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16<sup>th</sup> June 2008

Dear Sir/Madam

**Prosperous Places: Taking forward the Review of Sub National Economic Development and Regeneration**

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above consultation document on behalf of its 165,000 members in England.

Please find our comments in the document attached. We trust that you will find our comments helpful and that they will be taken into consideration. The FSB is willing for this submission to be placed in the public domain.

If you wish to discuss any of our proposals in more detail, we will of course be happy to meet with you and your team.

Yours faithfully,

Mike Cherry LIWSc FRSA  
England Policy Chairman

Roger Culcheth  
Local Government  
Policy Committee Chairman



**RESPONSE FROM THE  
FEDERATION OF SMALL BUSINESSES (FSB)  
TO THE  
DEPARTMENT OF COMMUNITIES AND LOCAL GOVERNMENT and,  
THE DEPARTMENT OF BUSINESS ENTERPRISE AND  
REGULATORY REFORM CONSULTATION PAPER  
ON  
PROSPEROUS PLACES: TAKING FORWARD THE REVIEW OF SUB  
NATIONAL ECONOMIC DEVELOPMENT AND REGENERATION**

## **FSB England SNR Response**

### **Introduction**

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 approximately 165,000 businesses in England. Our members are drawn from small and micro businesses across all sectors.

The FSB welcomes the principles behind the Sub National Review. Moving to a more streamlined regional tier if implemented with the guidance of the business community should reduce some of the complexity and confusion that currently exists. However, business expects to see tangible results from this process including more efficient processes and a stronger focus on economic development. Without the support of the wealth creators the economic growth aims of SNR are likely to fail.

The FSB feels that the original focus of the Sub National Review which was clearly and positively centred on economic growth and development has been lost amongst the negotiations between public bodies at a national, regional and local level not within regional structures.

The SNR Consultation document effectively ignores that where good practice exists, involving all parties including business sector and other stakeholders, Regions have clearly benefitted from this engagement.

Below are issues and concerns the FSB has on the SNR. These have arisen from the consultation document but are not specified within the questions section. For a more detailed examination of the headings below please see Appendix 1.

### **Business Engagement**

- The FSB believes that for the SNR to work effectively, all government bodies should consult with recognised business organisations and for this work it would be helpful if this was made statutory.
- The FSB has concerns that the extended roles of RDAs and Local Authorities will result in business engagement being completely lost, or being patchy at best.
- Local authorities should ring-fence funding for economic development to avoid merging budgets.
- The FSB has concerns that some local authorities do not have capacity and capability to provide the long-term leadership needed to plan for economic development.

## **Fragmentation**

The FSB is concerned that tensions have arisen between different public bodies since the publication of the SNR. Since the key to the success of these changes is greater public sector collaboration and partnership this does not bode well for the future. The FSB is concerned that with a reduced level of public expenditure damaging differences between authorities could lead to fragmentation and bring into question future economic growth.

## **Joined Up Thinking**

- Businesses need assurance that public sector bodies will work in partnership to strengthen regional economies.
- The FSB supports the amalgamation of the Regional Economic Strategies and Regional Spatial Strategies into a Single Integrated Regional Strategies (SIRS) if this provides the simplification aspired to.
- The FSB believes there should be consideration given to merging local development plans and local economic development plans.

## **Implementation**

The FSB would like to see short implementation timescales to improve the effectiveness of the new arrangements.

- The FSB wants to see quick implementation of the proposals outlined in the consultation document.
- There is a fear that delays will lead to a focus on structures and processes rather than delivery.
- If the economic growth aims aspired to in the document are to be achieved there must be flexibility to allow regions to match their distinctiveness.

## **Business Rate Supplement (BRS)**

- The FSB does not support the introduction of business rate supplements as these will have a major and disproportionate effect on small businesses.
- It is questionable whether a one size fits all solution will achieve the aims of the SNR.

The Crossrail experience in London is not necessarily applicable in all regions and local authorities. There needs to be a better reflection of their different regional capacities since some smaller local authorities may not be able to raise sufficient funds to adequately finance major infrastructure projects. However BRS is seen as yet another 'stealth tax'.

Earlier this year the FSB along with other business organisations sent a letter to the Chancellor, Secretary of State for Communities and Local Government and the Secretary of State for Business, Enterprise and Regulatory Reform detailing our recommendations though should BRS be introduced. The content is shown in Appendix 2.

### **Capacity**

- The FSB has concerns that local authorities do not have the capacity to perform proposed economic assessments.
- RDAs do not have the capacity to develop plans on transport and planning.

### **Skills**

- The FSB has reservations about skills responsibilities being passed to local authorities.
- With the movement to smaller administration areas we are also wary of dramatic variations in the quality, quantity and availability that could occur between neighbouring authorities.

### **Business Support**

- The FSB has concerns that the current Business Support Simplification Programme could be undone by local authorities.

### **Leadership and Accountability**

- The public sector needs to demonstrate greater leadership in developing the proposals outlined in the consultation document.
- Public bodies need to be held accountable for their decisions by the business sector.
- Whilst the current system is not perfect it does allow the business community to take a strong role in regional strategies.
- The sharing of current excellence which has been of considerable benefit should be used as we go forward.
- RDA boards must remain business led to achieve the appropriate equilibrium between the RDA's and local authorities. There needs to be greater representation of small businesses on RDA boards.

## **RESPONSES TO THE CONSULTATION QUESTIONS**

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

The FSB has serious concerns that in many cases local authorities do not have the capacity or capability to implement programme management and delivery effectively especially in key areas like transport and skills. It is also important that skills sets and expertise are considered alongside capacity.

Local authorities should demonstrate to RDAs where they have had programme management experience in the past before any funding is delegated. In areas like the South East local authorities do not have a good track record in improving local economic development and regeneration. The delegation of funding must be done gradually and seek to achieve the goals set out in the regional strategy to reduce the complexity and confusion to businesses.

There is an even greater fear that RDAs may be forced to delegate funding to poorly performing authorities. RDAs should look to other mechanisms to deliver programme management where there are poorly performing authorities.

Before any plan is signed off the results should be scrutinised by the business community. This could help improve the engagement between businesses and public sector bodies.

### **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?**

The strengthened role that local authorities will have means that the new forum must reduce parochialism. Developing a local authority leaders' forum could be modelled on the Association of North East Councils structure in the North East which has been well supported since its inception.

However, there is concern from businesses that given the powers that this forum would have that it is left to local authorities to decide who sits on it. Rather than taking long term strategic views that will benefit the region there are worries that political pressures will play a more significant role. There needs to be proportional political representation on the new forum to allow some of these pressures to subside.

It is crucial that there is business representation on the local authority leaders' forum to help drive economic growth. However, the Government must reject the Local Government Association assertion that business partners will not get the same voting rights they currently have.

The FSB believes that the suggestion of regional select committees based in Parliament should be scrapped. We believe that the Regional Minister should chair a scrutiny committee in the region composed of recognised business organisations, local authority leaders, and to include the RDA, Highways Agency and other key partners.

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

The FSB is sceptical that the regional accountability proposals are workable. These are clearly not acceptable in their current form. There is a potential for conflict of interest in developing the regional accountability and scrutiny proposals as they stand. Given that RDAs will determine what budgets local authorities receive across a range of areas whether local authorities can be impartial when scrutinising RDA performance is questionable. There is further potential for conflict of interest as the local authority leaders' forum will draft and sign off the new integrated regional strategy.

There is further concern from the FSB that the scrutiny of the RDA does not take place in the region.

Whilst the scrutiny powers of the Regional Assemblies were not perfect they allowed for business organisations to have a significant and effective role. There is nothing in the consultation document that ensures this continues. It is important that for strategies that seek to encourage economic growth that the wealth creators are given the opportunity to hold public bodies to account. In some areas like the East and West Midlands scrutiny has only been successful due to the contribution from stakeholders.

The current proposals do not allow for this to continue and will be to the detriment of the new regional strategies. Indeed, a recent English Regions Network report, *Renewing Regional Accountability*, recognised the strong role which businesses play helping achieve better regional economic development. It is crucial that the business community's views are heard and acted on and not simply reduced to one of many 'consultees'.

There needs to be further scope for the scrutiny role with other regional organisations such as the Highways Agency, DEFRA, and the Environment Agency which will have a strong role in the new regional strategies going forward.

**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 regional strategy should be shaped by regional and local partners but surprisingly 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. It is important that the regional strategy understands the differing spatial needs in the regions and the

impact that this will have on small businesses based on clear evidenced research. This will mean better consultation with key stakeholders.

The new strategy should include a target for local procurement from small businesses which will help improve regional economic growth. The preoccupation of Government with housing supply figures in areas like the South East should be balanced with the need to supply sufficient employment land for businesses. Importantly though, neither can happen until the basic infrastructure is improved, and not just transport, but the other essential parts as well. Other areas that should be considered are demographic trends, skills profiles and stronger labour market analysis.

There is some concern that the SNR consultation will not drive economic growth for the simple reason that the performance indicators do not directly measure growth.

**Q5. Do you agree with the way in which we propose to simplify the preparation of the regional strategy, as illustrated in the figure (on page 35), in particular allowing flexibility for regions to determine detailed processes? If not what other steps might we take?**

We welcome the aim to simplify the regional overview to a single strategy and we also welcome the recognition that it needs to be led by the needs of the economy. We have concerns that the process proposed is not adequate for the task and further, while the strategy can be very powerful, delay will be damaging. The government's track record in implementing large scale projects has disappointed the FSB, and we believe that any delay will harm economic growth, and small businesses as a result.

There are some concerns that the proposed preparation methodology seeks to achieve too much. By including all stakeholders together it is questionable how much can be achieved and concern that this may be reduced to lowest common denominator. The regional strategy should be developed through using a strong evidence base as well as incorporating the aspirations of the region. It is vital that the business community is engaged in this process. This needs to demonstrate where small business concerns have been acted on. Further to this the creation of local authority leaders' forums needs to engage with small businesses to truly begin to understand and take on board their concerns about the new regional strategies.

The Government's continuing failure to sign off the existing Regional Spatial Strategies undermines business confidence in their ability to deliver the single regional strategy in the timescales put forward in the SNR. The ongoing delays in agreeing the South East Spatial Strategy, despite being submitted to Government two years ago, are typical of the lack of progress made in relation to developing/implementing these strategies. If the SNR merely lays the blame for these delays at the feet of Regional Assemblies, without the Government acknowledging their responsibility for contributing to the problem, it is unlikely that the single regional strategy could be achieved in the 2 year period currently proposed.

There is no proposed recourse if government departments disagree on areas in the strategy and this could further delay the implementation of an integrated strategy. This does not help small businesses take long term investment decisions and will stall some economic growth. The proposed arrangements are much slower and more complex than the existing arrangements for the RES. This needs to be re-visited to speed up the implementation process.

Furthermore there is nothing which demonstrates how the development of the strategy will cope with economic uncertainties. For example, there were few analysts that could have predicted the extent of the uncertain economic times that cloud the global economy at the current time.

The development of the strategy also depends on harmonious relations between public bodies – currently non-existent in many cases. Indeed, given that these plans will be launched during a General Election it is crucial that small business needs are not forgotten.

**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?**

There is a danger that the protracted process surrounding the strategy development could have an impact on business confidence. If there is no certainty in how the regional strategy will be developed. This will leave long-term investment decisions stalled to the detriment of the regional economy.

To meet the new responsibilities local authorities will need to either reallocate existing resources or request additional funding from central government. These extra costs must not come from the business community through a potential business rate supplement.

**Q7. Which of the options for the local authority economic assessment duty (or any other proposals) is most appropriate?**

The FSB believes that whichever option is taken by the government, the economic assessment must truly reflect regional economic conditions.

There is a greater importance to use the data which gives a clear assessment on the local economy highlighting the economic needs of an area. There have been other reports conducted by the New Economics Foundation which show that using VAT as a benchmark for start ups is questionable.

However, to ensure that these assessments reflect local economic conditions the FSB should be included as a named partner. It is important to stress that the guidance supplied by national government should not be cumbersome. Instead it should provide a framework which is flexible for all regions to subscribe to and be able to reflect regional economic conditions. For these assessments to be taken seriously it is important that RDAs do not just have regard to, but demonstrate how this influence has been used in the development of the regional strategy.

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

It is important that the concerns of small businesses are understood by local authorities. The FSB supports the use of traditional metrics to understand how the local economy is performing such as procurement of goods and services and transport networks. However, local authorities also need to understand that issues such as crime against business, the role of business support and the burden of regulation is reflected in drawing up the new assessments.

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

Without the engagement of small businesses the economic assessments would have questionable validity. To ensure that this engagement is made easier local authorities should use the FSB due to the reach it has into the small business community. Suggested good practice would be to ensure involvement from the business community from the outset to gain maximum added value.

Local authorities should be required to outline a timetable of engagement with key stakeholders to ensure that true engagement can be developed into the assessment. To ensure this happens a more transparent process needs to be undertaken. It is important to stress that small businesses do not want to be engaged for political purposes but to help steer and develop their local economies. Throughout the re-organisation aspired to in the SNR the expertise that currently exists in local authorities must be utilised.

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

It is important that all sectors of the business community are consulted. To help provide engagement with the small business sector local authorities need to consult with the FSB, and we feel there should now be a statutory duty on them to do so with recognised business organisations.

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

The FSB in London does not believe that any of the three options are ideal. We would prefer there to be a duty on the Boroughs to undertake an assessment of their local area, but that this should be undertaken with a view to delivering the Mayor's city-wide or sub-regional strategies.

**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?**

Creating statutory arrangements for sub-regional co-operation must be able to demonstrate where there is added value to the business community. This could be demonstrated by including areas that have an impact on businesses such as transport, skills, crime and planning. However, this would need to reflect the direction of the integrated regional strategy to allow for a more strategic direction to be taken.

Rather than devolving for devolving sake there must be clear leadership demonstrated by local authorities that they understand their local economies and are accountable for decisions taken. There are some concerns that the tightened spending plans for the next three years will reduce the impact that MAAs can have in some policy areas.

There are successful examples of collaborative working arrangements in place, and instead of creating statutory arrangements the government needs to look at these areas and learn from the good practise. Where collaborative working is not working well the government needs to look at what barriers there are preventing this.

The proposals to change the funding streams in the 14-19 agenda must be considered in taking this forward to reduce the complexity and confusion to business.

Any engagement from the business community should not be predicated on the introduction of a business rate supplement.

**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?**

Small businesses cannot always keep up with new governance arrangements and there needs to be more clarification of what already exists. For example in the North East there is the Northern Way defined city regions, the Regional Spatial Strategy defined city regions, city development companies, multi area agreements and local area agreements. The myriad of governance arrangements must be simplified into a way that businesses can understand who is responsible for what and who is accountable for these decisions.

The activities that sub-regional partnerships should carry out are those that have an impact on business. Without making any reference to issues that have an impact on economic development such as skills and transport there is little worth for small businesses.

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

It is important to reduce the level of duplication in taking some of the ideas in the consultation forward. This would help reduce the confusion that exists in the small business community. To help achieve this one option would be for MAAs to deal with more strategic issues across a range of local authority areas but guided by the local authority economic assessments. By doing this

the small business community would have been consulted and a more mature relationship could have emerged to allow for joint priorities to be taken forward. To take this forward it would be sensible for a pilot of the joint committee structure referenced in the consultation to be developed before moving to joint board model.

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

It is important that those areas that want to co-operate at sub-regional level where a statutory partnership exist are allowed to do so. Enforcing some local authorities to join unsuitable partnerships will only add to the tensions in some regions. Where statutory partnerships are introduced any potential duplication must be reduced and be easy for small businesses to understand.

## **APPENDIX 1:**

### **FSB England SNR Response**

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 approximately 165,000 businesses in England. Our members are drawn from small and micro businesses across all sectors.

#### **Introduction**

The FSB welcomes the principles behind of the Sub National Review. Moving to a more streamlined regional tier if implemented with the guidance of the business community should reduce some of the complexity and confusion that currently exists. However, business expects to see tangible results from this process including more efficient processes and a stronger focus on economic development. Without the support of the wealth creators the economic growth aims of SNR are likely to fail.

The FSB feels that the original focus of the Sub National Review which was clearly and positively centred on economic growth and development has been lost amongst the negotiations between public bodies at a national, regional and local level not within regional structures.

The SNR Consultation document effectively ignores that where good practice exists, involving all parties including business sector and other stakeholders Regions have clearly benefitted from this engagement.

#### **Business Engagement**

The FSB believes that for the SNR to work effectively, all regional and local government bodies should consult with recognised business organisations and other key stakeholders. For this to work across all regions it would be helpful if the government made this statutory.

Businesses must have the opportunity to influence policy which will affect the conditions within which they operate if economic growth is to be delivered. There are some concerns that with the extended roles granted to Regional Development Agencies and Local Authorities business engagement will be either completely lost, or patchy at best.

As this is taken forward business engagement with local authorities will be crucial given the increased delivery role they will have in the future. Local authorities will need to move from short-term thinking to long-term strategic planning to deliver economic growth. One potential solution to this would be for local authorities to ring-fence funding for economic development to avoid the temptation to merge budgets. Indeed, delegation of funding must only be issued against contracts with clearly defined targets and required outcomes. The problem is that many do not have either the capacity or capability to deliver. The FSB needs reassurances that effective mechanisms will be put in place to ensure the small business voice is heard. This is crucial with local authorities undertaking economic assessments of their areas.

The discussions which have taken place to develop a delivery framework have done so without true business representation. The FSB feels that there needs to be better engagement with the private sector in taking the SNR Review forward. This should not mean that the private sector helps to sign off any new document but should be fully engaged in the policy development behind the SNR Review and able to recommend into any final proposals. The FSB is well placed to help improve the engagement with the private sector given the significant reach it has into the business community.

### **Fragmentation**

The FSB is concerned that tensions have arisen between different public bodies since the publication of the SNR. Since the key to the success of these changes is greater public sector collaboration and partnership this does not bode well for the future. The FSB is concerned that with a reduced level of public expenditure damaging differences between authorities could lead to fragmentation and bring into question future economic growth..

### **Joined Up Thinking**

Businesses need assurance that public sector bodies will work in partnership to strengthen regional economies. Reducing the potential for parochialism in local authority strategies will be an integral part of this process given their strengthened regional role.

The FSB supports the amalgamation of the Regional Economic Strategies and Regional Spatial Strategies into a Single Integrated Regional Strategy (SIRS) if this provides the simplification aspired to. However, there is potential to go further in this simplification process. To ensure there is a joined-up approach both regionally and locally there should be consideration given to merging local development plans and local economic development plans. This would help bring clarity and consistency to policy making allowing for small businesses to take long-term investment decisions.

### **Implementation**

There are concerns about the pace of delivery that the SNR process is taking. The FSB wants to see quick implementation once the proposals outlined in the consultation document have been finalised by all parties. The local authority elections have further delayed this process with local authorities delaying decisions. There is a fear that that these delays will lead to a focus on structures and processes rather than delivery. Indeed, if the economic growth aims aspired to in the document are to be achieved there must be flexibility to allow regions to match their distinctiveness.

The FSB would like to see short implementation timescales to improve the effectiveness of the new arrangements.

## **Business Rate Supplement**

The FSB does not support the introduction of business rate supplements as these will have a major and disproportionate effect on small businesses.

Indeed it is questionable whether a one size fits all solution will achieve the aims of the SNR. The Crossrail experience in London is not applicable in all regions and there needs to be a better reflection of different regional capacity as well as the realisation that for any major infrastructure projects the amount of money able to be raised would still never be adequate and therefore there would be no point – it would simply be recognised as yet another ‘stealth tax’.

## **Capacity**

There are concerns that the local authorities cannot perform the proposed economic assessment duties and the RDAs do not have the capacity nor the understanding to develop plans in areas like transport and planning. Indeed, there are questions as to whether local authorities understand that transport is one of the key drivers of local economies. It is crucial that local authorities and RDAs quickly gain a far better understanding of the needs of small businesses if economic growth is to be achieved.

RDAs and local authorities must invest in their skills sets to give confidence to the business community. Only through improving this capacity will delivery of the SNR targets be met.

## **Skills**

Whilst the FSB welcomes the move to locally focused training within the new skills programme we have reservations about the responsibilities being passed to local authorities. Many local authorities have had little interest in economic development or responding to the needs of employers in their areas. We are therefore concerned that they will recruit the people current employed by the LSC and the FE colleges, thus, reverting back to the old system.

We are also wary of dramatic variations in the quality, quantity, availability and variety that could occur between neighbouring authorities. To avoid this we would like to see the same safeguards to accessibility that has been installed within the New Diploma system, whereby small businesses and their employees are not disadvantaged by being on the wrong side of a local authority boundary.

The FSB would also expect Local Authorities to take note of the views of the Local Employment and Skills Boards and that the make up of these boards include all the major business-representing organisations along with local employers.

It makes sense to put the skills under the same authority that manages the new diplomas. Local employer needs and the economic interests of the area should be taken into account when deciding the subjects or themes.

The diplomas cannot be effectively delivered without the involvement of employers. Schools must realise that large employers are only a small part of the jigsaw and that they must engage with small businesses as they represent 58% of the private sector workforce. They must also look to the public sector with over 50% of the total workforce.

The FSB are strong advocates of vocational subjects being on the curriculum from 14 onwards, we believe that it could stretch to 11 upwards in an ideal education system. Vocational and academic courses should run parallel leaving the young person with options to gain the necessary skills to thrive in the workplace and in general life.

To ensure that the 14-19 agenda lines up fully and effectively with the single regional strategy and its implementation, LEAs will need to develop effective regional and sub regional representation. This has been lacking in the past and has been a serious barrier to effective co-ordination.

### **Business Support**

The FSB is concerned that the current Business Support Simplification Programme could be undone by local authorities. Small businesses do not want to see the re-proliferation of business support to form part of the extended duties of local authorities. Indeed FSB members have been supportive of the work done to improve the IDB model.

### **Leadership and Accountability**

The public sector needs to demonstrate greater leadership in developing the proposals outlined in the consultation document. Public bodies need to be held accountable for the decisions taken on a range of issues that matter to the business community including transport, planning and skills.

Improving accountability can only be achieved through strong scrutiny of lead public bodies. There are concerns from the FSB that the current proposals seek to weaken the scrutiny role of the business community and thereby the whole scrutiny process. Whilst the current system is not perfect it does allow the business community to take a strong role in regional strategies. The sharing of current excellence which has been of considerable benefit should be used as we go forwards. The other big issue missing from current scrutiny process is the ability to legally require witnesses to attend to give evidence.

There needs to be greater representation of small businesses on RDA boards. The FSB continues to support the need for RDAs to be business-led but are concerned that true business representation does not yet happen and that small business views are not understood properly and too often are not heard and then acted on. If the proposals outlined in the consultation document are implemented there is a danger that these boards will become local authority led. This will be exacerbated by the need for new business board members to demonstrate skills in planning and experience with regional and local stakeholders.

## **APPENDIX 2:**

The undersigned business organisations are writing to state our concern about the Government's proposals regarding the current proposals for the introduction of Business Rate Supplements (BRSs)

While many of the organisations involved in the formulation of this letter have individually voiced their opposition to the introduction of BRSs it is recognised that significant political will exists within Government to deliver this change.

Despite Government claims that the model for a Business Rate Supplement contains significant levels of protection for businesses we remain extremely concerned that, in their current form, the proposals will do little to prevent widespread abuse of the extensive powers you are intending to devolve to local government.

Given the current trajectory, it is the purpose of this letter to clarify the minimum safeguards that the undersigned organisations would require in order to support the Government's proposals. Without the adoption of these protections it will be impossible for the business lobby to support the introduction of any scheme of BRSs and we can assure the Government that in this scenario our energies will be channelled into overturning this deeply damaging policy.

The necessary safeguards are:

- **A mandatory business vote before the introduction of any BRS (ideally the Business Improvement District (BID) model, requiring a dual majority of those voting on the day**
- **Local Authorities commitment to being the funder of last resort in the event of project overruns**
- **Mandatory offsetting of current and future BID payments against any BRS levy**
- **Maintain the commitment to protect smaller businesses from disproportionate burdens by ensuring properties liable for business rates with a rateable value of £50,000 or less will be exempted from paying supplements ; and for this threshold must be reassessed at revaluation in 2010 and increased in line with overall increases in Rateable Value**
- **Maintain the upper limit of 2p**
- **BRS funds must be hypothecated for necessary and additional economic infrastructure projects. In addition there needs to be a clear definition of precisely what is meant by the term 'Economic Development'**

- **Establishment of a formal mechanism for local businesses to have strategic (and ongoing) oversight of the project**
- **A robust, and transparent, cost benefit analysis of every project that requires some element of financing from a BRS**
- **That the cost of a ballot would not be passed onto businesses, or come from the projected BRS budget**
- **Require sign-off from the Secretary of State (DCLG) before the introduction of any BRS**

We were also alarmed at Dr Phyllis Starkey's suggestion last month that each tier of local government should be able to levy a supplement on the business rate, and that there should be no threshold to protect smaller businesses from exposure to increased occupancy costs. Although we appreciate that in your response to the Communities and Local Government (CLG) Select Committee Report you dismissed this approach, we are concerned that the private sector is increasingly being seen in some quarters as an additional revenue source to fill the gap in poorly funded local authorities. Businesses already contribute significantly to local government finance, through general taxation, section 106 agreements, BID levies and voluntary contributions to local projects, and will continue to do so. However if operating costs continue to rise then these forms of local community investment will no longer be viable.