

Highland Council



Local Government Manifesto 2022

The Power of Local

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Overview

For Highland Council and small businesses alike, the Covid-19 crisis has made daily operations – from delivering services to serving customers – far more difficult.



Since the last council election, **there has been a 0.1% increase in the number of registered businesses in the region** – compared to a 1.3% increase for Scotland overall

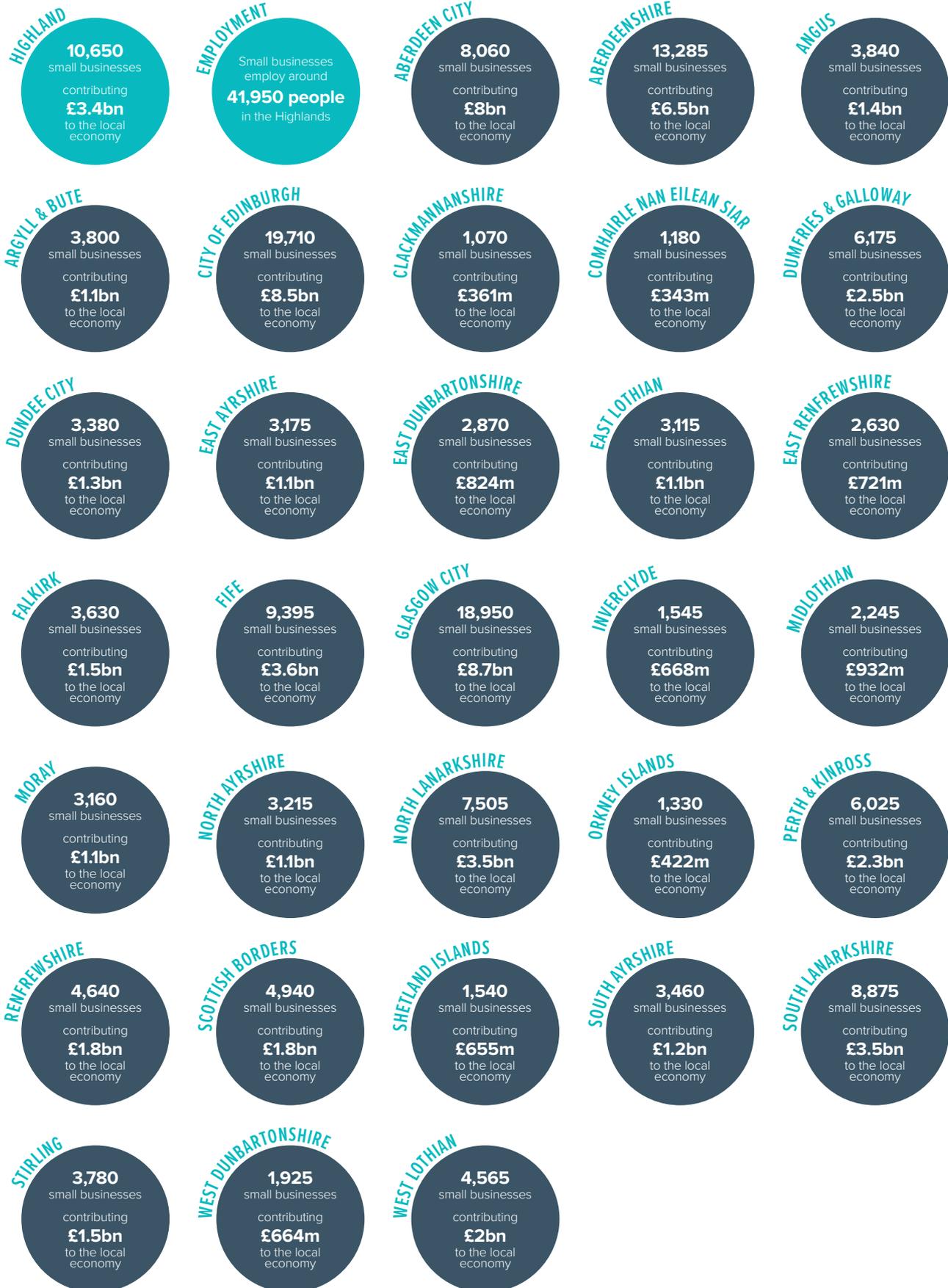
But the last two years have also underlined just how important Highland Council and local businesses are to each other. Businesses stepped up to the plate, finding ways to deliver essential services within their communities and beyond, while the Council delivered a variety of Covid grants aimed at the local businesses hit hardest by the pandemic.

When combined, the local insights, spending and decision-making powers that the local authority and small businesses bring to the table are unparalleled, making them a powerful driver of local change.

This election therefore marks a unique opportunity to deepen and strengthen the relationship between the Council and local small business so that we can deliver even more effectively for our economies and communities.

To this end, Highland Council should follow these 6 steps to local recovery:

- While the Council's performance is top of the national league table for mainland councils, ambitious targets of 2% per annum should be set to further increase procurement spend with smaller local firms – delivering approximately an additional £5.8m a year for the Highland economy.
- Boost the economic recovery of local places by rejecting applications for new and expanded out-of-town retail developments for the next five years, unless it can be demonstrated that existing high streets are unable to cope with the demand for premises.
- Support local businesses to continue their journeys to net zero by providing ongoing grant support, especially to many of those in remote and rural areas who will be hit hardest by the transition.
- Help local footfall and increase economic activity by fully reopening its main offices across the Highlands, thus enabling the return of more of its office-based staff.
- Help businesses to start up and scale up by investing in, and supporting, Business Gateway services – and offering targeted support for areas where there is significant untapped potential, such as women-led businesses.
- Improve the relationship between the Council and business by creating joined up online systems in areas such as licensing and non-domestic rates.



Number of businesses: The Highlands accounts for large numbers of rural Scotland's registered businesses (10,650), and many more unregistered businesses.

Prioritising the economy

Highland Council is a key player in the local economy. It maintains and builds new infrastructure; invests in our towns and villages; educates our children; keeps our streets clean; enjoys significant spending power; and regulates and supports businesses.

When the Council uses these powers to support local businesses – such as when it provided Covid grant support during the pandemic – a range of social and economic benefits materialise. However, the Council can also make decisions that hamper local business growth.



Since April 2020, **Councils have distributed at least £2.4bn in grant support** to businesses

Over the next five years, there is a risk that the Council will become less business friendly. Growing demand for services such as social work and education, coupled with budgetary pressures, make it more likely that it will react by cutting services like economic development and roads. At the same time, the Council might be tempted to cross-subsidise other activities by hiking charges like planning and licensing – with little regard to the markets in which businesses are operating and the pressures on their profit margins.

With Highland small businesses having to repay over £205m of government-backed Covid debt, while also facing spiralling overheads, staff shortages and business survival issues, small businesses need the Council to use every tool at its disposal to support them.

So, on the key decisions – from setting the rates for car parking charges through to the maintenance of the local roads which play such a vital part in our tourism offering – small businesses will expect Highland Council to think hard about the economy, locally and regionally.

For example, it could provide a welcome boost to footfall and turnover by **fully reopening its offices in Inverness and elsewhere**. Council workers used to provide an almost daily cash injection across many local economies – economic activity that has been lost over the last two years.

Similarly, it is important that the Council gives local businesses breathing space to recover from the pandemic by helping them absorb the steep increases in overheads. They can do this by, for example, committing to **freezing fees and charges on areas such as waste, licensing and planning for at least the first two years of the next council term**. Similarly, they could also **rule out introducing a workplace parking levy and freeze rents on their commercial properties**.

Building community wealth

Local government spends around £7 billion each year purchasing goods and services.¹ This significant spending power, if effectively harnessed, could make a real difference to local economies. Buying local can help councils support new jobs, create new businesses and, of course, reduce their carbon footprints.²

Since the last council elections, Highland Council has successfully boosted the share of contracts that go to local businesses – resulting in a 15% increase in spend according to the latest figures. This impressive performance compares to an overall increase of 6.2% for Scotland as a whole and places Highland top of the procurement league table for mainland authorities (see figure 1).

Figure 1: What percentage of my council’s procurement is spent on local enterprises?³



¹ www.fsb.org.uk/resources-page/fsb-procurement-reforms-yet-to-deliver-for-scottish-smaller-firms.html

² <https://cles.org.uk/publications/local-procurement-making-the-most-of-small-businesses>

³ www.improvementservice.org.uk/benchmarking

At a time when approaches such as community wealth building– the idea that councils should ensure that wealth is locally-owned and shared by local people⁴ – are popular and when it has become more difficult and costly to import goods and services from abroad, this is an ideal opportunity to improve local spending even further.

That is why the small business community is expecting Highland Council to set **ambitious targets to increase procurement spend with smaller local firms by two percentage points every year**. This would result in it spending approximately £5.8 million more each year with local businesses – and be a tangible way to build genuine community wealth. Quick wins exist in areas like employability and early-years education, where many local small businesses are equipped to help deliver key Council priorities.

The Councils' procurement and local economic development teams should also **work with other key private and public institutions** – such as the NHS and the education sector – to develop local supply chains. It could also **regularly review its systems and processes to identify barriers to boosting local supply, and make use of less burdensome procurement routes** by, for example, raising the threshold for the Quick Quote facility so it can be used for more low-risk contracts.⁵

And, finally, we would like to see the Council **promoting local procurement opportunities more proactively with local small businesses** by, for instance, encouraging more to register for Public Contracts Scotland. Too many businesses remain unaware of opportunities and how to engage with them.



⁴ See: www.north-ayrshire.gov.uk/council/community-wealth-building/community-wealth-building.aspx

⁵ See: www.sdpScotland.co.uk/events/south-lanarkshire-council-new-quick-quote-process-1253

Supporting local businesses to go net zero

Scotland has set an ambitious and bold target to become net zero by 2045 – a legally binding target that will necessitate a radical transformation of all sectors of our economy. Indeed, Edinburgh has gone a step further and committed to becoming net zero by 2030.

The powers to achieve these targets are distributed across different institutions, regulators, and levels of government, creating a complex landscape. This can only be overcome with coordinated action.

Despite the impact Covid has had on the small business community, it is committed to playing its part in making a net zero economy a reality – with 74% believing they have a responsibility to help the country achieve our climate change commitments.⁶

Nonetheless, this is a particularly difficult undertaking for the Highlands due to the challenges facing the region. These include our geography and remoteness from markets; sparse population and settlement patterns; nature of the building stock (many buildings were cheaply built with poor insulation); climate; and, very importantly, the costs associated with all of this.

In addition, months after COP26 took place in Glasgow, not enough local businesses understand the practical implications of the opportunities and risks presented by net zero, and the steps they will inevitably have to take to decarbonise their operations.

It will be important, therefore, that **the council proactively engages with the local business community** – especially regarding its own plans to tackle emissions and waste. This will require the Council to **develop net zero engagement plans, in partnership with local businesses, by the end of 2022**. Given the nature of the problem in the Highlands, the Council should lobby central governments for the resources to get the job done properly.

Similarly, the Council should build on its role as a key local regulator and **signpost businesses to upcoming important changes that will affect their operations** – by, for instance, notifying businesses of important regulatory changes via direct correspondence such as non-domestic rates letters.

And, finally, the Council should complement the national SME loan scheme – which offers finance of up to £100,000 to help pay for energy and carbon-saving upgrades⁷ – by **providing ongoing grant support to small businesses** who will find it particularly difficult and costly to decarbonise their operations.

⁶ www.fsb.org.uk/resources-page/state-of-small-business

⁷ <https://energy.zerowastescotland.org.uk/SMELoan>

Transforming local places

Over the last five years, local places within the Highlands have taken a hit. These places have been fundamentally changed by Covid, with the rise of remote working and online shopping adding to the continued loss of bank branches and retail outlets.

The effects have been most acutely felt in the small businesses that populate every town and village in the area. Many independent retailers have struggled to compete with global online giants and out of town chain stores, many providing home deliveries, while those in smaller premises have found Covid physical distancing rules disproportionately difficult to comply with. And, of course, local cafes, restaurants and pubs have had a particularly hard time.

However, our experiences over the last two years have led some people to rediscover the value of what is in their local neighbourhoods and spend more money closer to home. As a result, some businesses in buoyant local economies are doing well, including the new independent businesses that have been created to service demand from higher levels of homeworking.

For local places to realise and capitalise on these economic opportunities, however, the help and support of the Council will be required. In acknowledging the lack of funds available within the Council to transform every one of its local places, we believe that it should, first and foremost, put town centres first. This will require bold action to **reject applications for new and expanded out-of-town retail developments for the next five years**, unless it can be demonstrated that existing high streets are unable to cope with the demand for premises.⁸

Secondly, given that they were conceived in the pre-Covid world, it makes sense to ask whether the projects to be delivered under the Inverness and Highland City Region deal **remain the correct ones**. The beginning of the new council term would seem the ideal chance to review, not just whether all the old projects are still relevant, but how input from the local business community can be improved.

The Council also needs to do more to tackle the **empty properties on its books and in the wider local economy**. A critical first step for the Council is to establish the nature of the problem by creating a **commercial property database**, including details of ownership and vacant units. There is also mileage in **transforming empty Council-owned properties into co-working spaces for local start-ups**.

⁸ www.gov.scot/publications/new-future-scotlands-town-centres

Helping businesses to start-up and scale-up

Starting and running a business is seldom a straight-forward endeavour. Striking out on your own is a risky, costly and stressful experience, with irregular income levels and cashflow problems a common occurrence. And the last two years have exacerbated the difficulties that business owners face at the start of their journeys.

Moving forward, there is a real possibility that people consider it too risky to either start, or continue, a business. This is a risk for even a well-established entrepreneurial region like the Highlands, which has experienced an increase of only 15 registered businesses since the last council election.⁹ Indeed, there are some FSB Scotland members who have decided to sell/close their businesses due to the combined impact of Covid, rising costs and staff shortages.

As a result, the Council should continue to de-risk entrepreneurship for local people by committing to **fund and support comprehensive Business Gateway services up until at least 2027**. The positive economic impact of investing in this service can be seen in the new start-up businesses and established businesses that are helped to survive, innovate and grow each year, and who go on to create new self-employment opportunities and jobs in their local communities.

In addition, the Council should investigate ways of targeting economic development and business support budgets at specific groups of business owners where there is **high growth potential – notably women-led and migrant-led businesses**.



⁹ FSB analysis of the “Businesses in Scotland” publication: www.gov.scot/publications/businesses-in-scotland-2021

Smart regulation

Highland Council performs a critical role in regulating the economy, with a sizeable chunk of business regulation designed and enforced by it. This covers a diverse range of areas including environmental health, building standards, air quality and alcohol licensing.

For their part, small businesses understand the importance of well-designed and proportionate regulation. Indeed, since the Covid outbreak, these businesses have been central to public health efforts to fight the virus and keep places outside the home safe – often adapting their operations at short notice to comply with ever-changing public health restrictions (e.g. physical distancing).

Nonetheless, the regulatory experience of small businesses is not without its problems. One FSB member, who was seeking to pivot their café last year to begin the sale of alcohol drinks, was told that their application would take up to eight months to process by a licensing department. Another member had to call their council more than a dozen times to renew a licence.

Local authorities continue to interpret and implement regulations in differing ways – creating a regulatory landscape that can be inconsistent and confusing. This is a particular problem for businesses that operate in more than one council area. As a result, small businesses need Highland Council to **simplify the regulatory interface** by creating cross-departmental case managers for their queries – staff who would fast-track business enquiries and ensure prompt responses from different regulatory functions.



There are also opportunities to **modernise services such as licensing by developing simple and easy to use online systems**, developed in partnership with the Digital Office¹⁰ and the Improvement Service.

Similarly, there is an opportunity for the planning authority to **continue to adopt a pragmatic and flexible approach** to temporary or seasonal developments and changes of use.¹¹ This will enable businesses to continue to make adaptations to their premises, such as expanding their outdoor facilities or improving ventilation, and in so doing play their part in preventing the spread of Covid. The Council should also **reduce the time it takes to process commercial planning applications**. At a time when construction costs are steeply increasing, any unexpected procedural delays can and are jeopardise important local projects.

Finally, when Highland Council is embarking on new regulatory schemes – whether it’s regulating air quality or the short-term lets sector – it should keep a particularly **close eye on the practical impact the scheme will have on local businesses**. This would mean rethinking its plan to introduce a short-term lets licensing scheme.

¹⁰ www.digitaloffice.scot

¹¹ www.gov.scot/publications/coronavirus-covid-19-planning-and-covid-19-use-of-outdoors-spaces-and-the-the-28-day-rule

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