

CLAUDIO DE MAGALHÃES

Bartlett School of Planning – University College London, UK

**BUSINESS IMPROVEMENT DISTRICTS IN ENGLAND
AND THE PRIVATE MANAGEMENT
OF THE URBAN PUBLIC REALM
IN TIMES OF AUSTERITY**

Abstract: Business Improvement Districts (BIDs) were introduced in the UK in 2003/2004 and their rapid and widespread adoption in many towns and cities all over the country has been linked to BIDs potential ability to raise funds to invest in the quality of the public realm through a mandatory supplementary levy on business rates, voluntary contributions, sponsorship and public sector grants. However, the economic downturn has restricted those sources of funding, and public sector spending cuts are likely to restrict them even further. Moreover, this more austere funding landscape for public realm management does seem to be here to stay. This paper discusses recent research on the impact recession and spending cuts have had on the BID model of public realm management in England, in many regards quite different from its original North American counterpart. On the basis of a survey of English BIDs and 10 detailed case studies, it identifies the challenges to BIDs as public and private stakeholder-led instrument for the management of the public realm of town centres and commercial and industrial areas, and draws lessons for the future.

Key words: Business Improvement Districts (BIDs), UK BIDs, public realm management, urban public space, public services funding.

1. Context and history of BIDs in the UK

Over the last two decades, there has been a noticeable emergence of forms of public realm management in the UK challenging established roles of the state and civil society. These include the privately owned and managed parts of the physical public realm – the so-called private public space, the takeover of the management of parks and other public areas by community trusts, the around 600 town centre management schemes run by local businesses in partnership with local authorities and, more to the point of this paper, Business Improvement Districts.

A BID is a time-limited, flexible funding mechanism to improve and manage a clearly defined commercial area. It is based on the principle of an additional levy on

all defined ratepayers following a majority vote. Once the vote is successful, which must achieve both a majority in terms of number of ratepayers and the proportion of their rateable value, the levy becomes mandatory on all defined ratepayers for the duration of the BID and is treated in the same way as the Business Rate (*i.e.* the UK tax on commercial property), becoming a statutory debt. [ALG 2005]

As a governance mechanism, BIDs are contractual partnerships for urban realm management through which some rights over the management of a locality are transferred from the local government to ratepayers [Peel *et al.* 2009]. In this regard, BIDs embody an implicit recognition of the club good nature of many public realm attributes [Webster 2002]. They do so by transferring some managerial control and responsibilities for those attributes of the locality such as the degree of cleanliness or safety, place image, *etc.* to those with a direct stake in them. The assumption underlying this transfer is that the quality of the public realm will influence the success of businesses and therefore they would be prepared to invest resources in it, beyond the levels of investment local governments would be able or prepared to contemplate. Unlocking these resources (financial and otherwise), would represent an efficient approach to managing the public realm, especially when demands surpass the ability of the public sector to meet them.

The origins of BID as an instrument of urban management are well documented [see Morçöl *et al.* 2008; Ward 2006]. First conceived in Toronto in the late 1960s, BIDs gained rapid ground in the US in subsequent years, as an evolution of policy measures that allowed designated locations to raise extra taxes to pay for services and improvements. By the middle of the last decade, there were in excess of 1,000 BIDs in the whole of the US, and BIDs and BID-like organisations had been created in several other countries in the World.

Morçöl and Zimmerman [2008] connect the expansion of BIDs to privatist views about urban management and the relationship between citizens and local government, which became dominant in the 1980s. Similarly, Ward [2006] links the spread of BIDs in the US and later to the UK to the shift from managerial to entrepreneurial forms of urban governance, associated with the promotion of neo-liberal solutions to societal problems by successive New Labour governments. Whether or not the connection is as direct as he suggests, the fact remains that BIDs were perceived from the start as a way of holding and reversing the dramatic decline in the economic health and environmental quality of formerly prosperous town and city centres of American cities, and of redirecting investment to those areas. Much of that decline was blamed on failures of local government, and BIDs represented a way of mobilising private interests to take over the management and reverse the decline. Successful, wealthy, corporate-driven BIDs in places like Times Square and Grand Central in New York came to symbolise what BIDs were about and what they could do, even if the reality for many US BIDs was in fact a bit more prosaic [see Gross 2005].

In the UK, the emergence of arrangements such as BIDs is closely linked to two sets of factors. The first were changes in the context in which public services provi-

sion operates. Much has been written about the main thrust of government responses to the crises of the post-war welfare state in the 1970s [Hajer, Wagenaar 2003; Kooiman 1993; Leach, Percy-Smith 2001; Pierre, Peters 2000]. For the sake of brevity, it suffices to say that policy efforts at national level to reduce the costs and size of government led to a curbing of powers and spending of local authorities and a redistribution of resources within public services. Public realm services suffered a 20-year steady decline in funding, which was only partly reversed in the last decade [*Audit Commission* 2002; *DTLR* 2002]. It has also led to the flowing of power to a plethora of subsidiary bodies within and outside the formal boundaries of the state [Rhodes 1997] giving rise to the need for forms of collaboration between different sectors and jurisdictions for the delivery of public goods and services [Sullivan, Skelcher 2002].

The second set of factors came from new demands that were put on the public realm by policy makers and society. The perceived need for cities to compete to attract the footloose investment of the globalised economy led to an increasing concern with the vitality and viability of town and city centres and the role in this of public realm quality (see e.g. *DETR* 2000; *Urban Task Force* 1999). At the same time, changes in the nature of retail have exacerbated competition between locations, pitching traditional town centres against new retail formats in out-of-town locations, with profound implications for those operating business and owning property in central areas, as well as those depending on them to meet their needs. All these pressures have brought to the fore the need for public realm management systems that are sensitive to locational differences.

The cumulative results of those contextual demands on the public realm have exacerbated the shortcomings of traditional local authority-based management systems. The main challenges include levels of funding, the lack of co-ordination among agencies, the lack of flexibility and fine-tuning ability of centralised management systems to respond to ever fragmented demands and increasing aspirations, the constraints on accountability at a very localised level by city-wide public organisations; etc. [De Magalhães, Carmona 2006; *ODPM* 2004]. In this light, Business Improvement Districts and other contractualised public realm management mechanisms have been seen as a way of reconfiguring rights, roles and responsibilities to address those challenges [De Magalhães, Carmona 2006].

Therefore, the decline in investment in British town and city centres, their falling economic competitiveness, and the search for a solution to those problems that did not rely on public investment form a large part of the explanation for the first moves to transfer the BID model to the UK in the 1990s [Reeve 2004; Ward 2006]. The first pilot BIDs in the UK were brought about through The Circle Initiative, a scheme that began in 2000 with Single Regeneration Budget funding from the London Development Agency to fund five pilot BID areas in central London over five years. This scheme was followed two years later by the National BID Pilot project, funded by the government, retail and property businesses and spearheaded by the Association of Town Centre Management.



Figure 1. Examples of goods – rivalry and excludable levels

Source: Author adaptation of [Choumert and Salanie 2008].

This project was set up to trial BID development in 22 areas around the UK in a variety of locations and circumstances, for a period of 3 years. The aim was to see how BIDs would develop, in order to provide specific data and experiences that could inform legislation and help define a workable process for establishing and operating BIDs.

In that same year (2002), the Government White Paper “Strong Local Leadership – Quality Public Services” laid out the policy case for BIDs, and the following year the Local Government Act 2003 received Royal Assent, with Part 4 referring to Business Improvement Districts. BID regulations for England were passed in September 2004, allowing the first BID ballot to take place in Kingston, with a successful result later that year [ALG 2005]. Regulations for Wales followed suit (2005) and BID legislation for Scotland was approved in 2006.

In the nearly 7 years since the passing of the regulations for England, more than 100 BIDs have been approved in the UK, with success in about 5 in each 6 BID proposals (see Figure 1). About 20 of these BIDs are already in their second mandate, having gone through a new vote after the end of their original 5-year term. At the time of writing, there was only one case of unsuccessful renewal vote.

2. The UK BID model

The 2004 BID Regulations specify what conditions a BID proposal must fulfil to gain approval, how it should be funded, what it can do and how it can be made accountable to its stakeholders. Regulations for Wales are quite similar, and so are those for Scotland.

In order to set up a BID, interested parties have to consult all levy payers and submit to a vote the BID proposal, formalised in a Business Plan. The ballot must include all potential levy payers in a locality, and BID Business Plan should be set out who will be liable to pay the levy and who will not (particular types of businesses or those below a certain threshold of rateable value might be exempted). The local authority is a key player in overseeing the BID formation process, and is responsible for running the BID ballot. A successful BID needs to get a majority vote both in terms of numbers of voters and rateable value. The regulations for England do not establish a minimum turnout for the ballot, whereas the Scottish 2006 Act mentions a minimum turnout of 25% on both accounts (numbers and rateable value).

Once approved, the BID is constituted into a legal entity, normally a not-for-profit company with a management board with a majority of levy payers, and often including representatives of the local authority, and occasionally residents and representatives of other important stakeholders with various degrees of voting rights.

The main statutory source of funds for a BID is the levy, which is normally but not necessarily calculated as a percentage of the rateable value for which the businesses taking part in the ballot are liable. For the majority of BIDs the levy has been set around a figure of 1% of rateable value, although some BIDs have opted for flat fees, banding or graded levies. The levy is mandatory for all qualifying businesses within the BID area, regardless of whether they voted in favour of the BID. Here UK BIDs differ significantly from BIDs in the US and elsewhere, where the levy is charged against property owners rather than occupiers of commercial property. This comes from the nature of taxes on commercial property in the UK, based on non-domestic rates for units of property (hereditaments), payable by property occupiers [Blackwell 2008].

The BID levy is collected by the local authority and deposited in a special account from where it will be transferred to the BID to be spend in the proposals outlined in the Business Plan. An Operation Agreement between the BID and the local authority sets out how the levy is to be collected, how the money is transferred to the BID and who should cover the costs of collection and administration of the levy. Much of the appeal of the BID is the possibility that levy income will be complemented with income raised from grants from public sector programmes, voluntary contributions from property owners, sponsorship for particular events/projects and contributions in kind from the local authority and others.

The Business Plan approved in the ballot is a legally binding document and sets out clearly the services and activities of the BID during its term of existence, how they are going to be funded and how the BID will be run. These normally include typical 'clean, green and safe' services such as CCTV and street cleansing, and place-marketing initiatives, although some BIDs also work to a business support agenda. Baseline agreements signed with the local authority and other service providers detail the level of services the BID should expect from these providers, putting the relationship between them in a more

formal contractual footing. In theory, these agreements should ensure BID intervention is additional to regular public service provision and not a replacement for it.

3. The issues

A quick glance at the academic literature on BIDs in the last few years suggests the dominant concern has been with issues that would emerge from too much success. BIDs would come to deploy large amounts of private wealth and power and thus gaining a large degree of control over the public realm in detriment of other legitimate stakeholders, thus exacerbating issues of accountability and inclusion. Many studies have taken as given BID's ability to raise private and public money to deliver what they see as a private agenda, and the concern has been that resource-rich BIDs would take over the governance role of local authorities and become akin to privatised governments of town and city centres [Minton 2009; Mitchell, Staeheli 2006; Ward 2006].

However, there is not much evidence among UK BIDs for an overwhelming influx of private resources pushing traditional public service provision aside and taking the kind of control over their area that can be seen in privately managed shopping malls, or that has been associated with the largest US BIDs. Firstly, UK BIDs are quite limited in their powers to control and manage the public realm on their own. Although set up as independent, not-for-profit and business-led companies, UK BIDs belong to a tradition of public-private partnerships in area governance which rely on the private sector for efficiency, but do not dispense with the statutory powers and responsibilities of public sector service delivery agencies [Lloyd, Peel 2008]. For these partnerships, the legal, political and material support of statutory public sector bodies - in this case mostly the local authority - is a condition for success, as are public sector grants for any significant capital investment.

Secondly, an occupier-based levy would always be restricted in the amount of resources it could raise, reflecting the typical range, size and ability to pay of business occupiers in towns and city centres and industrial areas. [see Blackwell 2008; *CLG* 2007]. The largest UK BID, the New West End Company (the Oxford Road/Bond Street BID in London) was expecting an income in 2010 of about £5 million – more than triple that of the second richest city centre BID - of which just 50% was income from the levy and at least 20% were public sector transfers [*NEWC* 2008]. This can be compared with New York's Times Square BID, with an income of circa £9 million for the same year, 2/3 of which from the levy, supported by an asset base valued at another £3 million [*TSDMA* 2010], or Grand Central BID, with similar income pattern and an asset base of about £15 million [*GCP & GCDMA* 2010]. The average annual income of BIDs in the UK at around £400,000 is far lower than those values, with many smaller BIDs raising much smaller sums than that.

Nevertheless, beyond a potential ‘privatisation of the public realm’ and its implications – if that is indeed what BIDs represent, there are other issues that have not been discussed extensively so far. These refer to the resilience of stakeholder-led public realm management arrangements and their ability to replace or at least complement the state-centred, ‘command and control’ forms of governance and service delivery, and therefore to provide a long-term alternative to them. This is particularly relevant now in view of UK Government policy of transferring governance and service delivery responsibilities to civil society [CLG 2010] and in view of the impact recession and public spending cuts will certainly have on the ability of civil society to respond to that challenge.

The BID model was conceived in a period of sustained economic growth and much fewer restrictions on public sector spending. A random examination of business plans put forward in 2005/2006 will notice a reliance on the plethora of urban regeneration and economic development grants for the full delivery of business plan items [CLG 2007]. Indeed, the private sector match-funding character of the levy made BIDs ideal recipients of such grants. Voluntary contributions from property owners were also frequently mentioned as a source of income to be counted on, and in retrospect, some business plans look excessively optimistic in terms of the amount of income a BID could generate and the services it could deliver. Therefore, issues arise in relation to the resilience of BIDs, their operation and prospects, especially given the pressures on many businesses’ ability and willingness to pay the BID levy or make voluntary contributions brought about by the recession, and the threats to local authority support and grant funding as part of public spending cuts.

With that in mind, this paper looks at the effects of recession and cuts in local authority budgets on BIDs’ finances and the services they deliver, and tries to assess the immediate and longer-term implications for BIDs as a public realm management model.

The paper uses data from a research project based on 10 in-depth case studies of BIDs in England [see De Magalhães 2012; *RICS* 2011]. The research comprised a survey of the around 100 BIDs in operation in October 2010, leading to the selection of 10 case studies representing the varied universe of BIDs across England.

4. The case studies

The research used concepts discussed elsewhere to formulate a four-fold classification of BIDs as metropolitan core (MC), metropolitan periphery (MP), free-standing town centre (TC), and industrial area (IA), as a device to explore potential variations in the vulnerability of local commercial and property interests to the recession and spending cuts [see *British BIDs and University of Ulster* 2010]. The selected cases encompass the four categories and variations within them, as follows (Table 1 and Figure 2):

Table 1

The cases

Cases	Key characteristics
London Bridge London Metropolitan Core BID, office dominated (67% by number, 96% by Rateable Value), headquarters with national & international significance	<ul style="list-style-type: none"> • 400 hereditaments, annual income of £1,000,000 • Office-dominated BID (68% of businesses and 86%RV), with 10% shops (2%RV), 15% pubs and restaurants (4% RV) • Re-balloted Nov 2010 for 2011-16 period, with 80% majority and high turnout (esp. for RV), for slightly larger area • Safety/Street Scene (policing and street cleansing/lighting), Place Promotion (marketing/events) and Responsible Business (environmental and community projects) sharing 65% of expenditure in roughly equal proportion, management costs around 26% • Levy covering 87% of budget (about £850,000) (1.05% of RV in 2010 list, annually indexed for inflation up to 3%, with a threshold of £10,000 and a levy cap at £50,000)
Retail Birmingham Prime retail-based Metropolitan Core BID outside London, with national importance and significant contribution from property owners	<ul style="list-style-type: none"> • 420 hereditaments, annual income of £1,200,000 • Specialised BID, covering all businesses except offices. Includes 4 major shopping centres plus smaller centres, national chains and independent retailers • Set up in Nov 2006, majority of 70% on a 50% turnout • Marketing/events representing 50% of expenditure, followed by 'street operations' (wardens, radio links with police, additional clean-up and decorations) with 30% of expenditure. Management costs around 12% • Levy representing 44% of income (£530,000) (1% of 2005 RV annually indexed for inflation, threshold of £10,000 RV.)
Nottingham Leisure Largest evening economy-only Metropolitan Core BID, with wide regional significance	<ul style="list-style-type: none"> • 266 hereditaments, annual income of £370,000 • Specialised BID covering licensed businesses only, and since 2009 coexisting with a separate retail BID in the same area. National pub/restaurant chains and large number of very small businesses (55% of businesses) spread over a large area • Set up in Dec 2007 with a 75% majority on a low turnout of 33% • In 5-year budget Marketing/Events and Safer/Secure taking up 60% of expenditure (40% on marketing), management costs around 23% • Levy covering 70% of budget (£270,000 pa) (1.5% RV with annual 3.0% for inflation, threshold of £1,000 RV, fixed on 2005 rate values)
Kingston upon Thames Large Metropolitan Periphery BID, with clear complementarity/competition relationship with central London and local centres, with significant portfolio of services contracted out to and from the Local Authority	<ul style="list-style-type: none"> • 900 hereditaments, annual income of £1,100,000 • Mix of retail, offices, leisure and public buildings. 60% of businesses (and income) is retail. Large number of independent businesses, 2 covered shopping centres • First BID in the UK (2004), successful re-ballot (July 2009) with a 70% majority and turnout of 42% • Marketing and Cleansing/Greening taking 30% each of expenditure, management costs 20% • Levy covering 80% of budget (£850,000) (1% RV corrected annually for inflation up to 3% including shopping centre tenants) and £250,000 revenue from the services managed on behalf of council. In 2010 operational profit of £400,000

Cases	Key characteristics
<p>Bury St Edmunds Smaller Town Centre BID in a prosperous area, recently set up and still in process of consolidation</p>	<ul style="list-style-type: none"> ● 380 hereditaments, annual income of £330,000 ● Mix of retail, offices and leisure, with overwhelming dominance of small and very small independent businesses ● Set up Dec 2009 with a 60% majority but a low turnout (32%) ● Marketing and events taking up 65% of approved budget, followed by safe and security (over 30%). Management costs not budgeted, and paid in kind by local council ● Levy covering 97% of budget (£320,00 per annum) (1.75% of RV fixed, threshold of £10,000, including shopping centre tenants)
<p>Blackpool Large Town Centre BID, with strong leisure component, in area with structural economic problems, running on a social-enterprise model</p>	<ul style="list-style-type: none"> ● 800 hereditaments, annual income of £400,000 ● Mix of retail, services and leisure business, large number of small businesses ● Set up in 2005, has re-balloted Aug 2010 with an 89% majority (although low turnout). ● Safety and Marketing taking up 50% of the expenditure, management costs around 15% ● Levy covering 80% of budget (£320,00 pa) (1% of RV, 0.7% of RV for businesses inside the Hounds Hill Shopping Centre)
<p>Rugby Town Centre BID with regional function in competition with several nearby BID-managed town centres</p>	<ul style="list-style-type: none"> ● 460 hereditaments, annual income of £850,000 ● Mix of retail, offices and leisure. Mostly small independent business with a few larger national chains ● Set up in 2005, recently re-balloted (Jul 2010) with a 75% majority on a 55% turnout. ● Crime and safety (CCTV and Rangers) taking 55% of expenditure, management costs around 25% ● Levy covering 72% of budget (£620,00 pa) (banded, varying from 2.5 to 5.5% of RV, threshold £7,300)
<p>Truro Important regional Town Centre BID, with good spread of uses but in remote location and facing competition for regional position</p>	<ul style="list-style-type: none"> ● 400 hereditaments, annual income of £290,000 ● Mix of retail, services, leisure and public sector (retail representing 63% of businesses and 73% of levy). Large number of small businesses and a few very large multiples ● Set up in 2007 (63% majority and 53% turnout) ● Marketing and Events (specially Christmas lights) as main activities taking 45% of approved budget but 65% of actual spend, management costs 30% ● Levy covering 91% of income (260,000 per year) (1% RV, threshold of £ 10,000)
<p>London Riverside Large Industrial Area BID, with history of significant grant from economic development agencies</p>	<ul style="list-style-type: none"> ● 250 hereditaments, annual income of £140,000 ● Large area (120 ha) covering several industrial estates (many with own management structures) housing businesses of different sizes ● Set up in 2007 with an 80% majority but a 30% turnout ● 'Safe and secure' taking up 42% of approved budget, 'Clean' another 26%. Management costs around 25% ● Levy covering 80 to almost 100% of budget, depending on the availability of grants (1% RV, adjusted up to 3% annually for inflation, threshold of £5,000, levy cap at £7,500) ● London Thames Gateway Development Corporation £172,000 grant in 2009/10

Cases	Key characteristics
Albion Crime-reduction focused Industrial Area BID, in second mandate	<ul style="list-style-type: none"> • 123 hereditaments, annual income of £170,000 • Area covering several industrial estates with mostly metal-related industries (automotive, aerospace, etc) • BID 1 approved in Apr/2006 with 85% majority and 48% turnout, BID 2 in Nov/2010 with significantly expanded area (68 businesses in BID 1, 120 in BID 2) • Safer/Secure taking 60% of budgeted expenditure, marketing 15%, management costs around 15% • Levy covering 100% of budget (4% of RV, threshold of £10,000 RV and capped at £4,000. • BID 1 raised £280,000 in grants from Government and local authority and £600,000 in in-kind contributions (events, training programmes)

Source: Individual BIDs' Business Plans, UK BIDs, Author's research.

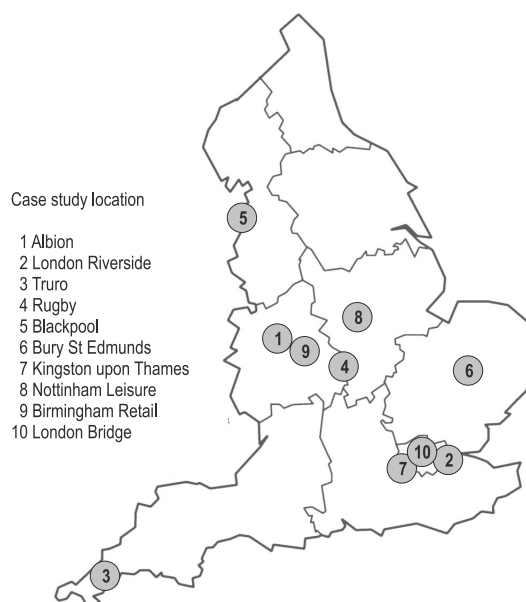


Figure 2. Location of case studies in England

Source: The author.

5. Study findings: BIDs, recession and spending cuts

5.1. The impacts of recession and local authority service cuts on BID finances and activities

The research addressed the impact of the recession on BIDs' income sources, and especially additional voluntary contributions from property owners. All but one of our cases rely on the levy for between 75% and 100% of their income, and the

evidence suggests that BID 2 (*i.e.* the renewed BIDs) have tended to increase their reliance on the levy rather than on voluntary – and thus insecure – contributions or other additional sources of income. The evidence from the study suggests that overall, recession and public spending cuts have negatively affected BIDs' income but so far not in a significant way. The levy is the main source of income for the majority of BIDs, and it has remained relatively stable. Local authority support in kind, although less significant has also remained constant, freeing up resources from operational costs to core activities. Voluntary contributions from property owners has been of any significance in one case only and this seems to be secure for the time being. Income from the delivery of services is guaranteed through contracts and in the only case in which this is significant, it is too early to predict what might happen to this source of income in the future when contracts are reviewed. The real impact of recession and spending cuts on income comes from the sharp reduction in grant funding from public bodies, and to a smaller degree, public and private sponsorship of events and projects. The consequences of this for the programmes run by BIDs are discussed below but as a rule, they have been more significant where grants and sponsorship were counted upon to deliver core business plan programmes. Where these were used to extend the scope of existing projects or to fund additional projects the impact has been less noticeable. Consequently, business plans approved in the re-ballot have often moved away from any reliance on grants and other insecure forms of funding for key programmes, and have tied more closely their key objectives to what can be funded through the levy.

In regard to the activities BIDs perform, the impact of the recession and public spending cuts has been limited so far, although this will be truer for some BIDs than others. In most cases where there was reduction to services, these have been at the margins, and BIDs seem to have been able to make up for it through cross-subsidisation or re-allocation of spending. Only two of our 10 cases suggested more serious problems, resulting from the reallocation of resources to cover for a shortfall in public funding for essential projects originally conceived as jointly funded interventions. This has led to cancellation and postponement of other projects, which might cause problems later as the BID comes for re-ballot and has to demonstrate its achievements. In part, the relatively small impact to date of the recession and spending cuts on BID activities can be explained by the stability of levy incomes, which once approved are more or less guaranteed for 5 years. With one or two exceptions, BIDs have learned to rely on the levy income for their most important projects, and this is even more evident for those in their 2nd terms. Therefore, reduction in grants and sponsorship income has not substantially affected their core activities. However, in part this is also because spending constraints on the public sector and on local authorities in particular have yet to be fully reflected in service delivery, and more significant impacts might become apparent in the near future. Awareness of this seems to have shaped the strategies adopted by most of the cases, reflected amongst other things on the nature

of spending plans that have been or are being put forward for re-ballot, with a clearer distinction between core funding and additional funding.

Nine of the BIDs were created before the end of 2007, with the approval vote reflecting a process of discussion around functions and objectives initiated a year or more earlier. Those BIDs were therefore conceived before the events marking the onset of the credit crisis and recession, and their business plans reflected the context of a growing economy, with scope for significant public sector support through grants and other forms of contribution. Since then, they have had to adapt to the new, more constrained funding environment. Those that have renewed their mandates in the last two years have had the chance to secure formal stakeholder approval for any readjustment of their objectives and the scope of their activities. Others have had to adjust existing business plans, whilst hoping to retain the support of levy players.

As the evidence suggests, all the cases have had to readjust their expectations of income and delivery potential to a much leaner economic and funding environment. Some have had to do that to a larger degree, depending amongst other things on the size of the BID, the nature of the businesses they represent and their location, and especially on how much their business plans reflected the pre-2007 economic environment. As a rule, those that had put more reliance on additional sources of income to fund their core agendas have had to adjust the most. For many, the re-balloting process has presented BIDs with the opportunity for putting any significant readjustments of strategies in a more formal footing. Most of the cases have had to reallocate spending to make sure that key activities were not affected by decreases in grant or other additional funding. In many of the cases, there was also a narrowing of focus towards a few core services. Initiatives aiming at offsetting the cost of the levy to businesses through *e.g.* joint procurement have been adopted to better justify the BID levy and ensure continued support from levy payers. At the same time, the evidence suggests that some BIDs have used the constraints posed by recession and public spending cuts to re-think their roles and some of the coping strategies point to potential new roles as service delivery organisation, community enterprise, business support entity, pressure group, *etc.* all with their own challenges and opportunities.

5.2. The implications of recession and public spending cuts for BIDs as a area/public realm management model

The immediate and longer-term implications of the processes described above for BIDs as stakeholder-based public realm and area management organisations can be deduced from the challenges and opportunities BIDs currently face. Six more general challenges have been felt in different degrees by all BIDs in this study. These vary from more immediate issues threatening the operation of the BID, to more general concerns with changes in the context in which BIDs operate.

The first challenge relates to the need to gain and retain support of levy payers, and convert passive into active support for the occasion of the re-ballot. This was intensely felt across all cases as they were just coming out of, or approaching a re-ballot. It seems to be several reasons why this has been a challenge even for recognisably successful BIDs. Firstly, BIDs are a relatively new player in the management of their areas, and their precise role in it is still being defined. Secondly, some of their achievements might be quite visible, but the processes that led to it and the role of the BID in them might not (*e.g.* reduction in incidents of graffiti or fly tipping, decrease in street-crime). Thirdly, as achievements get absorbed into the background of the area, their origins in the actions of the BID become less apparent, especially where there is a significant turnover of businesses. Many BID managers referred to the need to keep reminding levy payers of the connection between the BID, the levy and improvements to the area that many now took for granted, as well as the need to constantly produce new achievements to prove the continuing value of the BID. Fourthly, and especially so for generalist, town centre-type BIDs, businesses in any area are likely to comprise a significant diversity of types and sizes, with different needs and expectations. In part this issue has been addressed preventatively in the careful definition of BID geographical limits, minimum rateable values for membership and the levy rate itself, leaving out of the BID and the balloting process businesses for whom the BID was unlikely to appeal or whose needs could not be catered for by it. Nevertheless, delivering a range of services that can meet varying needs and expectations within the available resources has proved to be challenging for some of the cases, and especially for those whose profile is not clearly associated with one or two clear-cut initiatives (*e.g.* CCTV operation or Christmas lights). It should be added that for all these four issues, the recession is not necessarily the root cause, but it has magnified them as it made the burden of the levy more significant, especially for those businesses operating at the margins of profitability.

The second challenge refers to changes in the funding landscape brought about by the recession and spending cuts, which are unlikely to be reversed in the near future. Except for three of our cases with annual income in the range of £1 million (Kingston, Birmingham Retail and London Bridge) and the especial case of Rugby (£600,000 from levy + £250,000 from CCTV operation contract with local authority), all the others are in the range of £300,000 to £400,000, or £150,000 for the two industrial BIDs. Typically, management costs capture between 20% and 25% of that income. Moreover, those sums include up to 20% of less secure and therefore potentially variable additional contributions. This means that apart from larger metropolitan BIDs and one or two richer ones elsewhere, most BIDs have limited investment capacity in the absence of grants, support from the local authority and other forms of additional income. Activities that involve capital investment or significant up-front costs will be out of reach. As an example, both industrial BIDs examined in this study are delaying the expansion of their CCTV systems, one of their key pledges, for lack

of resources for the necessary capital investment. Unless new additional sources of income can be found, this poses to BIDs the challenge of fulfilling levy payers expectations mostly through relatively cheap, small scale interventions, which are unlikely to address more structural problems facing some of those areas. The risk is that in the longer-term this might put in question the significance of some BIDs.

The third and fourth challenges are linked to the idea of additionality of services, which is one of the principles justifying the payment of a supplementary levy on top of business rates. The BID project hinges on the idea of raising additional resources for additional services necessary to make business locations fulfil their role more effectively, and not of replacing public spending with private spending. Although the services provided by the BIDs in this study are rarely a simple extension of those delivered by the local authority or other public sector bodies, they do depend on the latter to be effective. There is not much use in having a quick response cleaning team to deal with emergencies, if the baseline standard of street cleanliness is such that a localised intervention will not make any visible difference. Similarly, the value of a Pub Watch scheme will be questionable if police presence or rates of responses to calls worsen drastically. In none of the 10 areas there is the expectation that standards of basic services will deteriorate significantly, albeit because in some cases they are already minimal. However, there are various examples of BID initiatives that were predicated on joint funding with the local council which has subsequently been withdrawn, leaving BIDS to choose between a reduced standard of service and the reallocation of funds between programmes to maintain the existing standard. According to the legislation, the standards of public services in the BID area, which the BID would complement, should be set out in service level agreements between the BID and the local council. Although all the ten cases have such agreements formally set out, they appear to be less of a guarantee of standards than could be expected. The general perception is that they are not enforceable, and only the commitment of the council to the success of a BID or political pressure and lobbying from those affected can ensure those agreements are respected. The consensus in all the cases is that the full impacts of spending cuts on local services have yet to be felt, and the challenge therefore is how to secure that service standards are maintained if the pressure for cuts in local authority services becomes overwhelming.

Related to the above, the fourth challenge comes from one of the approaches to tackling service cuts. Nearly all the cases have reported various degrees of pressure to take over services traditionally run and funded by the local authority or other public bodies, from Christmas lights to street markets, street cleaning and graffiti removal. Whether BIDs should do so and in what circumstances remain controversial issues. Of the 10 cases only Kingston has fully embraced the role of service deliverer, using income produced by efficiency savings in the delivery of council services to cross-fund its own programmes. Others have been reluctant to do so because of the risks involved and the perceived loss of independence associated with the role of contractor

to the council. A few of the cases have taken over specific initiatives or events previously run or funded by their councils, and others have entered contractual relationships with them, but in most cases this has not amounted to a take-over of public services. However, BID managers are aware that pressures to adopt this approach are likely to be felt more intensely as the impacts of spending cuts become more evident and the funding landscape changes even further. As suggested by concerns about CCTV monitoring and street cleaning services, a BID take-over might be the only way of ensuring that standards of some services are maintained. Therefore, BIDs have grappled with the challenge of adopting a response to this issue that is appropriate to the circumstance of each BID, but which also manages to secure the right balance between opportunities and risks.

The fifth challenge has to do with the strategic roles BID can play in the development of their areas. The study suggests that some BIDs have abandoned a more ambitious and longer-term perspective of their roles and shifted to a shorter—term, operational focus. As indicated above, there are clear reasons why they have done so. However, on-going changes in the institutional set-up of local government, urban regeneration and planning in England (localism, neighbourhood planning, abolition of regional development agencies, Big Society policies) suggest that BID might be pushed by the circumstances to adopt to a more strategic function. Future government funding for economic development and social programmes through voluntary and private sector organisations might require the BID to play the role of leading partner in funding bids. For this, strategic long-term thinking might be required, taking into account interests other than levy payers. As pointed out by one interviewee, so far in all but the largest BIDs there seems to be a tacit division of labour in which the council thinks about strategy and the BID concentrates on delivering a couple of services to a specific group of businesses. The institutional changes mentioned above suggest this model might need to be reconsidered, and the challenge will be how to do this without reducing the strength of the connection between the BID and clearly defined business needs.

Finally, the sixth challenge detected in the interviews comes from impending changes in the set-up underpinning the BID model, and more particularly the business rates system. This is a more general challenge, which might become an important issue over the coming years. As the situation now stands, BIDs exist as a way of generating a small amount of surtax on business rates, which is then re-invested locally according to priorities formalised in an approved business plan. At present, this makes sense because of the national tax character of non-domestic business rates, pooled in a national pot and redistributed back to local authorities according to a formula that is unrelated to local priorities. The BID levy is therefore the opportunity for businesses to raise money that will be necessarily invested into what they perceive as the main needs of their locations, and on which they have full control. However, proposals currently being contemplated by the government are looking at the possibility of local authorities retaining part of the income generated by business rates

to reinvest in their own economic development priorities. It is unlikely that this will provide the same degree of direct correspondence between tax raising and spending that the BID levy does. However, if the retained business rates were to create a clearer link between tax raised and spend in a locality, this might weaken the case for the BID levy and therefore for the BID itself. In a parallel development, the UK government Big Society agenda presupposes a different model for funding capital investment in infrastructure, based on contributions from potential beneficiaries in the private sector complementing state funding. Supplementary Business Rates (SBR) are part of this, and seem to be the way the UK government expects to fund key infrastructure projects in the near future. There have been discussions about the implications of a widespread adoption of SBR, which have included the impact an extra levy might have on BID areas. Currently, the Business Rate Supplements Act 2009 gives local authorities discretion over whether or not to deduct the BID levy when calculating the rate of SBR for businesses in BID areas, and the concern has been that the case for BIDs would be much weakened if its levy became an extra burden on local businesses. In a parallel development, licensing laws (*i.e.* laws regulating the sale of alcohol) are being revised and some of the proposals include powers for local authorities to raise levies from licensed businesses to cover the costs of street cleaning and policing. This again would make it more difficult to justify a BID levy on the businesses affected. Therefore, the challenge felt by some of the interviewees is how BIDs or any similar organisation could adapt to an emerging institutional landscape in which businesses are required to fund for a range of local and regional services and infrastructure projects through a variety of surtaxes.

The need to adjust the BID model to cope with recession and public spending cuts has also brought some opportunities for BIDs to consolidate their roles. The close links between BID activities and the needs and expectations of levy payers, reinforced by the recession, has led to an increasing perception of the BID by the local authority as a representative of local businesses, with whom they can discuss and gather support for their own policies. This was more visible in some cases than in others, but in general, it translated into an increasing role for BIDs as consultees in *e.g.* planning and parking policy decisions, membership of regeneration partnerships, *etc.* Conversely, on the part of levy payers there seems to be an increasing recognition of the BID as a channel to communicate effectively with the council, the police and other public bodies. Both trends suggest a potentially important role for BIDs not just as the vehicle for the delivery of a levy-funded business plan, but also as a consortium of local businesses conveying to policy makers the expectations and needs of businesses in their areas, but also and more importantly, helping to shape and calibrate policies with local impact. Moreover, recession and spending cuts have affected the ability of local authorities to direct extra resources to town/city centres and important industrial districts. BIDs have already acquired a status as well-resourced players in the management of those areas, and the cases in this study suggest this role can be explored further.

The challenge to find alternative sources of additional income, especially capital investment, has led BIDs to explore different paths. Whether or not these experiences can be generalised will depend on the particular context of each BID. However, it should be noted that the government's drive towards policy delivery through organisations outside the public sector will increase the opportunities for civil society organisations to become leading bodies in future urban regeneration and economic development programmes. As they become established as key players in the management of town/city centres and industrial districts, BIDs will be in a good position to play that role.

Overall, therefore, our study suggests that the recession and spending cuts have indeed presented BIDs with important challenges. Issues of funding, managing the expectations of levy payers and local authorities in a more adverse environment, defining their role and purpose within the changing landscape of area management, have all affected most BIDs albeit in different ways. Nevertheless, the model so far seems robust enough to cope with the challenges, and the renewed mandate achieved by half of the cases in this study testifies to that. However, economic recovery is still weak, local authority spending cuts have not yet run their full course, and potential changes to the business rate system and local authority finances could present a more structural challenge. Nevertheless, there is now some acceptance of the idea that people and businesses should have a larger say in the management of the areas in which their stakes are significant, and if they so wish and under clear rules, they should be able mobilise their own resources to realise their aspirations. How exactly BIDs will fulfil this role in the near future may vary from how they have done it so far. The study has showed how diverse BIDs already are, and highlighted a number of possible routes for BIDs to consolidate their position as part of the governance set-up of town and city centres and industrial areas:

- A move towards a business services focus, with BIDs becoming de-facto consortia of local businesses, with some public realm intervention along the safe, clean, image agenda but subsumed into a strong business association ethos, seeking forms of securing competitive advantages for their members.
- An increase in the entrepreneurial character of the BID, with a focus on income increase through public service delivery contracts, sale of services, seeking a major role as leading partner the delivery of urban regeneration and economic development projects and grant holders for those projects.
- A narrowing of remit, reinforcing the association of the BID with the delivery of one or two key activities that are regarded as high priority by local businesses. These could be *e.g.* CCTV operation, or the promotion of particular events, in a much more restricted, but more focused agenda and more self-evident role.

Evidently, these alternative paths contain some simplification of a more complex reality. However, they do reflect options that are beginning to take shape amongst the ten cases. It would not be unreasonable to hypothesise that as BIDs consolidate their roles in the management of their areas they will assume more of the characteristics of

one of those three ‘models’. Larger, wealthier metropolitan core and periphery BIDs might become more entrepreneurial. Smaller town centre and metropolitan periphery BID with more homogeneous business bases might acquire a more visible consortium dimension. Town centre and many industrial area BIDs in more distressed areas might develop into a better-funded business equivalent of a neighbourhood watch association, with overriding focus on safety and crime prevention, or if in more affluent areas, assume the character of events managers. In any case, the evidence from the study is that BIDs are now part of the mechanisms for the management of town/city centres and many industrial areas, and even if the basic model changes it is unlikely to disappear.

Conclusions

The research strongly suggests that the recession and spending cuts have had some impact on most BIDs, but so far this impact has been manageable and the model itself has not been put in question. Moreover, shifts in the relationship between the state and civil society, of which the current government’s Localism agenda is only the latest instalment, will ensure that stakeholder-led urban governance structures like BIDs are likely to become more, not less common, and might even be given further impetus by public spending cuts, especially if these constitute a more structural phenomenon. Town/City centre and industrial area management with strong input from business occupier in both co-ordination and implementation of a variety of initiatives has become a feature of urban governance in the UK, and this will become even more the case as BIDs get more embedded in governance systems. In this context, what would then be the immediate and longer-term implications for urban areas and their public realm deriving from the consolidation and evolution of BIDs as part of the urban governance landscape?

The roles of BIDs in public realm management are already diverse, as our cases demonstrate. They vary from a minor role in complementing local environmental services, to being active players in the transformation of public places into arenas for festivals and spectacle, to co-ordinators of surveillance, policing and of the implementation of banning orders and other forms of legal exclusion from the area or parts of it – although not in any of the 10 cases as enforcers of such measures. Moreover, they play those roles from a perspective that is clearly defined: that of levy paying businesses. The main impact of the recession and spending cuts on those roles is the same as that on the BID as area manager: a shift in focus away from activities regarded as less important, postponement of more ambitious interventions that might have required significant capital investment, occasional take-over of parts of public services with impact on the public realm, *etc.*

Overall, BIDs have not added another layer of public realm management, independent of, and in conflict with, the local council. BIDs autonomy to shape the public

realm has been limited by both the amount of resources available to them and the nature of their relationship with the local authority. What they seem to provide is mostly a mechanism for co-ordinating and complementing services and activities already in place. This is so even as regards safety & security, an area of BID activity that has been particularly scrutinised in the academic literature for evidence that BIDs could signal a privatisation of the public realm and an increase in restrictions to access to it. As the evidence from this study suggests, the main role of the BID has been to co-ordinate and facilitate the use of tools of surveillance and control that are already available and frequently deployed in town centres by the local authority or the police (*e.g.* CCTV systems, Pub Watch, radio links between shopkeepers and the police, *etc.*). Therefore, here as in any other area of public realm management, comparisons between the roles of BIDs and those of the private companies that manage private spaces with public access should be made with extreme caution.

Perhaps the best way to describe how BIDs interact with the public realm of their areas is the idea of 'trading environment'. The quality of the public realm is indeed important for BIDs, not for its own sake, but because it represents the environment in which its members do their trading. Its quality can influence how well they can do that trading, how competitive they can be in relation to other locations, how easier it is to attract customers and employees. Whether or not improving the trading environment requires extensive public realm interventions will be determined by the particular context of each BID area. In our 10 cases, this varied significantly and so did the engagement of the BID with public realm management.

The implications for the public realm of the evolution and consolidation of BIDs along the lines suggested in this study will therefore be varied. Some BIDs (*e.g.* those adopting a more entrepreneurial route as described above) are likely to play an increasing role in the delivery of public realm services and the shaping of public realm quality. Indeed, some BIDs have become *de facto* consultees in planning applications and other built environment interventions as the 'voice of local businesses'. In those places, the existence of adequate mechanisms to harmonise the interests of levy payers with other local stakeholders will be of great importance. Others (*e.g.* those focusing on marketing and events) might have a far more occasional impact on the public realm, with a more pronounced role of the local authority in mediating that impact. Others still have had a minimal role in public realm management, acting more as monitors for levels of quality delivered through local authority programmes. This suggests that theorisations on the role of BIDs in shaping the public realm and the way it is used will have to be more complex and sophisticated than they have been so far.

However, in many senses BIDs are still new forms of articulating and mobilising stakeholder interest in the management of the parts of urban areas that are relevant to them. The 6-year period since the first UK BID was set up has been enough to show how BIDs have been absorbed into existing urban governance systems and practices

in periods of both prosperity and recession, but not enough to generate a more solid understanding of their long-term prospects and impacts in the life of towns and cities.

Therefore, understanding how BIDs operate, what aspirations they represent, how they relate to other aspirations and to broader policy objectives, and how these are all shaped by fluctuations in the economy, are important elements in thinking critically about the limits and potential of emerging forms of urban governance, and getting to grips with what they might represent in the future.

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