

MINISTERIAL MEETING BRIEFING: PAUL WHEELHOUSE

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| <i>Engagement Title</i> | Introductory meeting with FSB Scotland |
| <i>Where</i> | T4.03, Parliament |
| <i>Date and Time of Engagement</i> | Date(s): 9 March 2017 Time(s): 10:30 – 11:15 |
| <i>Background/Purpose</i> | <p>FSB have indicated that they would like to talk about their recent and current work including:</p> <ul style="list-style-type: none"> • Brexit • Non-domestic rates • Self-employment research • Enterprise & Skills Review • Business support and • Local government priorities |
| <i>Who</i> | <p>Andy Willox, Scottish Policy Convenor, FSB Colin Borland, Head of Devolved Nations, FSB Susan Love, Scottish Policy Manager, FSB</p> |
| <i>Main message to communicate</i> | <p>FSB Scotland is a key partner in helping the Scottish Government to build a fairer and more prosperous society in Scotland.</p> |
| <i>Briefing</i> | <p>Annex: A – FSB Summary Page Annex: B - Biographies Annex: C - EU Referendum Annex: D - Non-Domestic Rates Annex: E - Enterprise And Skills Review Annex: F - Business Support Annex: G - Can Do Places (Formerly Can Do Towns) Annex: H - Review Of The Planning System – Consultation Annex: I - Relaxation Of Planning Controls On Digital Infrastructure (E.G. Phone Masts And Street Cabinets)</p> |
| <i>Media</i> | Private Meeting - Non Media Event |
| <i>Official Support (incl. mobile number)</i> | <div style="background-color: black; height: 15px; width: 100%;"></div> <div style="background-color: black; height: 15px; width: 10%;"></div> |

Key Facts

- The Federation of Small Businesses (FSB) Scotland represents almost **20,000 Scottish members**; across the UK FSB (formed in 1974) now has 200,000 members across 33 regions and 186 branches.
- As of February 2014 (source: FSB Voice of Small Business Member Survey)
 - Retail; hotels, catering and leisure; business services; and construction are the four largest sectors from which FSB's Scottish membership is drawn.
 - 25% of Scottish members operate in the tourism sector, compared to 13% UK-wide.
 - Their average member has ten members of staff.
 - 5% of our Scottish members have access to a fibre broadband connection, in comparison to 12% UK-wide and 20% in London.
 - 12% of FSB Scottish members export, in comparison to 16% UK-wide. However, a further 9% of plan to export in the future.
 - Age and size of business are key factors affecting whether a firm will use support services, with younger and larger businesses more likely to seek this sort of help.
 - 3/4s of FSB members have increased staff wages over the last year, with 4/10 increasing all of their employees' pay.
- As at March 2014, there were 332,720 Small and Medium-sized Enterprises (SMEs) operating in Scotland, employing an estimated 1.1 million people. SMEs accounted for 99.3% of all private sector enterprises and accounted for 54.8% of private sector employment and 37.9% of private sector turnover.

Activities/Campaigns

- FSB are members of the independent Regulatory Review Group, which provides challenge and advice to Scottish Government (SG) work to enhance regulation.
- FSB Scotland participate in the Business Gateway Stakeholder Group.
- FSB have also been representing their members interests in relation to access to finance for small businesses.
- FSB have stated that the roll-out and uptake of next generation broadband is important to all of Scotland and it is vital that the Scottish Government works with the Scotland Office and Scotland's local authorities to deliver on this issue.
- FSB are supportive of the Small Business Bonus Scheme as a mechanism to support small businesses.
- FSB influenced DFM's position on the Scottish Business Pledge ensuring that Prompt Payment was included as one of the elements.

Facts about Scotland's 360,000 businesses:

- 98 per cent are small (0 - 49 employees);
- 94 per cent are micro-firms (0 - 9 employees);
- Micro businesses account for half a million jobs, while small firms collectively employ 1m;
- 4 in 5 private sector jobs in rural areas are provided by small and medium firms;
- Over half of all businesses are based in the home and they account for almost 10% of private sector turnover and 17% of private sector employment.

Immediately after the 2016 Scottish Parliamentary election, FSB polled its members for their priorities for the new Scottish Government. They asked for:

- A stronger focus on supporting micro-businesses and the self-employed;
- Improvements to mobile and next generation broadband coverage;
- Reform of business rates.

Brexit

On 25 January 2017 FSB published the results of 3 surveys of UK small businesses, with more than 4000 responses from firms in total, which highlighted the importance of securing free access to European markets:

- The study reveals that one in three (32%) smaller businesses in the UK are involved in overseas trade as an exporter and/or importer. Further, about nine in ten (92%) firms which export, and a similar proportion of firms which import (85%), currently trade with the EU single market.
- However, as a result of Brexit, one-third (29%) of UK exporting small firms – regardless of to where they export – expect their export volumes to decline. Only one in five (20%) expect volumes to increase.
- **On the impact of Brexit in Scotland, FSB Scottish Policy Convener Andy Willox said:** “As the UK leaves the EU, the Scottish Government will need to quickly refocus the support it offers business and make sure its economic strategy reflects the new reality.” (Full press release: <http://www.fsb.org.uk/standing-up-for-you/national-offices/scotland/press-releases/free-access-to-european-markets-vital-says-fsb>.)

Recent Activity

FSB has recently published a map of Scotland’s self-employment hot-spots (Source FSB website <http://fsb.org.uk/media-centre/press-releases/scotland-s-self-employment-hot-spots-mapped-by-fsb>)

BIOGRAPHIES

ANNEX B



ANDY WILLOX OBE, Policy Convener, FSB Scotland - Andy is Aberdeenshire born and bred. His business, Goldstar Cleaning Services, in Aberdeen, employs 120 + staff. Andy has been an active member of the Federation since the mid-1990s and has served in various branch and regional positions. He represented the Region as a Director on National Council until 2007 when he was elected on to the FSB's National Executive Board.

Andy was elected to the position of FSB Scotland Policy Convener, becoming a member of the UK National Policy Unit. He is currently a member of the Secretary of State for Scotland's Business Advisory Board and FSB's National Policy Vice Chairman.

COLIN BORLAND, Head of External Affairs, FSB - Colin joined the FSB in 2008 to head up the Scottish public affairs team. He is now Head of External Affairs, in which capacity he now leads the FSB's policy, public affairs and field staff teams across the country. Colin writes regularly on small business matters in the national press and commentates on business and finance issues for both radio and television.



SUSAN LOVE, Policy Manager, FSB - Susan is currently Policy Manager for the Federation of Small Businesses in Scotland, Scotland's largest direct-member business organisation.



Her role with the FSB involves working with members across Scotland to identify issues which cause concern or difficulty to owner-managers of small businesses and presenting these concerns to government and other relevant organisations. Susan also plays a role in supporting FSB members to develop the voice of business at a local and regional level, partly through involvement with Local Economic Forums and Community Planning.

Before taking up her post with the FSB, Susan worked as a parliamentary assistant to George Reid MSP. She also served as an elected member of Stirling Council for 4 years.

[2 pages redacted exempt.]

Key lines

- Draft Budget included a package of measures to reduce the overall business rates burden:
 - reducing the poundage by 3.7% to 46.6p
 - raising the eligibility threshold for 100% relief under Small Business Bonus Scheme, so that it lifts 100,000 properties out of rates completely
 - raising the threshold for the large business supplement (which stays at 2.6p), so that fewer than 10% of businesses pay it
- The 21 Feb announcement targeted additional support where it was most needed by applying a real-terms 12.5% cap on rates bill increases for:
 - nationwide hotels/pubs/restaurants/cafes
 - nationwide small-scale hydro
 - office space in Aberdeen city & shire
- Councils are free to provide further rates reductions to address any other local issues. SG is working in partnership with interested councils to inform local decision-making.
- Barclay review is exploring how rates might better reflect economic conditions and support investment & growth. SG will respond swiftly when it concludes this summer.

Background

- Councils retain all rates revenue collected – it is not redistributed to other councils. Following the Community Empowerment Act, councils can apply local relief to any properties, sectors or localities – but must fully fund the cost.
- Valuation is by independent Assessors, and all ratepayers can appeal their revaluation for free via independent processes. Final revaluations will be posted out by Assessors from mid-March; rates bills from councils will follow. Businesses will have until end September to appeal revaluations.
- All the proposed caps are materially selective and therefore subject to State aid 'de minimis'. A business can receive no more than €200k (around £170k) of such aid over any 3-year period.

FSB position

- FSB support the Small Business Bonus Scheme and the targeted caps announced on 21 Feb.
- However they remain concerned that NDR is fundamentally flawed, and have been making representations to the Barclay review.

Contact: [REDACTED]

ISSUE 1: FUTURE OF HIE

- Decision to establish overarching board to replace existing agency boards has led to significant media and political interest, particularly in relation to the Press and Journal campaign to save HIE and HIE Board. This has been backed by Greens, Conservatives and, most vocally, the Lib Dems.
- Ministers have repeatedly made clear that HIE will be retained as a separate legal entity and will maintain local decision making and service delivery.
- The key principles of Professor Lorne Crerar’s paper on the structure of the Strategic Board are: **Improving the overall performance** of Scotland’s economy by ensuring the system delivers Scotland’s Economy Strategy; ensuring hard alignment between agencies through **collective responsibility**; holding agencies to account for **performance** against agreed measures; and **actively engaging** other agencies and bodies who support the economy.

PARLIAMENTARY DEBATE

- Conservative Debate on 18 January for the Scottish Government not to disband the HIE Board. The Scottish Government amendment to the motion was narrowly defeated 64 votes to 63.

ISSUE 2: OTHER GOVERNANCE ISSUES

- Claims that HIE’s budget for 2017/18 has been cut. It is £67m for 17/18 compared to £67.5m in 16/17
- Accusations from Tavish Scott MSP, following meeting of Education and Skills Committee at which Keith Brown gave evidence, that SG is refusing to provide details of organisations that support its plans re the Enterprise and Skills Review. Also concerns about tight timeframe.
- Concerns by Universities Scotland and NUS about removal of Scottish Funding Council Board.
- SPICe enquiries and a series of PQs have been asked about governance.

Top Lines

- In our report on phase one of the Enterprise and Skills Review we have committed to work and listen to the agencies and other partners to strengthen our enterprise and skills system.
- The core purpose of the Strategic Board must be to align our Enterprise and Skills system to improve our collective impact, driving a step change in the performance of our economy, and delivering strong, vibrant and inclusive growth at scale.
- The Strategic Board will drive hard alignment of services and strategic goals to tackle Scotland’s long-term economic challenges and deliver on all 4 pillars of Scotland’s Economic Strategy.
- The Board will utilise a strong industry and wider stakeholder voice to support its aims to deliver collectively more effective support for businesses and users of the skills system.
- We want to ensure that all our enterprise agencies and all our agencies that work in the area of economic development and skills provision work together in a co-ordinated way to deliver the maximum impact on our economy.
- Highlands and Islands Enterprise will continue to be locally-based, managed and directed providing dedicated support to the local economy. Highlands and Islands Enterprise will not be abolished.
- The Scottish Government has made clear it will listen to what parliament has said, and Mr Brown has also said he will also be happy to meet representatives from all parties to discuss the way forward, as we consider how best to shape HIE for the future.
- Lorne Crerar’s paper and the work of Governance workstream is about looking at how we ensure that all our agencies work together in a co-ordinated way to deliver the maximum impact on our economy. We will consider Prof Crerar’s paper fully in determining how best we can achieve the ambitions set out in the review.
- The Chairs of all agencies are fully engaged in the review as Phase 2 progresses, with over 300 responses to our consultation showing support from organisations including Skills Development Scotland, Scottish Enterprise, Colleges Scotland and the University of Strathclyde for a Strategic Board.
- All of the agencies featured in the Review make a significant contribution to Scotland’s business, education and skills landscapes, and have done so for some time, but it is right that we review the work they do to ensure that this continues to offer the best possible support.
- Current boards will continue to perform their current roles as the process to set up the new statutory body gets underway, and there will be a transition process to the new arrangements, ensuring any interim measures necessary for smooth transition, ensuring no negative impact on service delivery.
- The establishment of the new Board will not affect the autonomy of Scotland’s universities or how they are governed. We are absolutely committed to ensuring that our world class higher education institutions remain independent and that their academic freedom continues to be protected.

Contact: [REDACTED]

The Scottish Government recognises the importance of SMEs to our economy and is committed to creating a supportive business environment conducive to sustained economic growth.

- Supporting local authorities to deliver **Business Gateway (BG)**, offering a first point of contact for all publicly funded advice to businesses in Scotland. In 2015-16, BG supported **9,087 businesses to start up**, estimated to have created nearly **10,000 jobs**.
- Ensuring **Scottish Enterprise and Highlands & Islands Enterprise** are focused on those businesses important to the economy and with the potential to grow (SE c.2,200 / HIE c.600 plus 50 communities), as well as supporting internationalisation through **Scottish Development International**.
- Making it easier for SMEs to grow by supporting **Skills Development Scotland** to provide employers with tailored skills advice and funding for workforce development, aiming for 25,000 Modern Apprenticeship opportunities each year.
- Improving access to finance through the £40m **SME Holding Fund** - utilising European funding to provide micro-credit finance up to £25,000; loans up to £100,000; and equity investment up to £2m from public and private sector delivery partners.
- **Simplifying** information and advice on how SMEs access finance, under a single digital platform **Mygov.scot** to outline the range of finance available, and help companies understand finance options and improve their chances of securing funding.
- Delivering the most competitive business tax environment anywhere in the UK with a **business rates relief package** worth an estimated £573 million in 2016-17.
- Investing £400 million in Scotland's digital infrastructure to bring **next generation broadband** to at least 95% of premises in Scotland by end 2017 and to 100% by 2021.
- Helping SMEs increase their digital capability by making **£7 million** available through the **Digital Scotland Business Excellence Partnership** and its **Digital Boost** initiative.
- Making it easier for SMEs to access **public sector contracts**, enabling SMEs to gain **48%** of the **£10.8bn** annual public sector procurement spend in 2014-15.
- Working together with partners to realise the goals of **Scotland CAN DO** - our shared statement of intent to become a world-leading entrepreneurial and innovative nation.
- Supporting innovation as outlined in our **Innovation Action Plan** (published Jan 2017) and through the Scottish Funding Council who deliver up to £120 million in a network of **Innovation Centres** over 6 years (2013 to 2019).
- Continuing to support implementation of the **Women in Enterprise Action Framework**, investing £200k in a range of projects, including a Women's Enterprise Ambassadors role-model project and a Women's Enterprise Accelerator programme.
- Continuing to invest in the **Scottish EDGE Fund** for early stage businesses - to date, this initiative has awarded £8.3 million over 9 rounds to 234 businesses.

RECENT SMALL BUSINESS SUPPORT ENGAGEMENT WITH FSB

Small Business Commissioner

- Enterprise Act 2016 introduced UK-wide Small Business Commissioner (SBC) to tackle growing issue of contractual late payment.
- In February 2016 Scottish Ministers agreed to extend SBC's functions to Scotland ensuring Scottish businesses were on an equal footing with the rest of the UK.
- UKG aims to have SBC service up and running by Autumn 2017. To offer:
 - general information and advice around support and contract negotiation
 - directing small businesses to existing dispute resolution services, and
 - complaint scheme for small businesses to tackle contractual late payment practices of their larger customers.
- SBC has been generally welcomed by the small business community in Scotland, **including support from FSB in Scotland for its operation on a UK-wide basis.**
- Susan Love from FSB shared FSB's report into late payment, published in November 2016, which highlighted **28% of payments in Scotland are late. Businesses have an average additional 7 weeks to receive payments.**
- Officials have been liaising with FSB as the SBC development progresses, highlighting UKG's consultation and draft regulations as well as the vacancy advert for SBC role.

Home Based Businesses

- FSB published their "Home Truths" Report in February 2015 profiling 999 of its home based business members.
- Report made range of recommendations to ensure these businesses are aware of available support and regulations that may apply to them.
- Following discussions with FSB – including a meeting with Mr Ewing then Minister for Business, Energy and Tourism – officials coordinated guidance for publication on **Mygov.scot** in August 2016 for home-based businesses.
- Guidance developed with input from policy colleagues across SG, as well as external stakeholders including FSB, Councils and Business in the Community.
- Statistics from the Scottish Small Business Survey 2016 shows that **46% of registered businesses** (with employees or turnover in excess of VAT threshold) are home based.

Small Business Saturday

- Small Business Saturday – a grassroots, non-commercial campaign to highlight small business success, encourages consumers to 'shop local' and support small businesses in their communities – has been operating in UK for last 4 years.
- Officials have been work closely with FSB to promote the campaign in Scotland, to align messaging.

Entrepreneurial Towns Mapped

- FSB published information collated from Understanding Scotland's Places. There were five recommendations made in their press release to ensure :
 - social security and income protection for early stage businesses
 - enterprise education
 - utilising empty property
 - asking more of universities and colleges
 - Getting enterprise support working properly
- FSB keen to focus action going forward on inclusion of entrepreneurship in education (including outreach), place and practical delivery of enterprise support, recognising that the Enterprise and Skills Review is ongoing. Officials continue to engage.

Contact: [REDACTED]

Background

CAN DO Places (www.candoplaces.org) is about putting focus on communities and groups to identify opportunities and tackle them in an entrepreneurial way. The aim is to enable, inform and inspire these groups, with an emphasis on their maximising the entrepreneurial opportunities presented by footfall in Scotland's town centres. This pledge was developed collaboratively with stakeholders and is complementary to commitments made in the Town Centre Action Plan released by Mr Mackay on 7 November 2013.

The programme is an action learning one and will use the enterprise artery model which was specifically developed to stimulate and unlock the enterprise and innovation talent in our towns. It is being delivered by the Scottish Business Resilience Centre (SBRC) in partnership with Iain Scott of Scotpreneur.

We provided £150,000 to SBRC to run the first Challenge in 2014/15. A further £100,000 was provided for the second Challenge in 2015/16 and we provided £150k for the next phase in 2016-17. Ancillary projects currently being considered would potentially increase the impact of the project even further. These are:

- CAN DO Interns– a partnership with Adopt an Intern to provide resource in the form of appropriately skilled graduate interns to local groups involved in CAN DO Places.
- CAN (Co-working Accelerator Network) – partnership with The Melting Pot to provide specialist support to local groups in the process of establishing co-working spaces.

At a meeting with DFM in March, members of the CAN DO co-operative presented a manifesto for change to make it easier for local actors to bring about economic and social renewal in their communities. We are currently undertaking a policy exercise with other SG colleagues involved in Place to explore the opportunities to work together in support of this aim.

'Accidental Entrepreneurs & Emotional Economics - A CAN DO Places Enterprise Talk Out' will take place on 20 September at The House for An Art Lover. Featuring distinguished researchers, this event will explore the new economy of Britain and what it means for local economies.

Overview

The second Challenge builds on the success of the 2014-15 Challenge, but now has additional elements as a result of the activity undertaken in 2014-15:

1. RBS will now offer finance workshops and mentoring of participant groups;
2. Network Rail, who will offer their mobile bus;
3. West College Scotland and House for an Art Lover will provide some of the venues;
4. Business Quarterly, who will offer coverage;
5. An advisory group will be formed to provide external expertise and support;
6. The partnerships will be expanded to include Scottish Business in the Community, as well as existing partners Scotland's Towns Partnership (STP), Community Ownership Support Scotland, Development Trust Association Scotland (DTAS), Business Improvement Districts (BID) Scotland, Local Authorities and Business Gateway;
7. Working with Scotland's Towns Partnership and Carnegie Trust, we will explore how our qualitative and quantitative data can be used to support creation of enterprise indicators for the Scottish Government Understanding Scottish Places;
8. Sharing the learning. We will maintain and expand our successful postcard series capturing the enterprise journey of participants. This will be disseminated via Scotland's Towns Partnership and Scotland Can Do portal, thereby increasing range and depth of audience.

Methodology

The 2015-16 programme has drawn on the lessons and successes and feedback of the first Challenge and now has even expanded to two key components:

1. An action learning programme for community groups exploring the purchase and conversion of a local place or space specifically for collaborative working and the new economy;
2. A set of workshops across Scotland delivered in partnership with local authorities, DTA Scotland, STP and others exploring ways to stimulate enterprise activity in towns

The overall aim of CAN DO Places is specifically for these community groups to see how their project can open up opportunities for aspirant entrepreneurs.

Capturing and sharing the learning

To assist added value to the programme an advisory group will be set up bringing on board distinguished academics and practitioners in the fields of enterprise, town centres and community economic development it is envisaged they will meet quarterly.

Programme Reach

From Challenge 1, groups from the following towns/areas have been involved:

Crieff, Falkirk, Clarkston, Kirkcaldy, Oban, Coupar Angus, Elgin, Cambuslang, Rutherglen, Woodlands (Glasgow), Peebles, Carlisle, Callendar, Beith. (CaskieCo has also been involved on behalf of a mental health charity).

In Challenge 2, we anticipate working with up to 12 town groups from across Scotland with a reach of 200 people through their network.

The Enterprise Artery Workshops should engage with up to 60 towns across Scotland.

The Online content and recordings will allow access to all 700 plus Scottish Towns.

The First CAN DO Hub, Falkirk

The former Walmsley's Store on Falkirk's Callendar Riggs has been turned into the first CAN DO Places Hub where local people will work together, test out enterprising ideas, and sell and make wares. The facility was opened by the Minister for Housing and Welfare, Margaret Burgess, on 27 August 2015. The key factor here is that the project aims to keep as much of the money generated within the Falkirk economy. Another difference from other regeneration projects is that this one will bring together not-for-profit, public, voluntary, and private sector organisations all under one roof in a unique collaboration.

CAN DO Places is in its infancy and has already worked with groups wanting to help on projects ranging from £1.2 million to £5 million. This next phase aims to turn the outputs of the project from virtual to actual. Falkirk is to be a pilot scheme to show other towns how this hub concept can be successful. If our assumptions are right, then the building could host businesses with a collective turnover of £3 million. If we then use the local economy multiplier, we can predict it will help retain £9 million in the Falkirk area.

Contact: [REDACTED]

Scotland needs a world class planning system to support sustainable economic growth and create great places for people. Planning should be innovative and creative, leading change and delivering good quality development. 'Places, People and Planning' was published on 10 January 2017.

Top Lines

- Scottish Ministers published a consultation paper on the future of planning in Scotland on Tuesday 10 January. We are consulting on 20 key changes within 4 themes covering: plans, people, housing and infrastructure, and resourcing.
- Together the changes form a coherent programme that will build on, strengthen and enhance the performance of the planning system.
- Planning impacts on everyone and we want to hear people's views by 4 April 2017.
- We aim to publish a Planning Bill around the end of the year.

FSB have yet to respond to the consultation (as at 3 March 2017).

Contact: 

RELAXATION OF PLANNING CONTROLS ON DIGITAL INFRASTRUCTURE (E.G. PHONE MASTS AND STREET CABINETS)

World class digital connectivity is vital to Scotland's economy and is a priority for the Scottish Government. We have committed to using the powers available to Scottish Ministers, including through the planning system, to improve the case for sustainable investment in all forms of digital infrastructure in Scotland.

Top Lines

- The Scottish Government consulted on extending permitted development (PD) rights for digital communications infrastructure last year.
- PD rights remove the need to apply for planning permission for certain development where any restrictions and conditions specified in the PD rights can be met.
- Work is progressing on legislative changes in light of responses.

FSB responded to the consultation, indicating the importance to the economy of digital and mobile digital technology and their concerns about the lack of coverage in Scotland. They supported the expansion of permitted development rights.

Contact: [REDACTED]