



Federation of Small Businesses East Midlands Area Policy Unit

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Response to Prosperous Places:

Taking forward the Review of Sub National Economic Development and Regeneration

The East Midlands Policy Unit of the Federation of Small Businesses (FSB) welcomes the opportunity to respond to the “Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration” consultation. The FSB represents just over 15,000 small businesses within the East Midlands, spread across a wide range of sectors.

We have answered the consultation questions where we feel it is relevant for us to do so. However there are additional points that we wish to make that are not covered by the specific questions. These are as follows:

RDA Board Structure

The consultation paper states that RDA boards will continue to be business-led. However, it is difficult to see how under current legislation this will be possible. We believe that to fulfil the regional planning body function, then two thirds of the RDA board would need to be made up of local authority representatives.

Whilst recognising the need for a wide spread of skills on RDA boards, we feel that it is vital that RDA boards should continue to be business-led, and that business representation should include entrepreneurs from the small business sector as well as from larger companies.

A solution that is being promoted by the East Midlands Business Forum and the FSB within the East Midlands is for the main RDA board to remain in its present business-led form, with a sub-board being created to take on the regional planning body function. This sub-board would be chaired by the RDA and comprise local authorities and stakeholders in a 70/30 split, similar to the existing Joint Planning, Housing and Transport Board of the Regional Assembly. It could have all of the necessary powers and budget delegated to it from the main board. Elections to this Board could be made via the Local Authorities Leaders Forum and via the East Midlands Business Forum and other stakeholder groups, thereby satisfying the need for democratic accountability whilst at the same time, leaving the main RDA board unaffected and business-led.

We have concerns about the wording on page 20 of the consultation document. It gives the impression that future RDA board members from the business sector will also be required to have skills in planning and experience in working with regional and local partners and stakeholders. In reality, very few people exist in the region that would meet these criteria. It would almost certainly exclude most small business representatives from applying for board membership in a region where 99% of all businesses are small businesses. We recognise the importance of a good mix of skills being present on RDA boards, but small businesses must not be excluded from boards by the setting of unreasonable criteria.

Mechanisms for delegation of funding from RDAs to Local Authorities

The consultation questions do not cover the mechanism by which funding will be passed from the RDAs to local authorities for the delivery of economic development programmes.

The FSB in the East Midlands would not wish to see this funding going through Local Area Agreements unless there could be some guarantee that the funds would be ring-fenced and could only be used for economic development purposes. Otherwise we feel that there is a very real danger of the funding being re-designated for other priorities

by a local authority. Our preference would be for the funds not to go through LAAs, but to be issued against contracts with clearly defined targets and required outcomes.

Business Support

Following the introduction of the regional approach to Business Support using the IDB (Information Diagnostic and Brokerage Model), and the ongoing Business Support Simplification Programme, the FSB in the East Midlands is concerned that given power and authority, principal local authorities will start to unpick this excellent work, and a re-proliferation of business support services will emerge at sub-regional and local level. We feel that some government intervention is required to prevent the possibility of this happening. We do of course recognise that Local Authorities have a role to play, but this should be in the delivery of packages which fit within the Regional Plan and are sanctioned by the RDA as the managers of business support.

Lack of a 'joined up' approach to economic development and planning at sub-regional and local level

The FSB in the East Midlands fully supports the joining up of the Regional Spatial and Regional Economic Strategies, if the problems associated with timescales and complexity can be resolved (see our comments under question 5). However the consultation document makes no mention of taking this joined up approach through to a sub-regional or local level. We feel that it would be worth investigating the potential for joining of Local Development Plan documents and local economic development plans to enable the region to benefit fully from clear and consistent policy making.

Supplementary Business Rates

The FSB in the East Midlands cannot support the concept of supplementary business rates which we feel would be likely to have a major and disproportionate impact on small businesses.

Main consultation questions:

Q1. How should RDAs satisfy themselves that sufficient capacity exists for programme management and delivery at local or sub-regional level?

Capacity is not the only issue that should be considered. Skills set, and expertise should also be considered.

Regular audits and a close working relationship between the RDA and principal authorities would be vital. During the transitional arrangements, we would expect to see responsibility for the management and delivery of programmes to be transferred gradually from the RDA to local authorities and capacity and capability increased.

Should capacity or capability within local authorities be inadequate, then there needs to be a robust process to ensure delivery of programmes without delay or dilution, while local authorities are developed accordingly.

Q2. Do you agree that local authorities should determine how they set up a local authority leaders' forum for their region, and that the Government should only intervene if the required criteria are not met or if it failed to operate effectively? If not, what would you propose instead?

We do agree that it should be the responsibility of local authorities to set up a Leaders Forum, but that there should be some criteria that the Forum should have to meet:

- It should be mandatory for the business sector to be included in the regional leadership forum or other acceptable alternative (see below). Business must have the same voting rights as local authorities. The sub-national review is supposed to be about economic growth. It is business that creates that growth and it is therefore essential that they are involved in the regional leadership arrangements.
- We are concerned that political pressures will play a more significant role than taking a long term strategic view. We feel that there will need to be proportional representation on the new forum to allow some of these pressures to subside.

An acceptable alternative to business representation on the local authority leaders forum, and a concept that has been promoted within the East Midlands is for a 'Regional Leadership Group' to be established over the Local Authority Leader Forum. This Regional Leadership Group would be chaired by the Regional Minister and comprise of the business sector (East Midlands Business Forum representation), key local government representatives, the RDA Chair, and other key stakeholders vital to economic development such as the a Highway's Agency representative. The Forum would be big enough to be inclusive but small enough to be effective. It would be non-executive but influential in driving forward a challenging vision for the Region. There would be a complimentary group of CEOs/Directors of the same organisations operating in an executive capacity (Currently in the East Midlands this group is known as the Regional Steering Group).

We are aware of certain tensions between local authorities within the region and are concerned that unless these can be satisfactorily resolved, any local authority leaders forum that is formed may not operate effectively. We would like to see scope for government intervention if, in the worst case scenario, mediation was ever required.

Q3. Are the proposed regional accountability and scrutiny proposals proportionate and workable?

The proposals create a conflict of interest in principal authorities being responsible for scrutinising the effectiveness of the body that they are receiving economic development funding from.

The proposals also lack adequate involvement by regional stakeholders. In the East Midlands, the Regional Assembly Scrutiny Board has been effective because of that stakeholder involvement. It is business-led and also involves stakeholders from the social and environmental sectors. We would like to see business input in the new arrangements which could be sought through recognised business representative organisations.

Q4. Do you agree that the regional strategy needs to cover the elements listed at paragraph 4.13? Are there other matters that should be included in the regional strategy to help in the delivery of key outcomes?

It is proposed that the Single Regional Strategy should be shaped by regional and local partners, but the document fails to identify who this includes. The list of partners must include the business community who will deliver the economic growth aspired to throughout the document.

We feel that further work is required in defining the content of the Single Regional Strategy. In the consultation document, the economic focus appears to be crowded out by the spatial demands. The FSB feels that the main focus of the document should be on the economic aspect, with the spatial element being structured around facilitating the delivery of the economic vision.

Regional priorities need to be identified by evidenced based research. This must come from independent experts and consultation with key stakeholders. Small business concerns and barriers to business growth must be heard and acted upon.

An additional aim of the Single Regional Strategy should include a target for local public sector procurement from small businesses. The New Economic Foundation has thoroughly researched the contributions that effective procurement strategies can make to economic development. Recommendations from their report 'Public Spending for Public Benefit' should be incorporated into the new arrangements.

Q5. Do you agree with the way in which we propose to simplify the preparation of the regional strategy, as illustrated in the figure, in particular allowing flexibility for regions to determine detailed processes? If not what other steps might we take?

The regional strategy should be developed upon a strong evidence base as well as incorporating the aspirations of the region. It is vital that all stakeholders, and business in particular are engaged in the process. It is not clear in the consultation document where the evidence base will come from or how businesses will be able to influence the strategy.

We have concerns that the process as described may not be 'business friendly' and conducive to business involvement. The process appears to be lengthy and over complex, taking in excess of 2 years to complete. Whilst we recognising that there are statutory requirements to the preparation of the spatial element of the strategy, we feel that the process needs looking at to develop a model that business could easily engage with.

We have concerns that the statutory requirements for the RSS element will slow down the preparation of the RES element adversely affecting the ability of the region to react quickly to changing economic circumstances. We note that the expected timescale for preparation of the strategy is over 2 years and involves two separate Examinations in Public at different stages of the process. This is much slower and more complex than the existing arrangements for reviewing the RES. We feel that there is scope to re-visit the simplification agenda and look for ways of speeding the process up, whilst retaining the public accountability aspect.

Q6. Do you think that the streamlined process would lead to any significant changes in the costs and benefits to the community and other impacts?

We feel that there is a danger the protracted process surrounding the Single Strategy development could have an impact on business confidence. If there is no certainty in how the Strategy will be developed, long-term investment decisions may be stalled to the detriment of the regional economy.

It would seem that whilst we are introducing a much broader strategy, we are giving the private sector and other stakeholders less opportunity to influence the content. This is unacceptable and could result in the disengagement of the private sector, again to the detriment of the performance of the region.

Q7. Which of these options (or any other proposals) is most appropriate?

The FSB in the East Midlands would favour Option 1, as we feel this would give greater consistency across the sub-regions making it easier to utilise the evidence when formulating the Single Regional Strategy.

However, whichever option is eventually taken up, the important thing is to ensure that the economic assessment truly reflects regional economic conditions. It is vital that accurate data is used. The FSB would like to draw attention to the research of the New Economic Foundation which shows that using VAT as a benchmark for start-ups is questionable.

The data and evidence gathered during the assessment should be placed in the public domain.

Q8. What additional information or support do local authorities consider valuable for the purpose of preparing assessment?

It is for local authorities to state what they would find valuable, but we would wish for them to have a proper understanding of local small business issues, and involve local small businesses at all stages of the assessment. This could be achieved through recognised business representative organisations such as the FSB.

Q9. How should lead authorities engage partners, including district councils, in the preparation of the assessment?

Our answer to this question relates not only to the preparation of the assessment, but what happens after the assessment in the development of strategies to deliver economic growth at sub-regional level (in line of course with the Single Regional Strategy).

The business sector and particularly the small business sector must be actively involved in advising and contributing to all aspects of the assessment. A mere consultation with the business sector would be unacceptable and inadequate.

In the East Midlands, economic development at a sub-regional level has for the last few years been undertaken by the Sub-Regional Strategic Partnerships (SSPs) with power and budget delegated from the RDA. These SSPs have

business lead boards resulting in the leadership of economic assessment, and delivery projects being undertaken by the wealth creators themselves. Consultation is of course important with a larger number and wider range of businesses but the whole thing needs to be steered by business.

Whilst arrangements post SNR might vary in different areas, the FSB in the East Midlands would see acceptable models as being those that would allow business to remain at the heart of all sub-regional arrangements. Such models might include Economic Development Companies, Sub-Regional Strategic Partnerships with re-defined boundaries, or Business Councils.

The expertise that currently exists within some district & borough councils, many of which have been active in economic development for years should be fully utilised.

Q10. Which partner bodies should be consulted in the preparation of the assessment?

Please see our response to question 9 regarding the fact that business, and particularly small business should be actively involved in the sub-regional leadership arrangements, as well as being consulted. We feel that there should be a statutory requirement for sub-regional partnerships to be business-led.

In addition we would see it important for public sector bodies responsible for issues such as transport, skills, crime reduction, business support etc. to be consulted, as well as representatives of social and environmental sectors.

Q11. Should any duty apply in London and, if so, which of the proposed models is most appropriate?

No comment.

Q12. Do you agree that there is value in creating statutory arrangements for sub-regional collaboration on economic development issues beyond MAAs? What form might any new arrangements take?

Currently within the East Midlands sub-regional collaboration is achieved successfully through the sub-regional partnerships (SSPs) and Urban Regeneration Companies (URCs). We appreciate the need to make changes to these arrangements to, for example better reflect the geography of the region in terms of principal local authority boundaries. However, we would stress that as sub-regional partnerships focus on economic development issues, there should be a statutory requirement that they are business-led and that boards include a majority of private sector members.

Q13. What activities would you like a sub-regional partnership to be able to carry out and what are the constraints on them doing this under the current legislation?

As outlined in our response to question 12, sub-regional partnerships should focus on economic development and they should be business-led.

Q14. How should a sub-regional economic development authority fit into the local authority performance framework?

No comment

Q15. Should there be a duty to co-operate at sub-regional level where a statutory partnership exists? To whom should this apply?

No comment

Conclusion

Overall, our consistent message throughout the whole of this consultation is that of a lack of proposals for adequate business engagement, and in particular small business engagement (99% of businesses within the East Midlands are small businesses). We cannot stress this enough.

We feel that the original focus of the sub-national review which was very clearly and very positively centred on economic development and growth may have been lost amongst tensions between public sector bodies at national, and sub-regional/local level.

Businesses are the wealth creators, and it is imperative that they are at the heart of leadership arrangements at both a regional and sub-regional/local level.