Local Government Committee

17th Meeting, 2002

Tuesday 11 June 2002

The Committee will meet at 2.00 pm in Committee Room 2

1. **Items in Private:** The Committee will consider whether to take items 4 and 5 in private.

2. **Subordinate Legislation:** The Committee will consider the following affirmative instrument—

   The Local Government Finance (Scotland) (No.2) Order 2002 *(SSI 2002/230)* (draft)

3. **Local Government in Scotland Bill:** The Committee will take evidence on the general principles of the Bill at Stage 1 from—

   Forum of Private Business Scotland:
   Bill Anderson, Campaigns Manager

   Federation of Small Businesses:
   John Downie, Scottish Parliamentary Officer
   John Kilgour, Chairman, FSB Local Authority Group.

4. **Renewing Local Democracy - The Next Steps (Phase 1):** The Committee will consider its response to the White Paper.

5. **Local Government Finance Inquiry:** The Committee will consider the text of a draft motion.

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Clerk to the Committee
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The following papers are attached for this meeting:

**Agenda item 2**

The Local Government Finance (Scotland) (No.2) Order 2002 (SSI 2002/230)  
25th Report of the Subordinate Legislation Committee  

**Agenda item 3**

Submission from the Forum of Private Business  
Submission from the Federation of Small Businesses

**Agenda item 4**

Renewing Local Democracy – The Next Steps (Phase 1) – Summary of conclusions [PRIVATE] [TO FOLLOW]

**Agenda item 5**

Local Government Finance Inquiry – Paper from the Clerk [PRIVATE]
Submission to Local Government Committee
11th June 2002.

As requested, we have restricted our comments to ‘the general principles of the bill’.

1. Our members, as voters and citizens do have concerns over local government, how it is elected and operates. However, as a business organisation, we feel able to comment only on these matters that concern local businesses.

2. Business rates remain the prime concern for our members. We are totally opposed to any move to return control of rate poundages to local authorities. Past recent experience shows that, while some councils behaved responsibly towards local businesses, others do not. In addition the application or withdrawal of central grant (Rate Support Grant) led to further distortions that further discriminated against businesses in certain local authority areas.

3. We believe that the tendering process for local contract work should be fair and should not discriminate in favour of council departments against outside tendering. Whilst we understand that there are some concerns that quality may have been sometimes sacrificed for lowest cost, it seems that ‘Best Value’ criteria may be too loose. We urge that this be closely monitored and reviewed annually.

4. We believe that it is in the interests of the local community that local businesses should be given some preference in getting contract work from their council. There are four ways in which this could be done in a transparent manner: -
   (a) by setting aside a percentage of contracts to be placed with local companies;
   (b) by allocating all smaller contracts to be given to local businesses;
   (c) by allowing a local company to get a contract if it comes within 5% of the lowest tender;
   (d) by allowing a local company to re-tender if it comes within 5% of the lowest tender.

5. Whilst control of business rate bill levels should be retained centrally (We prefer a UK level playing field), local authorities and local businesses do have much of common concern. We believe that councils and local businesses should work in partnership and we support any moves towards this.

6th June 2002.
Federation of Small Businesses in Scotland


Background:

Small businesses (employing 49 or less) comprise 98\% of the 300,000 recorded Scottish businesses and are the key economic drivers within the local economy.

There are a number of factors that underpin the small business perspective - and concerns – in relation to the Local Government Bill. These include:

- The LA view of businesses as simply a source of revenue – the proverbial ‘Cash Cows’.
- The lack of mutual understanding between LAs and their local business community on the LA services financed from the non-domestic rates allocation – in other words, small businesses do not see value for money.
- The overall lack of genuine consultation between LAs and business, particularly small businesses.
- The traditionally adversarial relationship between many Local Authorities (LAs) and their local business community.

This last point was again highlighted in the recent completed FSB ‘Lifting the Barriers’ survey 2002 wherein Scottish businesses recorded the highest dissatisfaction level – 49\% - with LA consultation with business (against a UK average of 42\%).

Local Government Bill:

Overall, the Federation welcomes the principles and policy objectives of the Bill and the capacity it gives LAs to act for the ‘well-being’ of their local communities. We would however point out that the Executive and LAs should recognise that this capacity must also be used to act for the ‘well-being’ of local economies and those businesses within it.

In relation to detail of the Bill itself we would make the following points:
Best Value:

- BV does appear to progressing – still in transition period – but BV reviews do appear to making LAs think about whether or not should provide service or out-source – increased creation of LA/private sector partnerships
- Employment practices clause – could cause problems for small businesses – disproportionate burden - generally don’t have ‘fair employment’ statements – already comply with Health & Safety, Environmental Heath etc

Trading Powers:

- LAs need recognise other Scottish Executive objectives before undertaking commercial activity ie. creation & stimulating small business growth
- Potential to be anti-competitive
- Need to establish base-lines where appropriate to configure trading activities – recognise will be transition period for LAs in deciding on activity
- Need to set financial limits on commercial activity
- Charging & trading – LAs either have trading operation or not – if ask for money for service then charging and are operating a trading regime ie. a service paid for directly by the user eg. a planning application fee falls within trading provisions and must be detailed in trading accounts
- LAs should be required to carry out Business Impact Assessment prior to undertaking commercial activity
- Need transparency and accountability throughout process – particularly on money flows in both the issue of cross subsidies – cannot defray costs elsewhere & use of profits generated by commercial activity
- Needs to be LAs fee levels to be set appropriately – issue where LA is monopoly provider

Community Planning

- Need LA to ‘facilitate’ not take-over community planning
- Need framework – definition – of private sector respecting different and varying levels
- Need to co-operate – not just consult - with private sector, particularly local business community
- Need consider potential role of Local Economic Forums in providing economic input to community plan
- Implementation of Community planning key issue – will need national oversight body eg Ministerial task-force to push through implementation by encouraging best practice
Consultation

- Business recognises that LAs have set and statutory powers – leaving little room for manoeuvre – therefore want genuine dialogue including awareness raising and advice on core activity relating local economy.
- Dialogue would also help improve Councillors understanding of business & economic issues – also improve their business skills as Councillors are in effect running major organisations.
- LAs need to accelerate the implementation of the Enforcement Concordat.
- Push for introduction Business Improvement Districts (BIDs) – seen as additional tax on business.