

FEDERATION OF SMALL BUSINESSES

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Sub National Review

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16th June 2008

Dear Sir/Madam

Prosperous Places: Taking forward the Review of Sub National Economic Development and Regeneration – FSB West Midlands

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above consultation document on behalf of its 18,000 members in the West Midlands, in an area co-terminus with Government Office for the West Midlands. Our members are drawn from small and micro businesses across all sectors. They have been contacted through a variety of methods, including email and personal contact.

We trust that you will find our comments in the attached document 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,

David Caro

Chairman, West Midlands Policy Unit
Federation of Small Businesses



**RESPONSE FROM THE
FEDERATION OF SMALL BUSINESSES (FSB)
– WEST MIDLANDS**

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**

Introduction

The FSB is broadly supportive of the principles of the Sub National Review (SNR). 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 SNR, which was clearly and positively centred on economic growth and development, has been lost amongst the discussions between public bodies such as local authorities, RDAs and government offices.

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 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 business representative organisations and for this to 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 the capacity and capability to provide the long-term leadership needed to plan for economic development.

Fragmentation

- FSB members are 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. FSB members are concerned that with a reduced level of public expenditure, damaging battles between different 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.

- FSB members support the amalgamation of the Regional Economic Strategies and Regional Spatial Strategies into the 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

- FSB members would like to see short implementation timescales to improve the effectiveness of the new arrangements.
- FSB members want 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 Supplements (BRS)

- The FSB does not support the introduction of business rate supplements (BRS) 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.
- By signalling an intention in 2010 to introduce a BRS at the same time as the business role on Regional Assemblies are being abolished, market confidence will be undermined in these new processes and will lead to complaints from many small businesses that this amounts to taxation without representation.

Earlier this year the FSB along with other business organisations, sent a letter to the Chancellor of the Exchequer, the Secretary of State for Communities and Local Government and the Secretary of State for Business, Enterprise and Regulatory Reform detailing our recommendations 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, availability and variety that could occur between neighbouring authorities.
- The proposals surrounding skills are also subject to a consultation undertaken by the Department for Innovation, Universities and Skills. Undertaking two consultations on very similar issues increases the confusion and complexity for business understanding on key issues.

Business Support

- FSB members are concerned 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 the decisions by business organisations.
- 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 to make positive progress as we go forwards.
- There needs to be greater representation of small businesses on the RDA board.
- RDAs need to be more broadly inclusive of the business community, rather than relying on relationships with individual businesses to achieve business engagement.

Q1. 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 local authorities do not have the capacity or capability in enough cases 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. 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 must be scrutinised by the business community. This could help improve the engagement between businesses and public sector bodies.

One of the ways RDAs can satisfy themselves in respect of sufficient capacity is via a consortium of business representative organisations, such as the West Midlands Business Council, which, because of its membership, will have the local, sub-regional and regional intelligence to provide this critical information to the RDA. Individual businesses organisations cannot do this alone.

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.

FSB members in the West Midlands are concerned that given the powers that this forum would have, it should not be left up local authorities alone 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.

Where business representation on local authority leaders' forums cannot be achieved, it is crucial that the Government outlines how business representation

is not seen as tokenistic. One possible mechanism is for Government to allow the creation of a Regional Leaders' Forum. This group would be chaired by the Regional Minister and include representatives from the business community, key local government representatives, the RDA chair and other key stakeholders such as the Highways Agency.

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, it is questionable whether local authorities can be impartial when scrutinising RDA performance. 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 businesses 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, the wealth creators are given the opportunity to hold public bodies to account. In the West Midlands scrutiny has only been successful due to the contribution from stakeholders. The WMRA Scrutiny panels were open and accessible, with participants drawn from the key stakeholders across the region. The system operated in the West Midlands also provided good value for money, as the use of consultants was kept to a minimum with panels and delegates giving up their time to take part and provide evidence, largely free of charge.

The current proposals to 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 to help 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 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 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.

In the West Midlands we support proposals for a delivery plan. There is not a great deal of focus on the key issue of how the IRS will be delivered in the consultation and this is one of the key issues as far as businesses are concerned. The private sector wants to be able to easily understand what will be delivered by the IRS, by whom and how it will be evaluated. A good example of where such an approach has so far been a success is the production of the West Midlands Regional Skills Action Plan.

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.

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 the lowest common denominator. The regional strategy should be developed through use of 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. 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 recourse proposed 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 clouding the current global economy.

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.

In the West Midlands, business has been an integral part of the decision making process and has been able to work effectively with the public sector at all levels of the process, from the strategic (regional) to the operational (local).

It is concerning that the SNR provides no clear role for business, particularly as one of the most successful examples of engagement in the West Midlands has been through the Regional Assembly (co-ordinated through the West Midlands Business Council), which is due to be disbanded.

As a result of the 16 business places on the Regional Assembly, in the West Midlands, the business community has come together with other stakeholders. Business inclusion in the decision making process has worked well on the development of the West Midlands Regional Spatial Strategy, as a result of the Regional Assembly.

We would therefore strongly propose that business representative organisations – via consortia structures – forms part of the panel possibly with Other Stakeholders as currently represented on Regional Assemblies.

The strength of this approach is that it gives the business sector a very similar role and powers to its current position within the West Midlands Regional Assembly and it gives the business sector a key influencing role before decisions are made – helping with market confidence in this process.

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, long-term investment decisions could stall, 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. It must not be assumed that these extra costs will 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?

If we have to make a choice, the FSB in the West Midlands supports Option 1 as clearly local authorities and RDAs must act in the interests of providing added value to the national economy rather than having processes that are divorced from the national macro-economic picture.

It is this balance between national, regional and local decision making which is essential to ensure sustainable economic development.

However, it is important to use data which gives a clear assessment on the local economy highlighting the economic needs of an area. There have been reports produced by the New Economics Foundation that question the use of VAT as a benchmark for start ups.

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 can demonstrate how these influenced 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 & 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 when drawing up the new assessments.

Crime against business in particular, is a major issue for the economic performance of the regions. The Government Office for the West Midlands has

estimated, for instance, that crimes against business cost the West Midlands region £123million per year¹.

Crime and Disorder Reduction Partnerships (CDRPs) do not automatically consider crime against business in its own right, despite the impact on economic performance, due to their perception of the LAA guidance.

However, crime against business is a major handicap to regional and local economic regeneration, and therefore this needs to be part of the economic assessment alongside statistical measures of economic performance and the spatial consequences of the Integrated Single Strategy.

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. 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 representative organisations.

Regional business consortia - like the West Midlands Business Council – can help with the links to relevant local business representative organisations, such as the FSB.

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

As a body concerned with the interests of business in the West Midlands region we do not feel sufficiently informed to comment on London-only matters.

¹ GOWM 2005 - <http://www.go-wm.gov.uk/gowm/news/newsarchive/341399/>

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 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 successful examples of collaborative working and instead of creating statutory arrangements government should focus on removing obstacles to collaborative working. This should be acted on where possible in the areas of success but should not be rolled out to all regions.

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 business rate supplements.

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. The myriad of governance arrangements must be simplified so 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. By doing this the small business community would be more engaged in any consultations and a more mature relationship could emerge 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 the sub-regional level where a statutory partnership exists, 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 ONE:

FSB West Midlands SNR Consultation 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 over 18,000 businesses in the West Midlands in an area co-terminus with Government Office for the West Midlands. Our members are drawn from small and micro businesses across all sectors.

Introduction

FSB members are broadly supportive of the principles 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.

FSB members feel that the original focus of the Sub National Review which was clearly and positively centred on economic growth and development has been lost amongst turf battles between public sector bodies at national, regional and local level.

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 business representative 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 local authorities do not have either the capacity or capability to deliver. FSB members need 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. FSB members feel 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.

In the West Midlands we currently have a very strong business voice. Business has been actively engaged through a wide range of representative organisations working under the aegis of the West Midlands Business Council, operating in a coherent way to ensure that all sectors of the business community are represented to share the workload and to ensure that there is effective communication between the public and private sectors.

There is a clear, established framework already in place to facilitate business engagement in the West Midlands. This mechanism must be integrated into the regional, local and sub regional decision making process to ensure it is able to work effectively with the public sector at all levels of the process, from the strategic (regional) to the operational (local).

It is concerning that the SNR provides no clear role for business, particularly as one of the most successful examples of engagement in the West Midlands has been through the Regional Assembly (co-ordinated through the West Midlands Business Council), which is due to be disbanded.

As a result of the 16 business places on the West Midlands Regional Assembly, the business community has come together with other stakeholders. Business inclusion in the decision making process has worked well on the development of the West Midlands Regional Spatial Strategy, as a result of the Regional Assembly.

Whilst such examples may not have been so successful in other regions, it is crucial that we do not lose the structures that work for the West Midlands and we are able to build on these examples of best practice for broader business engagement in the future. For example, business representatives could lead on different aspects of the IRS. This would ensure real business input, not only to the decision making process, but also to economic development.

The business community is at the heart of successful economic development and regeneration in both delivery and strategy. It is the region's businesses that deliver the Regional Economic Strategy and, as a result, businesses must be able to truly influence the development of policies that will impact on the conditions in which they operate. Business is not just one of many voices wishing to be consulted with, and decision making processes must reflect this. We must ensure that we have the appropriate framework and decision making structures in place to facilitate this.

Fragmentation

FSB members are 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. FSB members are concerned that with a reduced level of public expenditure, damaging battles between different 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.

FSB members support the amalgamation of the Regional Economic Strategies and Regional Spatial Strategies into the Single Integrated Regional Strategies (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. FSB members want to see quick implementation of the proposals outlined in the consultation document. 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.

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

Business Rate Supplements

FSB members do not support the introduction of Business Rate Supplements (BRS) as these will have a major and disproportionate effect on small businesses. By signalling an intention in 2010 to introduce a BRS at the same time as the business role on Regional Assemblies are being abolished, market confidence will be undermined in these new processes and will lead to complaints from many small businesses that this amounts to taxation without representation.

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'. For the West Midlands, BRS should not be viewed as a panacea by local authorities as it is estimated that it will only yield £52m² across the West Midlands.

² HM Treasury & Dept CLG Business Rate Supplements White Paper Oct 2007 Ref CM7230 - http://www.hm-treasury.gov.uk/media/B/9/pbr_csr07_businessrate266.pdf

Capacity

There are concerns that the local authorities cannot perform the proposed economic assessment duties and the RDAs do not have the capacity or 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 currently 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 includes 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.

Business Support

FSB members are 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 FSB members 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 to positive progress as we go forwards. The other element missing from current scrutiny processes is the ability to legally require attendance of witnesses to give evidence.

There needs to be greater representation of small businesses on RDA boards. FSB members continue to support the need for RDAs to be business-led but are concerned that true business representation does not yet happen. 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.

RDAs need to be more broadly inclusive of the business community, rather than relying on relationships with individual businesses to achieve business engagement. There is an opportunity to improve the visibility of the business led aspects of the RDA. For example, there should be a clear expectation for RDA board members that they should exchange ideas regularly with business and business organisations, to communicate and champion the work of the agency.

APPENDIX TWO:

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.