
Signposts For Success

A Small Business
Manifesto for Westminster



Federation of Small Businesses

The UK's Leading Business Organisation

Introduction

The 2010 elections for Westminster Council are taking place against the backdrop of a city emerging from the deepest recession in living memory. For many, the recession resulted in business closure. Others were weakened but survived and some, naturally, were able to withstand the effects of the recession.

The business community throughout London now faces the challenge of re-establishing a pattern of growth, of continuing to create jobs for Londoners and of helping to build vibrant and sustainable local communities. This is particularly true in Westminster where high living costs coupled with some areas of relative deprivation can combine to present a challenging business environment.

Businesses cannot, of course, do it on their own. Decisions taken at every level of government can help – and they can also hamper the ability of small businesses to prosper and grow.

This must be at the forefront of thinking in London's councils, who by their actions have a huge influence on their local business communities.

This policy documents outlines actions which could be taken by every council in London. It identifies issues which need to be addressed and seeks to encourage the adoption of best practice in a range of council activities.

We urge Westminster Council to adopt the proposals we are putting forward. The Federation of Small Businesses looks forward to working with the new administrations in every borough to ensure that London is, and remains, the best city in the world in which to do business.



Sue Terpilowski
Chair, London Policy Unit, Federation of Small Businesses

Why the small business sector matters

There are nearly 750,000 businesses in London. 99% of them are small – that means they have fewer than 50 employees – and about 700,000 of them are sole traders micro-businesses employing fewer than 10 people.

The self-employed and these micro- and small businesses (MSBs) employ over 2 million of London's workforce. There are on average over 20,000 of them in every London borough. By contrast, there are fewer than 8,000 businesses in the whole of Greater London which employ more than 50 people.

In recent years, the self-employed and MSBs have created over 70% of all new jobs in London. In the near future, the public sector is set to shrink so it is all the more important for small businesses to be supported if the current levels of worklessness in London are to be reduced.

In the past it has been – and in the future it will be the micro- and small business sector which will lead London's economic recovery...

... if it is given the chance.

Business Rates

Business rates are often the third largest cost heading for a small business. For many, their rates bill can amount to as much as 30% of their net profit, while for a large firm it may not amount to more than 1-2%.

Any increase in business rates therefore has a disproportionate effect on the viability of a small business.

The 2010 revaluation has been particularly damaging for many small firms in Westminster¹ and the imposition of the 2p Business Rate Supplement on 11,700 businesses with a rateable value in excess of £55,000 is a further burden on over a third of local business ratepayers.²

It is important that Westminster Council tries to minimise the impact of business rates on their business community. They should do everything they can to ensure that no business in the borough pays more business rates than it needs.

At present the percentage of businesses in Westminster who receive the rate relief benefits to which they are entitled lags well behind councils like Bromley which have nearly 90% of eligible businesses in receipt of the benefit.

With very significant changes in rateable values as a result of the 2010 revaluation, councils can help businesses avoid unexpected and damaging changes in business rates over the next few years.

The FSB Recommends

Westminster Council should

- **Support moves to ensure every eligible business receives Small Business Rate Relief.** Until the law is changed and SBRR is automatically applied, councils should use every opportunity to encourage the maximum take-up of the relief.
- **Enable every business either to spread their rates payments over 12 months or to allow businesses currently paying in 10 instalments to choose the two months for which no payment is due.** Many small businesses have seasonal trading patterns, and the ability to spread payments over 12 months or to select their 'fallow' months would help ease cash-flow problems.
- **Inform every business ratepayer about the projected change in the business rate bills which they are likely to receive over the next three years as a result of transitional relief (excluding inflation).**
- **Oppose moves to re-localise business rates.**

¹ 23,700 businesses will lose out as a result of the 2010 revaluation: Leaseholders United Feb 2010

² GLA Press Release 29.1.10

Business Support

In Westminster there are only 1,300 businesses which employ more than 50 people. All the others are micro- or small businesses. There are over 30,000 businesses that employ fewer than 10 staff and many more who are self-employed or sole traders.³

It is those small businesses who are the key to prosperity and who want to expand and create new jobs for local people.

While Westminster's unemployment rate is one of the lowest in inner London, there are major pockets of deprivation and significant challenges the council needs to address.

Existing business owners may have no experience of 'life after a recession'. They each need support and advice to help them grow their businesses.

Those who are starting a new enterprise need to know the challenges and difficulties they may face - for example, with funding and with finding premises.

Those based from domestic premises have their own set of issues and we would welcome the council looking into their needs, in the way Richmond upon Thames Council has.

The FSB Recommends

Westminster Council should

- **Organise and promote regular advice workshops for small businesses and potential business owners on post-recession business challenges.** Advice and mentoring can help reduce business failure rates and increase the chances of local people moving out of worklessness.
- **Establish a municipal loan scheme similar to the 'Banking on Essex' model.** Working in partnership with Santander, Essex CC has made £30m available to small businesses in the county. The council should investigate the viability of a similar scheme for London to build on its Emergency Loan Fund.
- **Make empty council premises available for small and start-up firms on short-term and flexible leases.** The first step into commercial premises is often a major challenge for new businesses and access to affordable sites is key to small business development.

³ Business Link : IDBR Mapping 2009

Consultation & Engagement

Local businesses have a key role to play in delivering a council's agenda. Many of the targets in a council's Local Area Agreement depend on the business community, and the value of good local authority engagement with businesses cannot be underestimated.

If done properly, it can create a genuine partnership. If done badly it creates an atmosphere of mistrust, resulting in poor consultation and a failure of the local authority to address the concerns and needs of those involved in the local economy.

The FSB created a Small Business Engagement Accord to highlight actions which both local authorities and the small business sector can take to ensure meaningful and worthwhile processes of engagement and consultation. This 14-point plan has already been adopted by over a third of local authorities in England.⁴

Westminster Council needs to sign the Accord to ensure that effective consultation with the business community becomes a mainstream feature of all future consultations, rather than an optional extra.

The need to engage with the business community is also important in assessing the indicators which the council wishes to set. It is disappointing that many of the key indicators which would demonstrate the state of the local economy or the performance of the Authority are not included in the council's LAA.

The FSB Recommends

Westminster Council should

- **Sign up and work to the Small Business Engagement Accord.** This will ensure that an ethos of best practice permeates throughout the authority.
- **Ensure that the Westminster City Partnership has at its heart representatives from all sections of the business community.**
- **Indicate what consultation has taken place with the business community in each policy-making process.** Not only will this make for better policy - it will break down the perception that the views of business are not given consideration.
- **Address omissions in the council's Local Area Agreement indicators relating to the needs of business.** It is of concern that key indicators such as NI 171, 172 and 174 are being overlooked.⁵ There is a need to consult with all sectors of the business community to identify their priorities and needs.

⁴ www.fsb.org.uk/policy/rpu/london/assets/london%20accord%20revised.pdf

⁵ NI 171 - New business registration rate

NI 172 - Small businesses showing employment growth

NI 174 - Skills gaps in the workforce reported by employers

Crime

The business community in Westminster and the rest of London is angry at the lack of priority given to crime against business. And their anger is understandable.

There is no strategy for tackling business crime. Indeed, there is no standard definition of crime against business and it is not recorded as such. To make matters worse, there is evidence that as many as 50% of the reported crimes are not recorded and therefore do not appear in the official Metropolitan Police statistics.

The council and the police have got to show they really take the problem seriously.

There needs to be genuine consultation between the police, local councils and all sizes of business to determine how the crime prevention needs of business can be best addressed. There need to be adequate resources given to tackle crime against business.

A crime against a business – possibly shoplifting or petty vandalism – is often the first step taken by a young person embarking on a life of criminal activity. Targeting such offenders and such crimes will result in a reduction in more serious crimes later on.

Crime against business affects every business and the impact of crime on small businesses is disproportionately greater – often resulting in the enterprise closing.



The FSB Recommends



Westminster Council should

- Establish a Business Crime Reduction Partnership to focus specifically on the issue of crime against business.
- Ensure that the business community is adequately – and not in a token fashion – represented on a properly funded and serviced Crime and Disorder Reduction Partnership.
- Require the police to record all reported business crime regardless of the chances of securing a conviction.
- Work with others to identify what actions the business community wants implemented to reduce both the fear of, and the rate of crime and anti-social behaviour against businesses.
- Accept that a financial contribution from the council will be necessary to make processes for intelligence gathering and sharing affordable to the small business community.

Economic Development

70% of all new jobs are created by self-employment and small businesses. The economic development policies of the council must focus on giving them the support and advice they need.

Encouraging economic growth is a major challenge for any council and, given the levels of deprivation in parts of the borough, the FSB regrets the exclusion of national indicators 171 and 172 in the council's Local Area Agreement.⁶

The FSB welcomed the efforts the council made to advice businesses through the recession and the establishment of the Small and Minority Business Council. However, work now needs to start in making the area a centre for enterprise, with start-ups flourishing in incubator hubs; a network in inter-dependent businesses and a marked increase in the percentage of small businesses with growth aspirations.

Westminster faces particular challenges due to the high cost of running a business in central London. In particular, the cost of premises deters many small businesses from starting, or is causing others to relocate out of the borough.

A borough like Westminster therefore needs to adopt additional strategies to support a range of economic sectors. This includes attracting new business to the areas and helping existing small businesses to flourish and grow.

The FSB Recommends

Westminster Council should

- **Ensure the requirements of planning policy and development management do not hamper economic growth.** This will not only help address the high levels of worklessness, but also reduce commuting needs, keeping the economically active within the borough.
- **Ensure that an extensive provision of affordable start-up units and incubator hubs are provided as part of future development.**
- **Plan for an appropriate mix of workshop, office, distribution and retail premises as well as housing, recognising that they all have differing transport, environmental and other requirements.**
- **Recognise the role the council should play in encouraging new sources of economic growth to replace those businesses which no longer exist.**
- **Understand that economic development needs more – not fewer – resources, particularly if the role of the LDA were to be reduced.**

⁶ NI 171 – New business registration rate
NI 172 – Percentage of small businesses showing employment growth

Environmental Issues

Now more than ever, environmental issues are rising in importance on the small business agenda. A damaged and unattractive local environment will only serve to harm the local economy in the longer term and lead to a lower quality of life for all.

The FSB in London has been working with the London Sustainability Exchange (LSx) to develop a toolkit to help small businesses adopt behaviours and best practice in sustainability, demonstrating how this can have real benefits for their business.

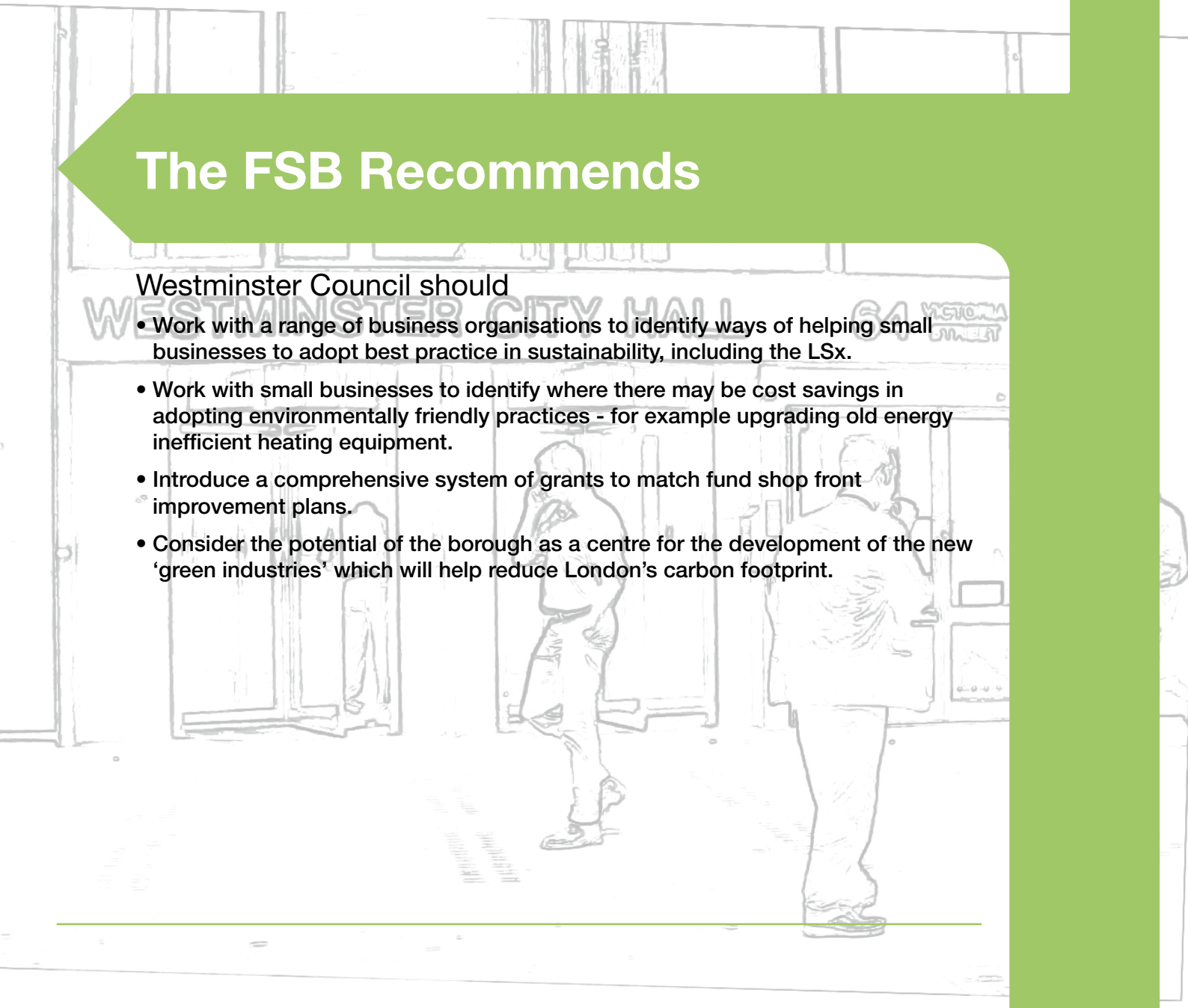
There is the opportunity to ensure businesses know of the environmental changes they can make. However, it must be recognised that for many small business, with relatively a relatively low carbon footprint, adaptations may be financially prohibitive.

The council should seek to look for ways to best support small businesses to become sustainable through cheap and cost effective measures, or where there can be significant longer term savings made. It should actively encourage and incentivise local businesses to maintain clean and tidy frontages.

The FSB Recommends

Westminster Council should

- Work with a range of business organisations to identify ways of helping small businesses to adopt best practice in sustainability, including the LSx.
- Work with small businesses to identify where there may be cost savings in adopting environmentally friendly practices - for example upgrading old energy inefficient heating equipment.
- Introduce a comprehensive system of grants to match fund shop front improvement plans.
- Consider the potential of the borough as a centre for the development of the new 'green industries' which will help reduce London's carbon footprint.



Procurement

How a council buys its goods and services can make a huge difference to its local economy. With an annual spend on goods and services of over £450m, the council's spending power can support local business, create new jobs and ensure that the money remains in the local community.

However, FSB research shows that local and small businesses are less able to win contracts from local authorities in London than in any other part of the UK. Furthermore, London Councils through the London Procurement Portal are actively seeking ways of aggregating contracts, thereby putting them out of the reach of small businesses.

It is not acceptable for local authorities to pay lip service to the principle of a SME-friendly, locally driven procurement system while at the same time creating unnecessary barriers and bureaucratic requirements which have the effect of disqualifying smaller firms from competing.

Small businesses have a proven record of delivering contracts efficiently and economically. The FSB believes that every effort should be made to regard local micro- and small businesses as the preferred bidders for all contracts.

We are pleased that the council has embraced competefor.com as a method of engaging with small businesses.

The FSB Recommends

Westminster Council should

- **Make every effort to advertise contracts of small value to as many businesses as possible.**
- **Resist moves to aggregate contracts.** The bigger the contract, the less the likely benefit to local businesses, the local economy and the local community.
- **Hold regular and free 'Meet the Buyer' events to enable face-to-face contact to be made between buyer and potential supplier.** Assistance should also be given to potential suppliers hoping to win council business.
- **Require large contractors, when bidding, to specify how they would create a diverse supply chain, using small, local subcontractors.**
- **Set a target of a 10% year-on-year increase on the value of contracts awarded to small businesses.**

Promoting the Borough

London is a world brand, heavily promoted through the work of a range of agencies but its iconic images tend to focus on only a small part of the city.

London's councils have a key role in promoting their own individual boroughs as a place to live, work or visit. Figures from the GLA demonstrate that every pound spent promoting London results in £30 of visitor or tourist income, with much of that income entering the Westminster economy.

Nevertheless, the local economy depends on sustainable local business as much as tourist visitors and that poses a major challenge for Westminster Council.

A recent FSB survey showed that over 30% of London's businesses had seriously considered relocating out of London in the past twelve months, largely as a result of the cost of running a business in the city. The costs of a business in central London are notably higher than in other parts of London, and much higher than in other parts of the UK.

The council needs to demonstrate why it is an affordable and practical location for business as well as an attractive venue for visitors. It needs to take action to demonstrate that it can provide the premises, the workforce and the customer base which small and new businesses require and can afford.

The FSB Recommends

Westminster Council should

- **Work with businesses to identify the borough's USP, seeking to promote reasons why it is attractive to business.** It should organise 'Meet the Borough' events to shop-window itself.
- **Demonstrate how the benefits of a central London location with its transport links, facilities, varied economic sectors and its heritage can help mitigate concerns about overheads and expense.**
- **Demonstrate how the council is investing in the future.** Transport projects, town centre improvements and commercial opportunities all help raise the profile of the area.
- **Promote the little things which give an area its distinct character.** While the main tourist attractions are established and well-known, there are a range of facilities that appeal to the business community which are not properly promoted.

Regulation & Inspection

'Red tape' and regulation are always cited by small businesses as one of the greatest burdens they face. 60% of businesses listed regulation as an obstacle to success in the 2007 BERR Annual Survey and 14% said it was the biggest single obstacle.

With over 430 new regulations expected to be introduced before April 2011, ignorance of, or failure to implement a regulation should be understandable where no reasonable effort has been made to inform the business of any such regulation.

The FSB believes that businesses have a duty to act responsibly and legally. Equally, local councils should have a duty to act sensitively – to recognise the pressures under which a business owner or manager operates.

The FSB therefore supports a risk-based approach to the inspection regime and backs moves to 'name and shame' businesses which do not meet appropriate standards for health and safety. The legitimate and honest trader should not be treated the same as the persistent offender.

However, there must remain the opportunity for any business to appeal against a ruling or the interpretation of a regulation when they feel they have been treated unfairly or in an arbitrary manner.

The FSB Recommends

Westminster Council should

- **Appreciate that non-compliance is not always the result of negligence or of a deliberate disregard of the law.** Only in the most severe cases should an informal warning not be the first step towards enforcement.
- **Support calls for the establishment by London Councils of an independent appeals procedure.** Business owners should be able to challenge the interpretation of a regulation which they feel has been unfairly or inconsistently applied.
- **Create an on-line resource giving examples of best practice for the implementation of regulatory requirements.** The council's inspection regime needs to be seen as the business' friend and advisor and not as their persecutor.
- **Send a regular newsletter to the business community informing them of changes in the regulatory field.** The vast majority of businesses want to comply with regulation, but they need to know what to do.

Town Centres

Maintaining the vibrancy of London's town centres is fundamental to preserving the diverse and distinctive nature of its communities.

The FSB has highlighted through its *Keep Trade Local* campaigns over the past two years some of the actions which boroughs need to take to protect a network of complimentary yet interdependent town centres.

In particular, there is a need to maintain the range of shops, markets, post offices, pubs and leisure facilities which help build a community identity. The council needs to be proactive in trying to maintain a strong and independent retail presence, avoiding the downward spiral as closure follows closure, which creates both crime and despair among the residents.

There is also evidence in many parts of London of members of the local business community working together to support and promote their areas and the local economy. A good example is the Crouch End Project in Haringey. The council should promote this principle, seeking out examples of best practice and providing assistance for such initiatives.

An annual audit of the town centres, benchmarking against other towns, would identify where action might be needed to maintain the vibrancy of the area.

The FSB believes that the council has the ability to work for the economic and social wellbeing of their town centre area, and, collaborating with a range of partners, this ability should be imaginatively exercised to achieve the maximum effect.

The FSB Recommends

Westminster Council should

- **Work with a range of business organisations to identify ways of supporting the borough's town centres.**
- **Work to make the borough's high streets more attractive.** Modest improvements in the urban realm, e.g. architectural lighting, better signage and less street furniture, can all boost a town centre's look.
- **Ensure parking policies do not drive shoppers and visitors out of the town centres.** Traffic management systems can often impede the ability of business to function efficiently and effectively.
- **Promote a borough-wide customer loyalty card.** Similar to Kensington and Chelsea's Wedge Card, this would encourage local people to shop more frequently in the borough's independently-owned shops.
- **Resist moves for further change of usage from retail to office in the borough's high streets.** The planning system should be used to maintain a diverse and independent commercial sector in each town centre.

Transport & Parking

Small businesses rely on many different forms of transport. Changes in transport policy can affect their ability to make or receive deliveries or limit access to their customers. Often, such changes have a major impact on the viability of the business.

For example, ill-considered changes in parking policy or traffic flow can spell the end of a business or a parade of shops. Access to cheap and readily available parking is of significant importance to business owners, their customers and suppliers. Westminster's parking policy has historically been criticised as harmful to business and a mere money-grabbing exercise by the council.

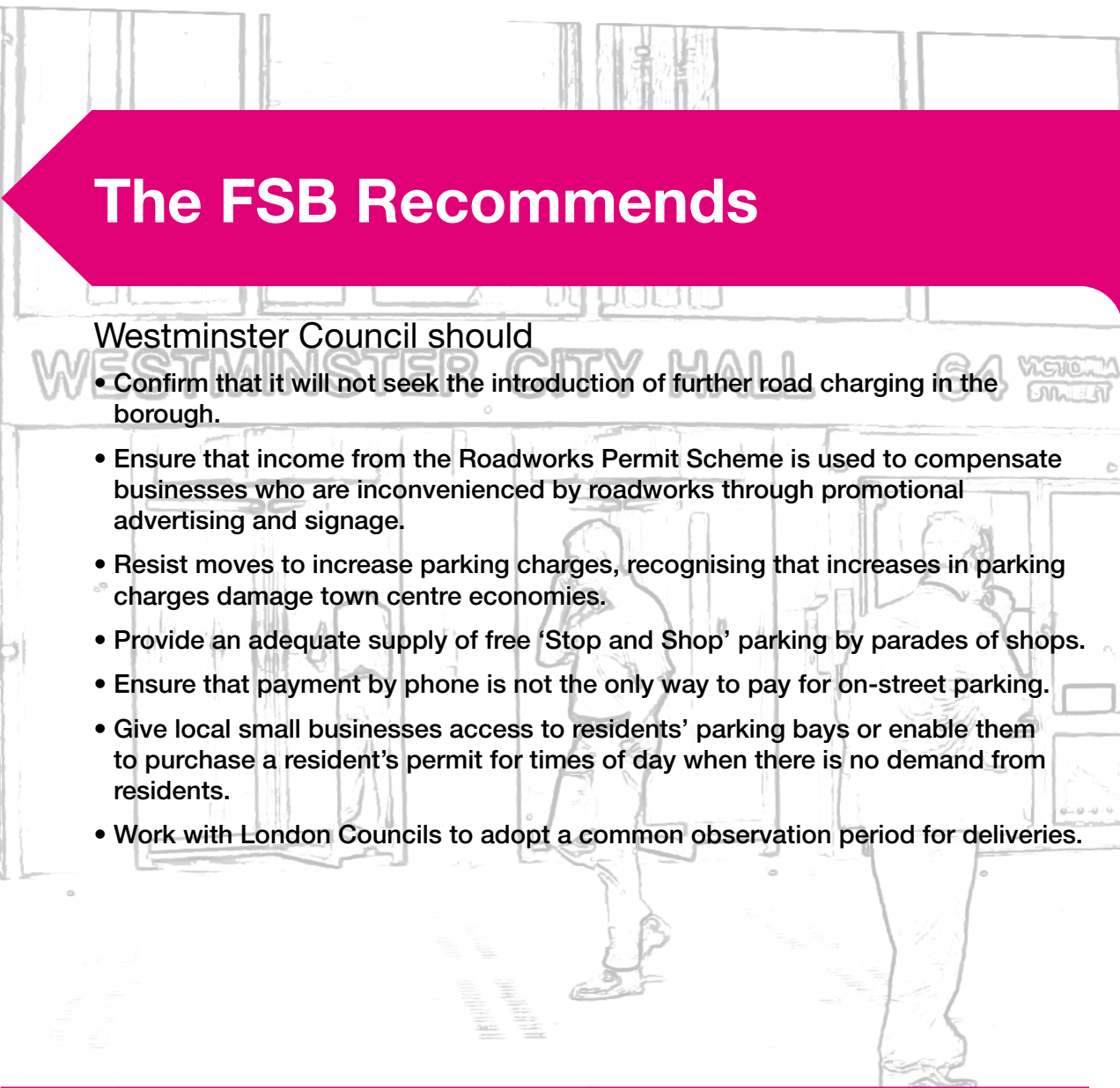
The introduction of pedestrianised streets is increasingly becoming a feature in even the smallest of town centres. Although pedestrianisation can enhance a town centre's environment it can also present practical difficulties for many small businesses.

A road closure or major programmes of road works might present a problem which a large business can weather – but for small businesses, a closure of even just a few weeks can spell the difference between survival and closure.



The FSB Recommends

Westminster Council should

- Confirm that it will not seek the introduction of further road charging in the borough.
 - Ensure that income from the Roadworks Permit Scheme is used to compensate businesses who are inconvenienced by roadworks through promotional advertising and signage.
 - Resist moves to increase parking charges, recognising that increases in parking charges damage town centre economies.
 - Provide an adequate supply of free 'Stop and Shop' parking by parades of shops.
 - Ensure that payment by phone is not the only way to pay for on-street parking.
 - Give local small businesses access to residents' parking bays or enable them to purchase a resident's permit for times of day when there is no demand from residents.
 - Work with London Councils to adopt a common observation period for deliveries.
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Waste & Recycling

It is often difficult for small businesses to play their part in reducing waste and increasing the percentage which is recycled when a range of obstacles – both practical and financial – are put in their way.

We therefore welcome moves to help boroughs provide recycling and composting collection services for small businesses. Small businesses creating only a modest amount of recyclable waste should have the same access as municipal recycling facilities as domestic ratepayers.

Westminster offers a comprehensive service to the business community and the FSB accepts that the high concentration of businesses make a frequent and effective waste collection service essential.

However, the costs incurred with bag purchase or bin rental can often mean that the low volume of recyclable waste for smaller businesses make this an impractical or expensive method of recycling.

Furthermore businesses should be officially allowed to use the council's micro recycling centres. Equally, it is quite illogical for councils to collect recyclable waste through a kerbside collection from residential premises (for example the flats above a business) while refusing to collect comparable quantities from the business itself.

In addition, the charges for disposal of trade waste at civic amenity sites bears no relation to either the quantity of, or type of waste.

With help from the council, the business community will be able to recycle more, reduce its costs and benefit the wider community.

The FSB Recommends

Westminster Council should

- Consult with small businesses to identify practical approaches for addressing their commercial waste needs.
- Press ahead with strategies to improve collection of recyclable waste for businesses, regardless of the time scales in the Mayor's strategy.
- Collect all waste from small businesses for free where the quantities are similar to those of generated by a domestic household, on the same kerbside terms as residential waste where practical.
- Reduce the charges for small businesses taking waste to municipal sites.
- Consider waiving bin rental charges for small business who group together to take advantage of 'economies of scale' in their business waste.



www.fsb.org.uk/london

The Federation of Small Businesses is the UK's largest business organisation. Formed in 1974, it now has over 213,000 members. It represents the self-employed and those who own or manage small businesses.

These small businesses serve the whole population and our membership is drawn from every section of the community and every economic sector.

The FSB's Voice of Small Business Survey Panel and its other survey work creates the most accurate picture of small business issues and views, and is an invaluable asset for policy makers and decision takers.

FSB Contacts

London Policy Manager

Nick Winch
01635 230914
nick.winch@fsb.org.uk

London Regional Organiser

Ray Abrahams
01708 621258
ray.abrahams@fsb.org.uk

Westminster Contact

Steve Warwick
07958 676209
steve.warwick@londonpcsupport.co.uk

For further information on the FSB please call 01253 336000
If you require this document in an alternative format please ring 01253 336036

or email AccessAbility@fsb.org.uk