., improvements to shop and house frontages, lighting, new bollards, paving)
- Extra street cleaning down Bellenden Road, Choumert Road, Copleston Road
- Installing CCTV cameras

Current State of BID readiness

The area has enjoyed significant improvements since 1997 and this has attracted business interest in the areas such as Bellenden Road. Persuading businesses to pay themselves for more improvements may be problematic because Renewal Area funding runs until 2007. The main shopping/business areas are relatively small and sparsely placed; this could prove a problem when persuading businesses to pay for improvements in certain “hot-spot” areas such as Choumert Road.

Next steps

Businesses and residents in the area are keen to see more face-lifting schemes, signage renewal, improvements to the Choumert Road market area and a crime mapping exercise. A BID could be promoted as a mechanism to meet these needs and could be seen as a tool to sustain the Area Renewal improvements after 2007, perhaps encouraging a joint effort with Neighbourhood Renewal funding.

Camberwell

Camberwell currently has a Street Action Team, is in a Police Priority area, and is benefiting from the Cleaner Greener Safer fund, which is being held by Community Councils. Wardens are due to start work in the area very shortly.

Current state of BID readiness

Camberwell Town Centre mainly consists of small traders, similar to the Peckham area. Camberwell traders’ group is relatively small and so far does not have broad involvement with traders. Main concerns are safety; however when asked to consider contributing to the CCTV scheme the response was disappointing

Next Steps

Marketing a BID may well focus on:

- Ensuring a safe, clean and attractive environment for evening leisure activities is of growing importance to traders
- Investing in another warden for the area.

A BID could build on the groundwork of other initiatives already underway in the area but has to be effectively marketed to spark interest. Some capacity building should be done in the Traders’ Group over the next few years.

Appendix 2

Business Improvement Districts Proposal Document –

The BIDs Levy and

Accounting Issues to be Considered

by

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May 2003

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Introduction

1. This paper is a synthesis of discussions held with over eighty local authorities in the CIPFA Revenues Consortium over a four week period in April / May 2003. It attempts to cover the subjects that must be considered when putting the BID document together. We have also taken the opportunity to add sections on accounting and business planning for the BID. It is important that it is seen as a positive contribution to the process, despite what may appear to the onlooker as what may be termed the 'devil in the detail' that is raised.
2. Revenues Officers will, for the most part, be the people to deal with the levy. They will, in effect, be producing their own local rating system for each BID. The rules of that BID need to be clear, both for the business' voting, and those having to levy the charge. A lack of precision will translate into confusion, unfairness, and the bringing of the BID arrangements into disrepute. BIDs cannot afford to have nasty surprises regarding their income stream, when they are up and running, because a particular issue was not thought through in the beginning, resulting in a shortfall in the amount of income expected.
3. The BIDs proposal document is the reference for how the levy is to be assessed, levied, collected and recovered. It, therefore, needs to contain sufficient detail to enable the people charged with dealing with the levy to do the job.
4. The dilemma for those writing such documents is how complex the system is to be. As with all taxation systems, the simpler it is, the less likely it is to be seen to be fair; by trying to address issues of fairness, the more complicated it is likely to be. These issues need to be addressed before the document is finalised, as there does not appear to be an opportunity after the BID is put to the vote, for the proposal document to be changed, or modified.

Identifying the Properties in the BID

5. The BID Proposers will identify the properties that are to be included in the BID. This will probably be on a paper map, or, perhaps, by means of a Geographical Information System (GIS). The map detail will have to be cross-referenced with the Rating List, which is produced by the Valuation Office Agency (VOA) (part of the Inland Revenue). But the VOA does not, necessarily know who the ratepayers are, so, at the earliest stage in the planning, the local taxation section of the Billing Authority will need to become involved.

Data Protection

6. It is not clear at this time, whether data collected for the purposes of the assessment levy and collection of non-domestic rates, can be used for the purposes of the levy and collection of a BID levy, particularly for sole traders, so, before any data is so used, legal clearance must be obtained.

Computer Systems

7. At this very early stage, it may be wise to have already decided the means by which the levy is to be collected, i.e. using the NDR computer system; a parallel system; or the Debtors system fed by a database or spreadsheet. If the choice of system has not been made, then there is potential for duplication of effort when setting up the database. This may not be a problem if the BID is to be

very small, or data is easily collated and transferred between systems, but the issue should be discussed at this stage.

8. For an NDR system to deal with BIDs, it will need to cope with:
 - multiple multipliers
 - multiple rateable values
 - multiple property descriptions
 - property identifier markers
 - single or multiple demand notices
 - allocation of charges and income to different funds
9. One user of a leading NDR computer system has been told that the supplier will not modify the main system to cope with BIDS. This presumably means that there will be a bolt-on facility.
10. It has been suggested that some authorities may wish to keep the BID separate from the NDR charge by running BIDS on a parallel version of their NDR system.

For those that do not wish to go down the NDR route, it would be necessary to have a database or spreadsheet to calculate and maintain the taxbase, feeding into the Debtors system.

11. We do not feel that this latter approach is tenable because:
 - The levy is recoverable with NDR
 - CIPFA Accounting Code practice of crediting the full amount levied to the creditor immediately, regardless of whether it has been collected, is incompatible with balancing cashflow against expenditure.
 - There must be an element of double processing effort because both the NDR and BIDS systems would have to be updated when processing changes of occupation.

Property Matching

12. With a GIS system that is already linked to the NDR system, matching properties should be a relatively simple matter. Translating properties from paper maps to what is on the Rating List, and thereby on the Rating records will require precision and an in depth knowledge both of what is on the ground, and where that property occurs in the Rating List. Properties with return frontages, or entrances on more than street may not necessarily be listed under the postal address. It may, therefore, be necessary to enlist the assistance of the Rating Inspector(s) to do this job. Unless the boundaries of the BID coincide with some other administrative boundary such as a Ward or Parish, there may not be any systems cross check available for whether all properties in the BID have been included.

Property Types or Classification

13. It has been suggested that the BID may be aimed at a type of property or mode of occupation. Examples of this might be:
 - Retail
 - Industrial

- Warehousing or storage
 - Offices
14. If this is the choice, it will be necessary to either use the descriptions on the Rating List, or some other means such as Planning Use Classes. As the latter are not held on NDR systems, a further cross-referencing exercise will be necessary, and, perhaps, an additional property description field be held on the NDR system so that the reason why a property has been nominated for the levy can be included on the BID documentation and the bill.
 15. The potential disadvantage of this targeting is that any change of use from that specified will render the ratepayer no longer liable for the levy.

Defining the Type of Charge

16. The type of charge levied will be dependant on a number of factors:
 - The size of the BID area
 - The size of the tax base in £RV.
 - The amount that needs to be collected
 - The mix of tax payers in the BID area
 - The type of service that will be provided by the BID
17. The type of charge and the level are important because they determine how easily the levy is to be collected. It cannot be assumed that because a majority voted for the BID, everyone will be willing and able to pay.

A Flat Rate

18. This may be appropriate if the service is the same to all, and the size of the tax paying businesses is fairly similar. It might not be appropriate if there is a mixture of large and small businesses and the level of service will vary according to size.

A progressive charge based on Rateable Value

19. This will probably be the most universally applicable, but it brings with it a number of supplementary questions that need to be addressed:

On what rateable value is the charge to be based?

20. One way will be to set the base as the RV on a particular day, say 31st March. If changes to RV occur and are backdated to before the fixed date, for the purposes of the national rate, these would be ignored for the purposes of the BID. But this means that the computer system will have to be able to hold more than one RV against a property for simultaneous charging.
21. It will be necessary to decide whether the BID levy is only on those who were in occupation or ownership at a set date, or if the arrival of new occupiers will also trigger a charge. It will, therefore, be necessary to consider, in detail, the way in which splits and mergers, new and demolished properties are to be treated within the BID scheme.

22. A further complication will be created by the 2005 revaluation. If it is decided to have a fixed date and to charge occupiers of new property, anomalies may arise of the dates straddle the coming onto force of the new Valuation List.
23. All of these circumstances will need to be considered, and a set of principles produced that can be included, either in the document itself, or an Appendix

Exemptions and Reductions in the Levy

24. The BID will have to define whom will be charged the full levy amount, and whom will be allowed a reduction, or perhaps be excluded from the charge. Some properties are already exempted from rates, but BID proposers may decide that certain types of ratepayer should be excused the levy completely. Possible examples might be:
 - Local or National Government buildings;
 - Properties with an RV below a threshold;
 - Advertising Rights and car spaces;
 - Schools or other educational establishments;
 - Hospitals and other health establishments;
 - Reductions in the charge might be made for registered charities.
25. All these will reduce the tax base for the BID, and, therefore reduce the potential income.
26. It will be very important that any such reductions or exemptions be defined carefully in the BID document, to reduce the possibility of the levy being challenged at any stage.

Empty Property

27. The draft Guidance tells us that each BID may decide whether to charge empty property owners, and the current exemptions to empty property rate need not apply. Decisions will have to be made on:
 - whether to charge owners’;
 - whether to allow the first 3 months of vacancy freedom from charge;
 - whether to allow the NDR empty rate exemptions;
 - whether to allow the NDR charity reliefs on empty property;
 - whether to allow Sec 44A temporary allowances.
28. In all of these it must be remembered that the cost of these reductions will be stood by the BID, or whoever else is covering the cost and losses of collection. Again, these must be defined carefully in the BID document

Paying the Levy

29. Cashflow is going to be of major importance to some BIDs where on-going, regular expenditure is incurred. Even where the expenditure is intended in one or two lump sums, the timing may depend on the speedy receipt of income.
30. The intervals at which payments will be requested may be defined in the BID. There could be a number of possibilities, but each will require careful consideration before opting for one in particular.

Lump Sums

31. A strong argument could be made for asking for the money for the whole year, or, indeed, the whole life of the BID, up front. If the majority of the payments did come in at the beginning of the BID's life, the Revenues Collection function could then concentrate on the non-payers. But a lot will depend on the amount of the BID levy, and what rules are set out in the BID document to cover changes in occupation during the life of the BID. It may be that any upfront payment would be non-refundable, should the ratepayer leave, and the amount paid for the period after the first ratepayer left would be allowed between the purchaser of the property and the vendor, with the Billing Authority taking no part in the transaction. Otherwise it would be necessary to refund the previous occupier, and the bill the new occupier – the same as one would for rates.

Monthly Instalments

32. Allowing the levy to be paid by monthly instalments would have the advantage of making the payments at the same intervals as the rates payments, but it would, of course, be necessary to project cashflow, so that expenditure does not exceed income.

A Combination

33. As a BID can start at any time of the year it may be that a lump sum for the period between the start of the BID and the end of the financial year, and thence by monthly instalments together with the NDR would be preferred. Combinations will require the computer system to be sophisticated enough to cope with multiple simultaneous payment arrangements, outside the recovery module.

Billing

34. If the NDR billing system is to be used, it will be necessary to decide whether to show the BID on the same bill as the NDR, or whether to separate the two and have separate bills. Not all systems allow separate bills for different years, so separating out one charge from another may be problematic to the software suppliers.

Allocation of Funds

35. One of the major issues for Revenues Practitioners will be the allocation of funds. Separation of the bills may make allocation easier for payments made using the bill documentation, but for electronic transactions, payments coming in for the same account with no indication of how the money is to be allocated, may require manual intervention. As the draft guidance says, agreement of the allocation of monies in the BID document will be essential, but this will still not save the manual effort required from Cashiers to allocate unidentified payments. It may also cause the overall collection performance of NDR to be prejudiced by priority being given to BIDs.
36. The cash receipting system will have to be updated for an additional fund; i.e. the BID Account. The billing system will also need to be able to account for more than one fund, both in the levying and the payment. We are unclear as to

how practical it will be to allocate monies direct to the BID account without first going through the Collection Fund.

37. All of the foregoing leads us to the conclusion that it will be extremely complicated, and, potentially, expensive, to achieve a multiple purpose single NDR system capable of dealing with BIDs as well. On the face of it, BIDs looked similar to parish , garden or lighting/non-lighting area rates of the General Rates system, including the possibility of overlapping; but none of these required facilities for multiple descriptions, Rateable Values or payment arrangements. We feel, therefore, that the best option might be to have a parallel system to the NDR for the sake of clarity, simplicity and even cost, although the extra administration cost may off-set this.

Estimating the Income of the BID Levy

38. Those of us who have experience of the General Rates system prior to 1990 will be familiar with the concept of the Penny Rate Product. This calculation was carried out each year with the objective of estimating:
 - The gross income from the area
 - The losses on collection, such as voids, non-payment, reductions on value, exemptions etc.;
 - Any additional income from new or changed properties; and
 - The costs of collection
39. This calculation had to be done for each rating area, including Parishes, so the concept is similar to what will need to be done for a BID. Where the estimate for the BID will be far more complex and liable to error, is that a BID can last for more than one year, so the estimate will have to be for the life of the BID. This takes the process into the realms of the guesstimate, as it will be extremely difficult, if not impossible for anyone to estimate changes in the yield from the tax over up to a five year period. There does not seem to be any mechanism for the BID income to be reviewed and adjusted without a full vote of the electorate, during the life of the BID, if at all.

Accounting and Business Planning Issues

40. The levy paid to an authority for a BID will have to be administered and accounted for separately from the other finances of the Authority. This will involve a distinct coding structure with possibly a specified format of accounts. The local authority may well provide accounting and budget reporting support to the BID as well as an accounting ledger, payment and payroll systems. The time and cost of this provision should not be underestimated and will probably need to be funded from the BID levy.
41. A BID will exist for up to 5 years however its period of operation will be specified in the initial BID proposal, which will be voted upon by all parties in a ballot. All ratepayers who will be liable to pay the additional BID levy will have a vote. A billing authority will have the power to veto any BID proposal where it might conflict with any locally adopted plans it has made. In practical terms the use such a veto would be extremely rare as the likelihood of a BID being set up which would conflict with the aims and objectives of an authority's community strategy would be remote.

42. Where a BID spans more one local Authority there will have to be a lead Authority for the whole BID that will collect the levy and administer the ballot. Where authorities cannot agree which authority will take the lead, regulations will state that the authority with the greatest proportion of the rateable value of the BID will take the role of the lead authority. This situation could prove to be complex. If a BID straddled several Authorities there would need to be some thought given as to how it would be accounted for and how easy would it be to measure service improvements and identify them to a specific area of the BID. The accounts of a BID company might have to be consolidated into the group accounts of several Authorities in these circumstances.
43. Businesses, Local Authorities, Property Owners, Local Communities and the Voluntary Sector will have to work together effectively to make the BID concept a success. A local authority will look to business to provide a plan for improvements, which will fit in with its existing improvement objectives. It will also wish to ensure that these plans are of benefit to the wider community as a whole and that there is adequate business support in the area to make the BID a success.
44. Once potential contributors to the BID have been identified then the rateable values of the contributing businesses need to be detailed and the estimated proceeds of an additional levy should then be calculated. The BID proposers will need to consider how high any additional levy should be set to ensure that the costs of any improvement plan can be properly met. The levy might well have to take account of the costs of running and administering the BID. The timetable to deliver improvements should also be set within the maximum period of the BID. The Secretary of State would have the power to regulate on the circumstances in which a BID could be prematurely terminated if such steps were not adequately followed.

Preparing a BID Business Plan

45. A board consisting of representatives of the key BID stakeholders should prepare a BID. Such a board (or a large proportion of its membership) should then go on to implement the BID proposals. Initially the board will be entrusted with producing a business plan for the BID covering:
 46. Baseline Agreement – a baseline measure of the existing services provided by the public sector to the bid proposers within the area. This will help businesses that are paying a levy to identify any “added value” to baseline services that needs to be achieved.
 47. Benefits – how each major stakeholder would benefit from their BID proposals and by when.
 48. Delivery of the BID proposals – who will administer the BID and implement the projects that businesses are voting for. There should also be a list of those people who have been involved in drawing up the business plan.
 49. Risk Assessment – this will be an important element of the BID business plan and will be an attempt to assess and manage risk and uncertainty in the light of a successful BID vote. Increased risks could flow from funding shortfalls, contractor failure or key personnel leaving the BID process.

50. Liability – the proposal should set out which ratepayers will be required to pay the additional levy and how it is to be calculated.
51. Contribution of other parties – alongside the amounts that will be raised the BID proposal will need to list the sources and amounts of any additional contributions which might flow into the BID.
52. Budget – once the liability and contribution sources have been identified then a BID budget needs to be drawn up setting out the way the funds will be spent and what they will be spent on. This may also include the running and administration costs of the BID.
53. Performance Management – there must also be a detailed explanation of the BID's objectives along with key performance indicators and expected service outcomes
54. The liability, contribution and budgetary elements of the above business planning process would require a significant input from an Authority's finance function to ensure that a BID process could be successfully voted through. There would also need to be some further input into a performance measurement process, especially regarding the calculation of performance indicators.
55. The legal status of a BID is another important issue. Presently ODPM appears to favour the company limited by guarantee model but this needs to be decided before a BID ballot has taken place. Some potential private sector donors may be less likely to contribute funds if the BID is not incorporated as a company. If the BID Company were limited by guarantee and it was to be wound up, then the memorandum of association would limit the liability of the company members to the amount subscribed. In local Authority terms this would usually amount to a shareholding of a couple of pounds.
56. The accounts of such a company would have to be prepared under Companies Acts rules (including the calculation of a tax charge) where profits will need to be identified. There is a strong likelihood that any capital borrowing of a BID company would count against an Authority's prudential borrowing limit. An authority's accountancy section would need to be aware of such requirements in its accounting and monitoring processes as they relate to the BID.
57. The power to promote well being under the Local Government Act 2000 enables principal authorities to form or participate in companies trusts or charities provided that they are satisfied that their primary purpose is likely to achieve the promotion or improvement of the economic, social or environmental well being of an authority's area.

Implications for Accounting and Business Planning

58. If authorities pursue the BID process then the resource implications for Finance could be significant. The areas needing to be addressed would include:
 - Estimating and funding any BID set up costs prior to autumn of 2003 when BID levies might come on stream.
 - Administering the accounts of a BID ensuring they are kept separate from the accounts of the authority.

- Estimating the income and expenditure commitments of the BID over its operational life and providing monitoring reports on spending versus budget. This would include any capital programme requirements.
 - Contributing to the BID business planning and performance management processes (including PI's). A risk assessment of critical performance options for the BID would also need to be undertaken as part of business planning.
 - Assisting in the calculation of the BID levy along with revenues section.
59. If the BID is a company limited by guarantee then accounting for the company separately under companies act rules and later possibly consolidating the results in a Group accounts format along with other companies controlled by the Local Authority.
 60. Calculating corporation tax charges and formulating any policies on what to do with any profits/losses from the BID operations.
 61. Providing ledger, payment and payroll systems to the BID when required. BID estimates to include the costs of accountancy's service support. A separate financial coding structure for the BID would also be necessary.
 62. There is always the option to outsource the finance support functions of the BID, however, as this would probably be a high profile area of the Authority's activities then a proper risk analysis should be undertaken before any such action is followed.

Conclusion

63. The contributions of the Revenues Manager and the Chief Accountant to the BID document are vital. The basis of the BID levy can be as simple or complex as one wants, but that basis must be set out in the BID document, along with the accounting requirements.
64. We hope that this document goes some way to helping those who are considering a BID, or committed to a pilot, or, even responding to a request for thoughts on how a BID will work in their area, to focus minds on what must be considered and done.

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