



# Power of Local

## Local Government Manifesto 2022

The Power of Local

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# Overview

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

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**Around 20,000 businesses closed** in a single year of the pandemic

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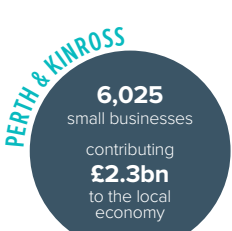
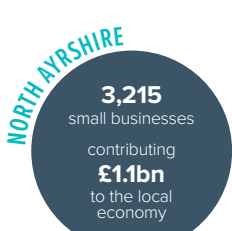
But the last two years have also underlined just how important councils and local businesses are to each other. Businesses stepped up and found ways to deliver essentials in their communities. Councils designed and delivered a variety of Covid grants aimed at local businesses hit hardest.

The unparalleled local insight, spending and decision-making powers that local authorities and small businesses possess make them a powerful driver of local change.

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

**To this end, councils should follow these 6 steps to local recovery:**

- Set ambitious targets to increase procurement spend with smaller local firms by 2% every year to deliver an additional £140m for the economy.
- Boost the economic recovery of local places by rejecting applications for out-of-town retail developments for the next five years.
- Help local footfall and increase economic activity by fully reopening their headquarters or main offices in town and city centres, thus enabling the return of more of their office-based staff.
- Support local businesses to continue their net zero journey by providing ongoing grant support to the small firms who will be hit hardest by the transition.
- 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 and migrant-led businesses.
- Improve the relationship between local authorities and business by creating joined up online systems in areas such as licensing and non-domestic rates.



# Prioritising the economy

Councils are key players in local economies. They maintain and build new infrastructure; invest in our towns, cities and villages; educate our children; keep our streets clean; enjoy significant spending power; and regulate and support businesses.

When local government uses these powers to support local businesses – such as when they provided Covid grant support – a range of social and economic benefits materialise.



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

However, councils can also make decisions that hamper local business growth – such as giving planning permission to out of town retail developments or spending a fraction of their multi-million-pound procurement budgets with local firms.

Over the next five years, there is a risk that councils become less business friendly. Growing demand in services such as social work and education, coupled with budget pressures, make it more likely that they will react by cutting services such as economic development and roads, while hiking charges for planning and licensing.

With Scotland's small businesses looking to repay their share of £4bn of government backed Covid debt, spiralling overheads and cashflow tightening, small businesses need councils to use every tool at their disposal to support local businesses.

So, on the key decisions – from setting the rates for car parking charges through to the maintenance of local roads – small businesses will expect councils to think hard about the economy.

For example, authorities could provide a welcome boost to footfall and turnover by **fully reopening their headquarters or main offices in town and city centres**. 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.

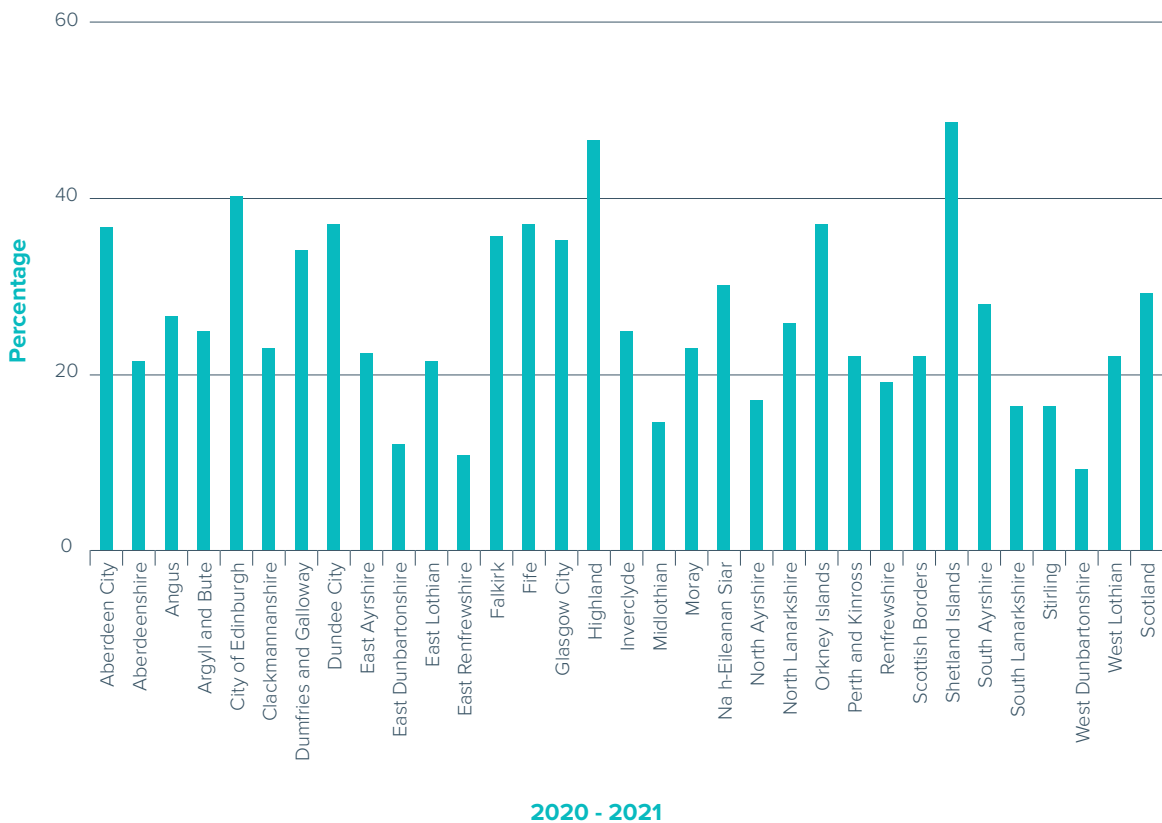
Similarly, it is important that councils give local businesses breathing space to recover from the pandemic by helping them absorb the steep increases in overheads. They can do this by, for example, committing to **freeze fees and charges on areas such as waste, licensing and planning for at least the first two years of the next council term**. Similarly-minded councils could also **postpone plans to introduce low emission zones and workplace parking levies**. And they could **freeze rents on their commercial properties**.

# Building community wealth

Local government spends around £7bn each year purchasing goods and services.<sup>2</sup> 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 footprint.<sup>3</sup>

Since the last council elections, some local authorities have boosted the share of contracts that go to local businesses – resulting in an overall 6.2% increase in spend over the last five years. Although this is a step in the right direction, it remains the case in Scotland that, on average, less than a third of councils' annual procurement budgets are spent on businesses local to them.<sup>4</sup>

## What percentage of my council's procurement is spent on local enterprises?<sup>5</sup>



<sup>2</sup> [www.fsb.org.uk/resources-page/fsb-procurement-reforms-yet-to-deliver-for-scottish-smaller-firms.html](http://www.fsb.org.uk/resources-page/fsb-procurement-reforms-yet-to-deliver-for-scottish-smaller-firms.html)

<sup>3</sup> <https://cles.org.uk/publications/local-procurement-making-the-most-of-small-businesses>

<sup>4</sup> The exact figure is 29.1%. See: [www.improvementservice.org.uk/benchmarking](http://www.improvementservice.org.uk/benchmarking)

<sup>5</sup> [www.improvementservice.org.uk/benchmarking](http://www.improvementservice.org.uk/benchmarking)

At a time when approaches such as community wealth building – the idea that councils should ensure wealth is locally owned and shared by local people<sup>6</sup> – 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 dramatically and build more resilient local supply chains.

That is why the small business community is expecting councils to **set ambitious targets to increase procurement spend with smaller local firms by two percentage points every year**. This would result in the average Scottish council spending £4 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.

Councils' procurement and local economic development teams should also **work with other key private and public institutions** – such as the NHS, colleges and universities – to develop local supply chains.

And, finally, councils should **regularly review their systems and processes to identify barriers to boosting local supply**. Local authorities may wish to increase their 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.<sup>7</sup>



<sup>6</sup> See: [www.north-ayrshire.gov.uk/council/community-wealth-building/community-wealth-building.aspx](http://www.north-ayrshire.gov.uk/council/community-wealth-building/community-wealth-building.aspx)

<sup>7</sup> See: [www.sdpScotland.co.uk/events/south-lanarkshire-council-new-quick-quote-process-1253](http://www.sdpScotland.co.uk/events/south-lanarkshire-council-new-quick-quote-process-1253)

## Supporting local businesses to go net zero

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Scotland has set an ambitious and bold target to become net zero by 2045 – a legally binding target that will necessitate a radical transformation for all sectors of our economy. Some local authorities, such as Edinburgh and Glasgow, have 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.<sup>8</sup>

However, 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 have to take to decarbonise their operations.

It will be important, therefore, that **local authorities proactively engage with their business community** – especially regarding councils' own plans to tackle emissions and waste. This will require councils to **develop net zero engagement plans, in partnership with local businesses, by the end of 2022.**

Similarly, councils should build on their role as key local regulators and **signpost businesses to upcoming important changes that will affect their operations** – by, for instance, notifying them of an upcoming important regulatory change in direct correspondence they will receive in any event, such as their non-domestic rates notices.

And, finally, councils should complement the national SME loan scheme – which offers finance of up to £100,000 to help pay for energy and carbon-saving upgrades<sup>9</sup> – by **providing ongoing grant support to small businesses** who will find it particularly difficult and costly to decarbonise their operations. In the short term, this could be funded by some councils' underspend from the Covid-19 Discretionary Grant Fund.

<sup>8</sup> [www.fsb.org.uk/resources-page/state-of-small-business](http://www.fsb.org.uk/resources-page/state-of-small-business)

<sup>9</sup> <https://energy.zerowastescotland.org.uk/SMELoan>



# Transforming local places

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Over the last five years, the centres of Scotland's cities, towns and villages have taken an enormous hit.

The places we call home have been fundamentally changed by Covid, with the rise of remote working and online shopping adding to the continued loss of hundreds of bank branches and retail outlets.

The effects have been most acutely felt in the small businesses that populate every high street across the country. Many independent retailers have struggled to compete with global online giants and out of town chain stores, 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 neighbourhood and spend more money closer to home. As a result, some businesses in buoyant local economies are doing well, including those 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 local authorities will be required. In acknowledging the lack of funds available within local government to transform every one of our towns, villages and cities, we believe councils should, first and foremost, put their town centres first. This will require bold action to **reject applications for out-of-town retail developments for the next five years.**<sup>10</sup>

Secondly, given that they were conceived in the pre-Covid world, it makes sense to ask whether the projects to be delivered under the operational city region and growth deals 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.

Councils also need to do more to tackle the empty properties on their books and on their high streets. A critical first step for any 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.**

<sup>10</sup> [www.gov.scot/publications/new-future-scotlands-town-centres](http://www.gov.scot/publications/new-future-scotlands-town-centres)

## Helping businesses to start-up and scale-up

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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 problems business owners face at the start of their journey.

Moving forward, there is a real risk that people consider it too risky to either start, or continue, a business – a particular risk for local economies with historically lower start-up rates. Indeed, since the last council elections, 18 local authorities have seen a drop in the number of private sector businesses.<sup>11</sup>

Local government can play an important role in de-risking entrepreneurship 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 tens of thousands of 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, councils should investigate ways to target economic development and business support budgets to specific groups of potential business owners where there is **high growth potential – notably women-led and migrant-led businesses**.



<sup>11</sup> FSB analysis of the “Businesses in Scotland” publication: [www.gov.scot/publications/businesses-in-scotland-2021](http://www.gov.scot/publications/businesses-in-scotland-2021)

# Smart regulation

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Local authorities perform a critical role in regulating the economy, with a significant chunk of business regulation designed and enforced by councils. 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 new 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 alcoholic drinks, was told by the licensing department that their application would take up to eight months to process. 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. To pick one example, consider a Second Hand Dealer's Licence. An FSB member in Edinburgh was recently quoted £242 for such a licence in order to trade second hand Pokémon cards. Had they been located in Glasgow, however, no such licence would even be required.

<sup>12</sup> [www.digitaloffice.scot](http://www.digitaloffice.scot)

<sup>13</sup> [www.gov.scot/publications/coronavirus-covid-19-planning-and-covid-19-use-of-outdoors-spaces-and-the-the-28-day-rule](http://www.gov.scot/publications/coronavirus-covid-19-planning-and-covid-19-use-of-outdoors-spaces-and-the-the-28-day-rule)

As a result, small businesses need councils 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 using simple and easy to use online systems** which have been developed in partnership with the Digital Office<sup>12</sup> and the Improvement Service.

There is also scope for planning authorities to **continue to adopt a pragmatic and flexible approach** to temporary or seasonal developments and changes of use.<sup>13</sup> 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.


Finally, when councils are embarking on new regulatory schemes – whether it's regulating air quality or the short-term lets sector – they need to keep a particularly **close eye on how the practical impact the scheme will have on local businesses.**


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