

**LOCAL GOVERNMENT AND REGENERATION COMMITTEE**

**PUBLIC SECTOR REFORM AND LOCAL GOVERNMENT**

**SUBMISSION FROM THE FORUM OF PRIVATE BUSINESS**

The Forum of Private Business is a not-for-profit organisation which supports micro and small businesses throughout the UK. We provide our members with a range of services, including representation of their views to decision-makers in Westminster and Holyrood.

This letter is in response to the call for evidence for the inquiry into 'Public sector reform and local government in Scotland' and intends to address the overall remit of the inquiry, rather than specific questions.

**Working with the small business community**

The evidence from our members suggests they feel local councils could do more to support small businesses in their community. We are currently undertaking a piece of research with members of our Scotland panel, asking small businesses for views on a number of topics, one of which is local issues. The research is still in progress but the responses to date show that businesses feel councils could do more to support them in certain areas; improving infrastructure, reducing business rates (for those not eligible for the small business bonus), crime reduction and town centre regeneration.

Regeneration, particularly high street regeneration, is a topical theme. Some encouraging work is being done in this area; the Government recently launched the town centre regeneration fund, published a report on towns and high streets and committed to extending the small business bonus until 2015/16. However, we feel more could be done to canvas the views of small businesses when regenerating town centres. Often it is the small businesses that operate in these areas every day, so they should be the ones included in local council planning. At the moment, a number of our members feel their local planning officers and licensing officers are unhelpful, which hinders business growth.

Improved communication between local councils and small businesses would help in a number of areas. For instance, tackling youth unemployment is high on the Government's agenda, an issue with which small firms could assist, in terms of recruiting apprentices and providing work experience. Our August 2011 training and skills member panel survey revealed that small firms feel the courses taught by schools and colleges do not reflect the needs of the local business community. If there was greater dialogue between training providers and small firms then this issue could be addressed.

## Performance measurement

There are certain aspects of council performance that should be monitored, in order to help small businesses. Procurement is one area that should be assessed, particularly the procurement process of local councils and their payment terms. It has been acknowledged that small firms need more assistance in bidding for public sector work. Currently all 32 local authorities have different procurement processes and pre-qualification questionnaires (PPQs).

These PPQs are long and complex for small businesses to fill in – they do not have departments which can manage this process. Work has been done to simplify PPQs and increase the number of SMEs involved in the procurement process, due to the public sector contracts Scotland website. However, there are still barriers for small firms looking to undertake public sector work.

Late payment is one problem which causes cash flow difficulties for small firms. Government bodies have a duty to pay the majority of invoices within 30 days under current EU regulations but in 2008 the UK Government urged all public sector bodies to pay within 10 days. The evidence shows that UK and Scottish government central departments are hitting the majority of their payment targets – indeed the Department for Business is paying 95% of its invoices within 5 days. However, local councils are not performing to the same level. In 2009 we conducted some research using freedom of information requests for councils' payment details. In Scotland the picture was mixed, with some councils paying the majority of invoices within 10 days, while others struggled to pay in 30 days. Performance measurement of payment terms for councils is important as prompt payment helps small businesses. This is particularly important if the Government intends to increase the number of small firms that can bid for public sector contracts, as more small businesses will be affected by the late payment of local councils. This is an area where performance measurement would be useful – if a council was struggling to reach its payment targets, this could be identified and steps could be taken to improve performance.

## Summary

In order to improve service delivery to small businesses, we would like to see wider consultation with small businesses about their local needs, in order to involve them in the service design. Greater communication between the two groups would also be beneficial and would encourage partnership working. Some councils perform well in this area already, but a number of our members feel their local council is not small business friendly. Small businesses are an important partner in the local community; greater dialogue between councils and small firms would help to improve this relationship, as well as identifying areas for improvement and gaining views on proposals to address particular issues.

Performance measurement of local councils is important to ensure national and local aims are on track. Local council procurement processes, for instance, are key in helping to achieve the national priority of making public sector contracts more accessible to small firms. This is why payment terms must be measured, to ensure small businesses that do win public sector work are being paid on time.

We hope the views of small business are taken into account during the inquiry.

Yours sincerely,

**Phil Orford**  
**Chief Executive**

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