Local Government and Regeneration Committee: Community Empowerment (Scotland) Bill

September 2014

Introduction

The FSB is Scotland’s largest direct-member business organisation, representing around 20,000 members. The FSB campaigns for an economic and social environment which allows small businesses to grow and prosper.

Small businesses are at the heart of Scotland’s communities. Micro and small firms account for almost all of our businesses and provide almost half (42%) of all private sector employment. These businesses provide local jobs and training, sell goods and deliver services in communities across Scotland, from city centres to remote villages. Accordingly, the role of small businesses needs to be considered in any discussion about empowering local communities.

Some of the measures in the Bill will directly impact upon local businesses but more likely are indirect opportunities or threats for firms. Our response discusses this in more detail, as well as setting out thoughts, from the small business perspective, on the community planning process.

Background: community planning and businesses

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From the beginning, the FSB has been involved in the community planning process across Scotland. A number of FSB members attended Local Economic Forums, the remnants of which often formed economic sub-groups or partnerships at local authority level. We now have a number of FSB members and staff representing the small businesses community on such groups, which are usually the main input of economic development issues to the community planning process. In a very limited number of cases, FSB representatives have been invited to sit on the community planning partnership (CPP). Broadly, the FSB continues to support the principle of community planning and recognises the efforts made to embed an evidence based, outcome focused approach. However, we have some concerns about the effectiveness of the process and the involvement of the private sector:

- Feedback from our members suggests that business involvement still largely relies on the traditional approach of inviting them to attend committee-style meetings. Business attendees express frustration that meetings can be process-driven and high-level; focusing on updates on strategies and SOAs (we have been told that 100+ pages of paper is not unusual in some areas). They often feel they have little to contribute to such discussions and that meetings achieve little.

- While such processes are probably unavoidable, they are perhaps not the best way to get local businesses involved. Busy small businesses can be difficult to engage with, so a number of approaches will be required. In our experience, small businesses prefer to get involved in specific projects or groups, such as Leader or traders groups, and it might be better to consider how such groups can more effectively contribute to the community planning process. In recent years, and particularly following criticisms made about economic development and community planning by Audit Scotland\(^2\), local authorities have placed greater emphasis on improving business involvement.

- We are very disappointed that, based on our experience from different parts of the country, community planning has failed to deliver a more co-ordinated approach to services for small businesses from the public sector. For example, multiple new initiatives to encourage employment developed and deployed by public bodies in isolation. The development of binding ‘plans for place’ are welcome, but whether they encourage local and national partners to overcome the apparent clash of priorities and funding issues remains to be seen.

- It may no longer be possible for representatives from the FSB, or similar non-delivery or community organisations, to sit on CPPs if formal requirements are placed on these bodies without a guarantee of exemptions from certain

\(^2\) “The role of community planning partnerships in economic development”, Audit Scotland, November 2011
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duties. For example, our representatives cannot make any commitment to provide resources to the CPP.

The Bill

1. Community planning

As outlined above, the Bill should avoid placing any unnecessary restrictions on certain community planning partners. Further guidance on partners which should be excluded from certain duties e.g. community representatives may be helpful.

2. Participation requests

We welcome these provisions and believe there may be opportunities for local business groups (e.g. tourism groups) to consider the opportunity to become involved in an outcome improvement process in relation to relevant local services.

3. Right to buy and asset transfer

The FSB understands the rationale behind efforts to simplify how communities can use vacant or underused public sector assets. In some areas, such as town centres, this approach could have a positive impact. We would also like to see greater consideration of the opportunities for small businesses to be given the opportunity to manage or occupy certain assets. In some areas, supporting a business to run a service from a public asset may be a more sustainable option since the business might have experience and could provide employment. However, transferring assets to communities could also present a threat to small businesses.

Firstly, if the transfer of an asset is accompanied by any form of public funding, a rigorous test of displacement is required when assessing the proposed activity. For example, using a vacant building to fund community-run commercial activity which directly competes with existing businesses (or may do so at some point in the future) is particularly unhelpful for our high streets.

Secondly, it should be a statutory requirement that the asset owner must identify and consult with any business or organisation using the asset, prior to agreeing any transfer request. We are aware of concerns from businesses that this does not always occur and a change in ownership or conditions may have a huge impact on businesses which rely on the asset. This might include assets such as parks or open spaces, filling stations, halls, cafes/visitor centres or piers. Notwithstanding the business impact, problems arising from lack of consultation and agreement, can lead to community breakdowns, especially in small communities.

Lastly, while recognising the potential community benefit of purchasing neglected land, small business owners who own local land or buildings might be alarmed at the prospect of losing what is often a significant medium to long term investment. The
Scottish Government should ensure that small landowners, without the means to afford expert legal support, are not left unprotected.

4. Non-domestic rates

In our response\(^3\) to the Scottish Government’s 2013 consultation on non-domestic rates we highlighted the need for relief schemes in an arbitrary property-based system.

We suggested that the current system of reliefs is varied and complex but, without question, the key relief for small businesses is the Small Business Bonus Scheme (SBBS). Having long argued for a scheme to address the disproportionate burden of rates for small businesses,\(^4\) the FSB warmly welcomed the introduction of the SBBS in 2008. This relief has been a lifeline to small businesses in exceptionally challenging economic times. A survey of our members, published in 2013, indicated that 75% of respondents are receiving some level of discount to their rates bill as a result of the SBBS. Indeed, 52% of FSB members told us they now pay no rates at all because they receive 100% relief.

In our comments to the Scottish Government, we highlighted two categories of small business often excluded from the SBSS. Firstly, those whose business model requires larger (and usually higher value) premises, such as hotels and nurseries. Such businesses may operate on tight margins, with relatively modest turnover yet their RV excludes them from support for small businesses.

Secondly, small businesses operating in higher value locations, where RVs are higher, like city centres, are also excluded from support. We understand that the system has to have thresholds and some businesses will always be on the wrong side of the upper limit, but many businesses currently feel they are denied assistance intended to support small firms.

We suggested that local discretion over extending reliefs may be one way to support small, independent businesses. However, we remain cautious about the likely impact of this new power, particularly if they have to be fully funded by the local authority. In England, where similar powers already exist for local authorities, there has been virtually no introduction of relief. A recent report by the FSB in Wales, also found that where local authorities have power to grant relief (using discretionary rates relief), only half had granted any discretionary relief in the previous 3 years.\(^5\)

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\(^4\) As a percentage of profit, rates are around 3 times higher for small businesses, compared to larger firms. See: “Evaluation and Effectiveness of the Small Business Rates Relief Scheme”, DTZ Pieda, December 2004.

Nevertheless, we hope that local authorities will consider how they can build on the foundation of the SBBS to support business start up and growth in communities.

For further information on any of the points raised in this submission, please contact Susan Love, Policy Manager e: susan.love@fsb.org.uk  t: 0141 221 0775.