



Federation of Small Businesses
The UK's Leading Business Organisation



Local government 2011 manifesto

think small first



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Foreword

Local authorities can make a big difference to their local economy and the businesses which create prosperity and jobs in their area. This manifesto highlights actions a council can take in partnership with the business community to bring benefits for their local community. It aims to help councillors and officers to develop and integrate an understanding of the importance of small business into their day-to-day activities.

The elections this year cover both urban and rural England. Regardless of where in the country the elections are taking place small businesses are a vital part of that local economy. Small firms contribute more than 49 per cent of the UK's turnover, with small and medium-sized firms employing 22.8 million people. There is no town, city, or rural county where small businesses are not integral to local economic success and growth. That growth is never more vital than it is during a fragile economic recovery such as this.

In the FSB's view, the economic policies pursued by local authorities should be targeted at keeping trade local, improving the infrastructure – namely roads and supporting broadband coverage – and providing support for firms. To this end it is essential that representatives of the small business sector are included in the new Local Enterprise Partnerships and other business engagement bodies.

The FSB recognises that in the current climate, councils are facing a difficult situation with significant reductions in government grant funding, combined with a lower return on their investments and reduced income from planning applications, licences, car parking and other charges. Consequently, local

authorities may wish to make up any shortfall by increasing licence fees and raising charges across a range of services. The FSB appeals to councils to resist such moves, which could have a debilitating effect on hard-pressed businesses and push up costs, particularly for the small businessman and woman.

Throughout this manifesto the message is clear. It is a desire on the part of the FSB to work constructively with councils to improve the economy of local areas and to create a vibrant and successful business community.

Roger Culcheth

Local Government Policy Chairman



Responding to financial challenges

Budget savings

This year's elections take place with councils facing significant reductions in government funding, and the FSB recognises the challenges this will pose to councils. The FSB realises that there will be a need to make cuts to services. However, when making such decisions councils should look to the medium and long-term and recognise that the success of local businesses and the local economy must remain a priority.

Councils must consider the impact of any proposals for cuts to services which support business or which may have a negative impact on the local economy.

Charges on business

As well as making cutbacks to services the FSB recognises that many councils will be looking to mitigate reductions in their funding by finding ways to increase their revenues. All local authorities charge fees for a range of things, from permits to gaming licences and parking charges. The costs of these vary between authorities but increased fees are placing burdens on many businesses.

Example: Parking

Many councils are using parking charges as a source of revenue. For example, Kingston Council in London is increasing its permits for businesses to park in controlled parking zones from £90 to £300, more than a 200 per cent increase. Parking charge increases in town centres can have a real impact on local businesses by discouraging people to come into the town and using local shops and amenities. The FSB is concerned that, as a result of the financial pressures on local authorities, this situation could be made worse. This would be a short-term money grab with disastrous medium-term effects on the local economy. The FSB would like to see the following:

Parking schemes and charges tailored and affordable to the individual locality, including taking into account the wider interests of the local community, particularly small businesses

Local authorities to start regarding parking as a vital service, integral to the survival of the local economy, and not as an additional source of short-term revenue

Increasing charges paid by business must not be seen as an easy way to raise revenue. In the long run it will hit local businesses and damage the local economy.

Charges on local businesses must not be increased to raise revenue for council coffers.

Competing with local business

The FSB has voiced concern about the powers councils now have to charge and trade. In charging for discretionary services and trading commercially, councils can often cover the costs of providing the services out of their existing resources. It is therefore easy for them to undercut local businesses which offer similar services but must face the commercial realities of covering their costs, overheads and making a profit.

There are also concerns that many councils will choose to operate alongside a commercial business, often a large operator who can enhance market share and offer the local authority the protection of established business management. The impact on local small businesses of such a combination has the potential to be significant.

Local authorities should not enter into new commercial activity without undertaking a full assessment of the potential impact on local businesses.

Example: Trading

In Kent, the FSB is very concerned about the trading activities of Kent County Council which has set up to sell services through a subsidiary company which has, in our opinion, unfairly competed with private business. For example, Kent Top Travel, which is a subsidiary of Kent Top Temps and wholly owned by the County Council, were supported by a loan from the authority, something a private company would not have access to. Kent Top Travel is now the third largest bus operator in the county and is winning contracts and competing with private coach and bus companies. The FSB is concerned that Kent County Council is in an ongoing process of developing more and more commercial services that directly compete with local businesses.



Helping Business

Business rates

Business rates (non-domestic rates) are often the third biggest outlay for small businesses after rent and wages. It is the only tax not related to ability to pay. The burden placed on the small business person is great. Local authorities need to recognise the enormous contribution small businesses make to the economic sustainability of a community and help them wherever they can. While local authorities collect business rates the FSB recognises that the rates themselves are set nationally. However, there are still things local authorities can do:

Small Business Rate Relief (SBRR)

The FSB has welcomed steps being taken by the Government to remove the need for small businesses to fill in a form in order to claim small business rate relief. However, councils must be placed under a duty to review their valuations list to identify eligible small businesses so that it is fully automatic. In the meantime, councils should take a proactive approach to promoting SBRR to its local businesses in order to increase take up.

Targeted Discounts

Additionally, many businesses do not know that under Section 49 of the Local Government Finance Act 1988 that councils have the power to reduce or remit all or part of a business's rates bill on the grounds that the ratepayer is in extreme financial hardship.

*Increase Small
Business Rate Relief
take up.*

Some post offices, pubs, shops and petrol stations in rural areas are entitled to 50 per cent mandatory relief on their rates. However, councils have the discretion to grant further relief of up to 100 per cent and the FSB urges them to use it to help vital local businesses wherever possible.

The Localism Bill will also introduce the power for councils to introduce discretionary discounts on business rate relief which the FSB would urge councils to consider using in a targeted way to help local businesses.

Take a proactive approach to promoting the various forms of rate relief.

Business support

Many councils have set up economic task forces, or the equivalent, bringing together council officers, service advisors, business organisations and local businesses with the aim, if possible, of helping businesses. There is a risk that these support actions could be cut but councils must not see making cuts from this area as an easy opportunity to make savings.

Regulatory burden

The FSB is concerned that there is a disparity in the quality of inspections that happen at a local level and also believes that there is a role for local authorities in proactively informing businesses of changes to regulations, licence and consents that are under their jurisdiction. Local authorities can help local businesses by providing high quality, proportionate and consistent regulatory services to small firms. For example:

Commit to promote risk-based inspections that target the rogue traders and leave the compliant businesses to operate unimpeded

Work with business to assess how they can provide good quality and assured advice to small firms when they request it

Empty property

The threshold for exemption from empty property rates reverts from £18,000 to just £2,600 from 1 April 2011. The FSB is urging the Government to reconsider this move at a time when so many properties cannot be let, particularly given that small business property owners cannot claim small business rate relief on an otherwise eligible empty property

Retain vital business support

Planning

In order for small firms to grow and thrive in the recovery, long-term land use plans and short term planning policy needs to take into account the needs of the business community. A reformed planning system is needed which allows better support of the local high street and town centres and fully involves businesses when setting planning priorities. The Government is currently proposing significant changes to the planning regime. However, there are a number of ways that councils in particular can help small businesses.

Provide advice for those businesses wanting to build or expand their premises. Obtaining planning permission is often a minefield

In drawing up local plans ensure that business is properly consulted. For example, to ensure there is a range of affordable local business premises available, for new enterprises and existing businesses to grow

Resist, wherever possible, the development of out of town retail centres, which risk draining business from the high street, instead favour the promotion of sustainable business premises in town centres.

Transport networks

Businesses are dependent on the transport infrastructure for the movement of goods and services, to enable their employees to get to and from work and for customers to reach the business. Most journeys for small businesses are made within a 50-mile radius of their base, so local road networks are particularly important.

Even in these difficult times local highway authorities must continue to allocate adequate funds for road maintenance and investment and prevent funds being diverted to other areas. There is also a clear need for more joined-up working between both local authorities and others, such as the Highways Agency and utilities companies to minimise disruption and ensure that roads are maintained and schemes are followed through effectively to completion.

Continue to maintain and improve local road networks

Sustainable high streets

The FSB is pushing for an amendment to the Localism Bill to include a duty to promote sustainable high streets.

We would also like to see the 'Needs' Test brought back and given to local planning authorities to help small businesses and town centres.



Engaging with business

Local businesses are a key part of the community and local authorities should regard their engagement in the decision making processes as essential.

Small Business Engagement Accord

The FSB, under the Keep Trade Local campaign, launched a Small Business Engagement Accord in 2009. More than a third of councils have now signed up to the Accord, and we hope every local authority in England will do so as a commitment to engaging with and supporting their local business community. The 14 principles of the Accord identify the need for councils to consult with business owners and organisations on a regular basis, not just once a year, and to ensure business is adequately represented on local authority forums, which would benefit from the participation of experienced business leaders. In particular, the Local Enterprise Partnerships represent an opportunity to broaden this message and for them to demonstrate that they are genuinely committed to the business-led ethos envisaged by the Government.

The Leader of every council, together with a representative from the FSB, should sign the Accord as a demonstration of a joint commitment to the principles of the Accord.

Signatory Councils should help us work with the new LEPs to agree a version of the Accord.

A Champion for Small Business. Councils should each appoint a councillor who acts as a 'champion' for small business issues in their area.

Council spending

There should be genuine consultation by councils about their spending plans for the following financial year with all sectors of the local business community, as required under Section 65 of the Local Government Finance Act 1992. Many councils only seem to pay lip service to this principle of consultation and in some cases do not always fulfil even their statutory obligations. This consultation has never been as important as it is now, given the financial constraints councils are now operating under.

Tackling crime

Crimes targeted against business are still a key issue for local communities. 64 per cent of businesses have been a victim of crime over the last year at a cost of up to £3000¹ for each business. Businesses that are repeatedly targeted can be forced to close, leaving communities without valuable local services and jobs. Effective consultation with businesses is required in order to secure their input into priorities and action plans for Community Safety Partnerships (CSPs).

Businesses will need to be involved in the future structures that emerge, for example, have routes of consultation into Elected Police Commissioners and their associated police and crime panels to ensure that business interests are reflected in local crime plans.

Business to be included and consulted in community safety initiatives and local crime plans across the country.

¹ Localism and Tackling Crime Against Business
FSB (2010)

Small business manifesto for Local Enterprise Partnerships (LEPs)

The importance of small business to local economies has already been highlighted in this manifesto. For this very reason they should be central to the priorities being set by LEPs. The success of existing small businesses and new start-ups will be what fuels economic growth across local areas. LEPs that fail to recognise this will not succeed in leading successful economies.

The LEPs should not rely on individual businesses alone, particularly as this would favour larger businesses with greater resources/capacity. The LEPs should utilise business groups because they are able to give an excellent perspective on the particular business constituencies they represent. In particular, the FSB is in a unique position to help LEPs with its work programmes and projects because:

- The FSB is a member-led organisation, run by micro, small and medium-sized business owners
- The FSB has a national network including 26 member regions in England, each one supported by dedicated employees. They work together to raise the awareness of FSB policies, create meaningful relationships with local authorities and most importantly to support local businesses in their regions
- With the involvement of the FSB, the LEP will get both an individual business person and the breadth of knowledge that can be drawn upon from the FSB's work, both locally and nationally

Small business focussed priorities for LEPs

Support small businesses and encourage start-ups

LEPs should be looking at how they can support small businesses and encourage start-ups, for example by:

- Working with LEP partners on ensuring supply of premises for business start-ups
- Establishing and facilitating new networking/business development opportunities for local businesses
- Working closely with universities and further education colleges on providing and designing outcome based programmes to create the skills and knowledge needed for small business employment and self-employment
- Making it attractive for small businesses to provide job opportunities for unemployed people by ensuring they are ready to work – for instance, by facilitating internships and work experience

Promote better access to finance for small businesses

Focus on local solutions to improve access to finance for small businesses.

For example, schemes to:

- Help small firms become 'investment ready' with particular focus on those with the potential for 'high growth'
- Make small businesses aware of alternative forms and sources of finance and how to access them
- Bring together local bank managers and small businesses to discuss local business trends and concerns

Open up local procurement

LEPs can play a vital role in promoting more accessible procurement practice. For instance they can:

- Disseminate best practice and innovations to ensure that public sector organisations in the LEP area are improving access to small businesses
- Encourage local networks that would bring public and private sector buyers together with small business suppliers to exchange advice and identify opportunities
- Give small businesses the opportunity to form consortia across LEP areas to work together to bid for contracts and engage with larger companies to be part of the supply chain

Take the lead in creating a more small business friendly approach to planning

LEPs offer the opportunity to take a strategic approach to planning including the co-ordination of full consultation with business on the development of local planning strategies and co-ordinating their development across the LEP area so they are consistent.

LEPs should also prioritise the adequate provision of affordable small business premises across their area.

Reduce the local regulatory burden

Working with business to introduce a consistent approach to reducing red tape and regulations across the LEP area. LEPs should ensure that local authorities in their jurisdiction provide high quality, proportionate and consistent regulatory services to small firms.

Lead a more integrated approach to transport

LEPs should help co-ordinate transport strategies and the approach to improving local transport. The road network in particular is crucial to the survival, and more importantly, the growth of small businesses who work across administrative boundaries. A LEP-wide strategic approach focussing particularly on improving parking, access to work and road transport networks, is essential. Neighbouring LEPs must work together to ensure properly integrated local transport solutions.

Find local solutions for better access to broadband

Having good access to the internet is absolutely key to a modern small businesses growth. In a recent survey by the FSB, 24 per cent of respondents said that they were dissatisfied with their broadband service and 63 per cent said they were unhappy with the speed they were able to achieve. This is a problem that is particularly acute in rural areas. Where there are problems with good broadband access, LEPs should take leadership of projects and initiatives to find local solutions that work for that particular area until such a time that we have a full national high-speed broadband network. Improved broadband access is particularly vital for rural small businesses.



Procurement: think local, think small

The public sector spends an estimated £220 billion each year on procuring goods and services.² Some £42 billion of this is spent by local authorities.³ Our survey work shows that on average 27 per cent of FSB members do business with local councils⁴ (in some areas of the country this is significantly higher) more than with any other part of the public sector. This demonstrates how important this area is to small businesses.

Stimulating growth

Local businesses are at the heart of their communities; they spend their money locally and they employ local people. By procuring more from local small businesses, the local public sector can help stimulate small businesses and start-ups in their area, which in turn will generate wealth, employment and opportunity.

Procurement from regionally based small businesses can also lead to reduced greenhouse gas emissions while also contributing to other economic and social aspects of sustainability. An example of this is procuring food locally which would cut down on 'food miles', thus lowering carbon emissions while also contributing to the sustainability of local economies.

Benefits of using local small businesses

The FSB urges local councils to recognise the potential benefits of procuring from local small businesses and not to automatically assume that big suppliers

² Source: PESA 2009, published by ONS and HMT, analysing public sector organisation accounts.

³ Department for Communities and Local Government (2009) Review of arrangements for efficiencies from smarter procurement in local government. London: HMSO.

⁴ The FSB-ICM 'Voice of Small Business' Annual Survey, February 2010

and larger contracts are the way forward. There are numerous reasons why trading with small businesses can provide advantages and better value:

- They are locally based, meaning:
 - Money is spent with local businesses which then stays in the local economy⁵
 - Face to face contact and quicker responses
 - Better knowledge of local areas and the needs of the buyer
 - A lower 'carbon footprint'
- A higher quality of service, with a more dedicated and personal approach and easier access to senior management
- Innovation and customised solutions to problems, often provided much more quickly than large companies.

Action Points

To help small businesses local government could do a number of things, including:

- Adopt the new standardised pre-qualification processes and use of the centralised 'Contracts Finder' portal being mandated across central government to make it easier for small businesses to find and bid for contracts
- Provide detailed, specific and timely feedback to all short-listed businesses that tender
- Examine and publish data on which firms they procure with, including data on procurement with local small and micro-businesses
- Adopt a procurement policy which recognises the significant benefits of procuring from local small businesses when tendering for goods and services
- Consider breaking large contracts down into smaller lots
- Use spending power to encourage large contractors to sub-contract with small business suppliers and monitor their progress

⁵ 50–70 per cent of money spent in the local economy stays in the local economy. Friends of the Earth – Shop Local campaign.

Keep Trade Local

The FSB has been running the Keep Trade Local campaign for three years now. Is your Local authority involved?

Keep Trade Local seeks to stem the tide of business closures; reverse the trend of decline and defend the choice and diversity that customers deserve.

Local Authorities can show their support for small businesses:

- By signing the Small Business Engagement Accord
- Doing a Health Check on the high street and addressing problems
- Thinking about long-term sustainability and localism when procuring food and other goods.

Many MPs have signed up to be Keep Trade Local Ambassadors and champions of the high street, and the FSB engages with supermarkets to ask them to support smaller businesses in their area. As a Local Councillor or a member of the public there are a number of things that you can do, but most importantly use your local small independent businesses – if we don't use our local shops and tradespeople, we will lose them.

Benefits of Joining the FSB

Did you know that as a right of membership, FSB members have access to the following services:

- Legal advice from qualified lawyers 24/7 all year
- Tax advice from HMRC trained specialists. Tax protection against in-depth tax investigations for all FSB member's businesses
- Information on employment law, health & safety, tax and commercial law through the FSB members-only website
- Legal documents downloadable in MS Word which can be styled to your business available through the same website
- Insurance cover for legal defence and an employment disputes service with payment of statutory awards

Can you afford NOT to join?

Call now on 0808 20 20 888

www.fsb.org.uk

Some useful facts about small businesses

- There are 4.8 million businesses in the UK
- Over 99% per cent of small firms employ fewer than 49 people
- 59 per cent of the workforce (13.7 million) is in the SME sector
- Over 500,000 people start their own business each year
- 3 million businesses are sole proprietors



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