



Pre-Tender Market Engagement

Business Improvement Districts (BIDs) Loan Fund CDP 120 140 122

Authority: Ministry for Housing, Communities and Local Government (MHCLG)
 (“the Authority”).

Date Response required: 12:00 pm GMT 6th April 2020

1 PURPOSE

- 1.1 This Pre-Tender Market Engagement (PTME) seeks information in preparation for the potential procurement of a Supplier (from herein referred to as a “**Potential Supplier**”) to re-establish the BIDs Loan Fund. The purpose of this PTME is to:
 - 1.1.1 help define the requirement;
 - 1.1.2 help provide a better understanding of the feasibility of the requirement;
 - 1.1.3 understand the best approach;
 - 1.1.4 help understand the administration and set-up costs involved;
 - 1.1.5 understand the capacity of the market to deliver and possible risks involved; and
 - 1.1.6 provide the market with an opportunity to ask questions, raise queries and any issues to be addressed at an early stage.
- 1.2 The Authority shall maintain commercial confidentiality of information received during the PTME.

2 INTRODUCTION

- 2.1 Business Improvement Districts (BIDs) are business-led partnerships, most commonly in town centres, which are created voluntarily to deliver additional local services and upgrade the local environment for the benefit of businesses.
- 2.2 BIDs play an important role in enabling local businesses to work together to shape and improve their high streets and towns. BIDs address the market failure of poor coordination between businesses, some of whom would view each other as competitors, and help to institutionalise business collaboration and leadership at a local level. They are a proven vehicle for leveraging private investment into places to support businesses, place management and regeneration.
- 2.3 There are over 300 BIDs across the UK. A BID enables businesses to come together to fund projects that address specific common problems and improve their local place. BIDs can be established in any commercial area (where there are non-domestic ratepayers). They charge a levy on local businesses and these funds are reinvested to deliver agreed improvements to help revitalise high streets and town centres.
- 2.4 Examples of the kinds of projects and local improvements BIDs finance often includes, street cleaning or space management, but have also been known to take much wider roles as local leadership for local business communities, destination management, public realm improvements, and neighbourhood planning.

- 2.5 BIDs are only formed following a successful ballot of businesses in the BID area. More than 50% of businesses that vote in the ballot must be in favour. BIDs are operational for a fixed term up to five years, following which they need to undertake another ballot.
- 2.6 The Government recognises that the development of new BIDs requires significant up-front expenditure, for example, to employ dedicated staff to prepare a business plan for the BID, for publicity materials and for engagement with businesses to help ensure a positive result at ballot. To facilitate the setting up of more BIDs, the Government established the £500,000 recyclable BIDs Loan Fund.
- 2.7 The BIDs Loan Fund is a £500,000 recyclable loan fund set up in response to the December 2011 [Portas Review of the High Street](#) to support the development of BIDs. Each successful applicant to the Loan Fund can receive up to £50,000 to help with the set-up costs of creating a new BID. If and when the proposed BID passes its first ballot, the loan is then repayable to Department with interest.
- 2.8 The BIDs Loan Fund is a key element of the Government's support and engagement with the BIDs sector. The Fund exists to support the development of BIDs, given previous ministerial steers to support the growth of the model and establish BIDs across the country to support local economies. The Fund has achieved a large regional spread, with nearly 35% of recipients from within the Northern Powerhouse, nearly 25% from within the Midlands Engine, and 12% from the South West. BIDs already exist in almost all core English city centres, whilst almost two thirds of recipients of the Fund have been in towns rather than cities.
- 2.9 The Fund has outperformed initial expectations. The original business case in 2013 estimated a minimum of 14 BIDs would be supported. To date the Fund has been much more successful than predicted: it has supported 33 developing BIDs, of which 21 BIDs have been successful at ballot, which represents around 18% of new BIDs formed in the UK since 2014. Eight BIDs of the 33 are currently being supported through their development.
- 2.10 In July 2018, as part of the High Streets Week announcements, we announced a further £100,000 round of loans from the Fund to support the development of four more BIDs. The recipients were Armley, Leeds; Beverley, East Riding of Yorkshire; Christchurch, Dorset; and Digbeth, Birmingham. This is the most recent round of funding.
- 2.11 The current BIDs Fund was contracted through a competitive procurement exercise. The contract was originally set up for five years, with the option of a two-year extension. The extension was implemented in September 2018. As the current contract ends in September 2020, we are seeking to re-procure the Fund.

3 HIGH LEVEL OUTLINE PROJECT OUTCOMES REQUIRED

- 3.1 The Authority is looking for a Potential Supplier to operate and manage the BIDs Loan Fund.
- 3.2 The over-arching objective of the BIDs Loan Fund is to:
- 3.2.1 support the Government's commitment to levelling-up regions, towns and cities across England by empowering local business communities to establish BIDs helping them to work together to shape and improve their high streets and towns; and
 - 3.2.2 increase the number of new BIDs across England by offering low cost loans to BID developers who have a good prospect of achieving a successful ballot.
- 3.3 The Potential Supplier will support these objectives by:

- 3.3.1 actively raising awareness of and publicising the Fund, including supporting MHCLG with the announcements of further tranches of Funding to attract interest and applications to the Fund across England;
 - 3.3.2 effectively administering the Fund with competence and accuracy, providing expertise and light-touch advice and support to loan recipients;
 - 3.3.3 minimising risks to the Fund (particularly) of unsuccessful ballots and loan defaults, by:
 - 3.3.3.1 making effective recommendations on whether to MHCLG on whether to award loan funding;
 - 3.3.3.2 monitoring the progress of loan fund recipients and regularly reporting progress to MHCLG, flagging risks as soon as possible.
- 3.4 MHCLG expects the Fund to be able to be delivered by a Potential Supplier without Administration costs being charged to MHCLG, however, we would welcome potential suppliers indicating the feasibility of this (see section 4, question 9).
- 3.5 MHCLG expects any set-up costs will be met from the Loan Fund, but these are expected to be minimal as the Potential Supplier will likely have similar operations already in place.
- 3.6 The current balance of the BIDs Loan Fund will be paid to the Potential Supplier upon the start of the contract to a dedicated bank account for the administration of the Fund. MHCLG will also pay the Potential Supplier any agreed administration costs and set-up costs, and further payments to top-up the Fund will be paid in instalments in advance of any new tranches of loans.

4 OUTPUTS/DELIVERABLES

- 4.1 The Potential Supplier would be expected to set up and maintain all the financial and administrative structures necessary to operate a Loan Fund with an estimated value of £500,000. The Potential Supplier can offer successful loan applicants with expert advice on BID development (although the organisation will be free to choose from other sources of advice).
- 4.2 Key Performance Indicators may include:
- 4.2.1 numbers of BIDs supported (and applications received);
 - 4.2.2 regional distribution of BIDs supported (and from applications received);
 - 4.2.3 losses to the Fund from unsuccessful BIDs kept to a minimum; and
 - 4.2.4 frequency of tranches of Funding being released.
- 4.3 Loans of any amount up to £50,000 are to be offered to BID developers who are able to evidence preliminary details about their proposals towards becoming a BID. The eligibility criteria will be supposed to include:
- 4.3.1 A formal inclusive partnership is in place with defined governance arrangements
 - 4.3.2 A costed proposal for management resource to support the process
 - 4.3.3 Demonstration of initial feasibility work to show probable scale of the BID and budget
 - 4.3.4 Evidence of business interest in the BID concept (5% of probably levy payers)
 - 4.3.5 Commitment from the local authority to the proposed timeline and principles
 - 4.3.6 Agreement from the local authority to act as the accountable body (including a signed commitment from the local authority)

- 4.4 The Successful Supplier will be invited to suggest improvements to the eligibility criteria, which will be agreed with MHCLG.
- 4.5 Further details on the process of administering BID loans can be found in Annex A of this document.
- 4.6 The Potential Supplier will be required to disseminate loans to organisations assessed as eligible and to which MHCLG has agreed should be awarded. It will also be the potential supplier's responsibility to monitor the loans and ensure they are being used for their intended purpose, setting out the processes and procedures required to ensure any misuse is picked up at an early stage and how this will be reported to the MHCLG Contract Manager.
- 4.7 The Potential Supplier will also be required to provide on a monthly basis the MHCLG Contract Manager with a monthly report of the current financial status of the Fund and progress of Fund recipients through the Loan stages. It would be expected that potential supplier's due diligence would pick up any real concerns.
- 4.8 The Potential Supplier will be required to publicise the Fund in order to raise awareness of its potential, and thereby attract and increase applications for the use of the Fund, and for the establishment of more BIDs.
- 4.9 The Potential Supplier will be required to have re-collection procedures that are robust and workable, and make it easy for organisations to repay their loans. The potential Supplier will need to ensure that the proposed approach ensures the maximum likelihood of recovering the money as well as the interest that has accrued.

5 KEY DATES & TENDERING PROCESS

- 5.1 If it is decided this service is required, it is anticipated that a procurement may start late April 2020 with the contract to commence in July/August 2020. These indicative dates are for information purposes only. MHCLG reserve the right to amend these dates at any time, and Potential Suppliers rely on them entirely at their own risk.
 - 5.1.1 August 2020 – Supplier appointed
 - 5.1.2 March 2023 – break clause
 - 5.1.3 September 2025 – contract will end but with option to extend
 - 5.1.4 September 2027 – end of contract
- 5.2 The contract is expected last for 5 years. The Supplier will need to ensure that all loans are repaid before the end of the contract (September 2025) unless MHCLG approves otherwise. The Supplier will need to decide when to stop providing loans to applicants in order to allow reasonable time for recollection. There will be a break point in March 2023 where MHCLG can decide to terminate the contract if there is insufficient interest.
- 5.3 A decision will be made in September 2025 about what to do with the outstanding recyclable fund – with the options including an extension for a maximum of 2 years to the contract to 2027 on similar terms to the original or MHCLG taking up their right to recover all monies from the Supplier on termination of contract.

6 RESPONSE

- 6.1 **Please respond by email to Joanna.Means@communities.gov.uk with the following by **12:00 pm GMT 6th April 2020** (the "Response Deadline").**

- Q1 Would you be able to meet the requirements as specified in sections 3 and 4 above?
- Q2 Would you be interested in bidding for this project?
- Q3 What expertise would you bring to contract?
- Q4 Would you bid with other organisation(s)? If so, which organisations?
- Q5 Would you be able to deliver all the outputs mentioned including those which require specialist experience and contacts in the sector, or just a selection?
- Q6 Is what the Authority asking for clear?
- Q7 Is there anything here which is irrelevant, outdated or unnecessary?
- Q8 What, if anything, has the Authority missed or overlooked in setting out their requirement?
- Q9a Would you bear the administration costs of this contract and ensure these costs are not passed onto the authority for the duration of the contract?
- Q9b If yes, how would you achieve this?
- Q9c If no, what costs would need to be passed onto the authority?
- Q10 What set-up costs would you incur with this contract, and would you seek to charge these to the authority?
- Q11 What would the indicative cost be for this piece of work? Please supply a brief rational/ description on how these have been calculated.

7 QUESTIONS AND CLARIFICATIONS

- 7.1 Potential Suppliers may raise questions or seek clarification regarding any aspect of this PTME document at any time prior to the Response Deadline. Questions must be submitted by email to Joanna.Means@communities.gov.uk only.
- 7.2 To ensure that all Potential Suppliers have equal access to information regarding this PTME exercise, responses to questions raised by Potential Suppliers will be published in a "Questions and Answers" document, which will also be circulated by email, with updates appearing at regular intervals (approximately two to three working days).
- 7.3 Responses to questions will not identify the originator of the question.
- 7.4 If a Potential Supplier wishes to ask a question or seek clarification without the question and answer being revealed, then the Potential Supplier must state this in their email and provide its justification for withholding the question and any response. If the Authority does not consider that there is sufficient justification for withholding the question and the corresponding response, the Potential Supplier will be invited to decide whether:
 - 7.4.1 the question/clarification and the response should in fact be published; or
 - 7.4.2 it wishes to withdraw the question/clarification.

8 GENERAL CONDITIONS

- 8.1 This PTME will help the Authority to refine the requirements and to understand the potential level of interest in the delivering requirements. It will also aid Potential Supplier's understanding of the requirements in advance of any formal competitive tender exercise.
- 8.2 The Authority reserves the right to change any information contained within this PTME at any time, and Potential Suppliers rely upon it entirely at their own risk.

- 8.3 The Authority reserves the right not to proceed with a competitive tender exercise after this PTME or to award any contract.
- 8.4 Any and all costs associated with the production of such a response to this PTME must be borne by the Potential Supplier.
- 8.5 No down-selection of Potential Suppliers will take place as a consequence of any responses or interactions relating to this PTME.
- 8.6 The Authority expects that all responses to this PTME will be provided by Potential Suppliers in good faith to the best of their ability in the light of information available at the time of their response.
- 8.7 No information provided by a Potential Supplier in response to this PTME will be carried forward, used or acknowledged in any way for the purpose of evaluating the Potential Supplier, in any subsequent formal procurement process.

Annex A: Process for loan funding

1. The Supplier works with MHCLG to prepare new tranche of funding



2. MHCLG announces launch of new tranche of funding, opening EOIs



3. Supplier receives EOIs for new tranche



4. EOIs close and applicants submit full applications



5. Applications close and Supplier sifts them with MHCLG



6. Supplier makes recommendation to MHCLG on applications



7. MHCLG makes final decision



8. Loan is awarded to applicants according to stages of the Fund

Annex B: Stages of the BIDs Loan Fund for recipients

1. Feasibility Stage

- a. Establishing the need
- b. Assessing business interest
- c. Gauging local authority support
- d. Crude viability test
- e. Assessing the capacity
- f. Raising awareness of the process

2. Planning State

- a. Establish the vision
- b. Research
- c. Consultation
- d. Database
- e. Modelling
- f. Proposal
- g. 'Go ahead' stage

3. Local Authority Stage

- a. Baseline agreements
- b. Operating agreement
- c. Ballot process
- d. Council processes
- e. Voter databases
- f. Ballot timetable
- g. Levy collection

4. Campaign Stage

- a. Timetable
- b. Establishing voters
- c. Launch
- d. Communications strategy
- e. Ballot monitoring
- f. Contingency for failure at ballot

5. Establishment Stage

- a. Preparation for launch
- b. Launch date
- c. Billing procedures
- d. Governance arrangements
- e. Staffing and recruitment
- f. Performance measurement
- g. Reporting requirements

Annex C: Glossary

Administration Costs. Costs payable to the Supplier for assessment, award and administration of Loans.

Supplier. The successful bidder for the contract.

Eligibility Criteria. The criteria that potential BIDs must reach before the Supplier will assess.

Loans. The sum awarded to successful Loan Applicants.

Loan Applicants. The potential BIDs seeking Loans.

Loan Applications. The application received by the Supplier from potential BIDs.

Loan Fund. Approx. £500,000 (which will vary dependent on interest, loans etc) fund from which Loans, Administration Costs and Set-Up Costs must be met.

Recyclable. The repayment of loans will enable further tranches of funding to be issued.

Tenderers. Organisations bidding for this contract to provide the administration of a Business Improvement Districts (BID) Recyclable Loan Fund.

Tranche. A round of funding with several recipients successful.