

Review of Local Governance

Submission from FSB Scotland

January 2019

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Introduction

The Federation of Small Businesses (FSB) is Scotland's leading business organisation. As experts in business, we offer our members a wide range of vital business services including advice, financial expertise, support and a powerful voice in government. Our mission is to help smaller businesses achieve their ambitions. These micro and small businesses comprise the majority of all enterprises in Scotland (98%), employ around one million people and contribute £68bn to the economy.

While small businesses are a community of interest at both local and national level, most small businesses are also an intrinsic part of their local community; from serving local people and businesses as well as employing people in the area, to working with local schools, charities and other institutions. Small businesses are therefore affected by decisions taken about communities and thus have an interest in discussions about how those decisions are made. We therefore welcome the opportunity to contribute to the review of local governance in Scotland.

To gather the views of our members we held a number of informal roundtable discussions with small business owners to ask them about decision-making in their areas, including when and how they get involved, how this could be improved and how they would feel about possible change. This response sets out some key points that emerged from these discussions.

What is 'local' to a small business?

Most businesses felt they belonged to a number of 'local' communities, including the community in which they lived; the particular area in which their business was based (when this differed from their home location); or a business community across a slightly larger geographic area.

In other words, sometimes local is used to mean neighbourhood level but sometimes it means town, county or city level.

Nevertheless, smaller businesses feel a strong connection to these local communities and we heard numerous examples about the ways in which smaller businesses embed these links. Often this would involve supporting local third sector organisations, directly helping vulnerable groups, fundraising for causes, as well working with local schools and colleges.

Involvement and awareness of local decision making

We heard a general view that local people, including local business owners, would often like to be more involved in decision-making but don't participate for a variety of reasons.

This might be because they don't feel they are empowered to take action; lack the time to engage; don't feel their views matter as decisions have already

Local Governance Review

Submission from FSB Scotland

been taken; or they were unaware of the opportunity to engage.

Most felt that businesses were not particularly engaged with community councils, though some individuals had been involved as citizens. There was a suggestion that community councils dealt with issues at too 'microscopic' a level for local businesses. More useful engagement fora for local businesses included local business or trader associations, or more formal groups such as Business Improvement Districts. BIDs are a particularly useful example exploring a different model for decision-making in practice.

Most of our respondents felt that they were fairly well informed about what was happening in their area, whether through word-of-mouth, local press or social media use. Nevertheless, they felt that certain information, particularly in relation to strategic or longer-term change, was still hard to come by. There is certainly scope to use social media to greater effect in relation to local decision-making, particularly by tailoring information according to the preferences or interests of individuals.

Exploring digital information further, we have frequently highlighted Scotland's poor track record in relation to digital public services. Businesses, as well as citizens, increasingly expect to interact and transact with public bodies online.

We have highlighted how, from taxation (business rates) to regulation, this is far from easy, given the fractured and outdated approach across Scotland.

A key theme that has arisen time and again, is the need for different public bodies – particularly local authorities – to work collectively to achieve better systems for people and businesses across Scotland.

Specifically, while local decision-making is important, sometimes a shared approach across Scotland is the best option for businesses (and for local authorities). Despite general support for such an approach we have often become frustrated by the difficulty in finding a pathway to agreeing and implementing such change across Scotland's councils. Thus, considering when collective action is better for all and how we enable this, is an important aspect of improving local decision-making.

Engagement and accountability

Businesses felt like they were able to access elected politicians relatively frequently. However, they felt that in most cases it was in fact officials who were making decisions – and they were harder to engage with than politicians.

In particular, they felt that officials often had their minds made up on a particular issue prior to consultation or engagement. This meant that there was often a failure to engage by local businesses, since they felt consultation was pointless.

Local Governance Review

Submission from FSB Scotland

Some examples of good practice were highlighted; the Commonwealth Games in Glasgow were felt to be an occasion where there was a shared interest in achieving a good outcome and accommodating different ideas. One contributor summed up that businesses need to be 'included and heard' much earlier in engagement processes.

How best to engage with local businesses

While businesses have an obvious interest in decisions that directly affect their neighbourhood, for example discussions about local roadworks which might affect town centre businesses, they also expressed an interest in more strategic topics, such as transport and policing. There was also a clear feeling that, whilst it may not always be appropriate, businesses had a lot to offer in relation to finding solutions to public policy challenges, not least because of the creative and innovative skills evident in many small firms. Notwithstanding the time constraints upon local businesses, greater consideration could be given to improving co-production of solutions with business.

While there are usually consultation opportunities associated with such longer-term strategies, they are infrequent and can easily be missed.

Thinking about more specific engagement aimed at local businesses on these sectoral, strategic documents might be worth considering.

More generally, businesses spoke about their desire for engagement with local decision-makers to encompass a broader range of topics than was often the case with single-issue meetings.

There was a keen interest in decision-makers (elected and un-elected) more frequently going out to local communities to hold open, dynamic meetings with a range of local interests, as well as better use of online information, including social media.

It was interesting to note a number of people remark upon the need for new conversations and a shift away from engagement via committee and board structures.

Formal structures will be required for certain governance purposes, for example in relation to city region deals. However, there is a need to challenge the assumption that nominated representatives from communities of interest attending meetings is a replacement for more comprehensive consultation with that sector.

While ensuring different sectoral interests are involved in relevant committees or working groups, this must be in addition to more widespread engagement with the sector, for example local businesses.

Local Governance Review

Submission from FSB Scotland

Additional powers for local authorities

Businesses highlighted concerns about the prospect of local authorities having more control over matters which would affect local businesses, such as business rates. They were suspicious that, despite the best intentions of councils on economic matters, the most likely outcome was that local government would seek to raise additional income from local businesses.

Given current economic fragility this is perhaps unsurprising¹. Moreover, in a recent poll of our members, we asked whether councils having more control over taxes and charges (such as a visitor levy) would be good, bad, or make no difference to business². A clear majority were not supportive of this idea:

- It would be good for local businesses – 25.7%
- It would have no impact on local businesses – 11.5%
- It would be bad for local businesses – 62.8%

More importantly, however, was a deep lack of trust based on how some decisions are currently made and a concern that councils did not currently demonstrate a level of transparency and commitment to consultation to allay such fears.

In our view, local government could more often emulate the best practice of national government about understanding the benefits of better

informed consultation and decision making on policy matters that affect local businesses.

This could include introducing more robust and timely business impact assessments, based on the Scottish model of Business Regulatory Impact Assessments³, as well as more detailed consultation with local businesses ahead of budget-setting or taking decisions about new charging regimes.

Further Information

For further information please contact Susan Love, Policy Manager
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1. Our most recent quarterly index highlighted that confidence amongst smaller businesses in Scotland plunged to its lowest level since the index began in 2011. See: <https://www.fsb.org.uk/media-centre/press-releases/scottish-small-business-confidence-hits-all-time-low>

2. Poll conducted with FSB members across Scotland in November 2018, with 185 respondents.

3. See information on BRIAs: <https://www.gov.scot/publications/bria-guidance/>

The FSB is Scotland's largest direct-membership organisation. It campaigns for a better social, political and economic environment in which to work and do business. With a strong grassroots structure and dedicated Scottish staff to deal with Scottish institutions, media and politicians, the FSB makes its members' voices heard at the heart of the decision-making process. It is therefore recognised as one of Scotland's most influential business organisations. The FSB also provides a suite of services to help our members reduce the cost and risk of doing good business – from legal and tax protection to business banking.

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