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Mr Rod Jamieson
Fortunetwork

Our ref:C1549203
12 May 2010

Dear Mr Jamieson

THE URGENT NEEDS OF SCOTTISH SMALL BUSINESSES

We have been in regular touch over the last few months but I am now in a position to provide a comprehensive and considered response to the wide range of issues raised in your paper on “the urgent needs of Scottish small businesses”, as promised by the First Minister.

The detail is set out in the Annex to this letter, but there are two particular ideas which Ministers have considered and wish to take forward:

- The proposed voucher scheme to support new and small businesses, where detailed analysis and policy development is ongoing;
- The Scottish SME Code of Business, which we plan to pursue as a business-led initiative. As you know, a meeting of the Small Business Consultative Group (which is chaired by the Minister for Energy, Enterprise and Tourism and involves all the main business organisations) has been arranged for 9th June to discuss your idea and how it can be progressed. Thank you for agreeing to attend to initiate and contribute to that discussion.

I should also take this opportunity to stress that the First Minister recognised that small businesses are the lifeblood of Scottish communities and key to our economic success. He stressed that the Scottish Government will continue to support Scotland’s small firms and promote strong and speedy recovery from recession. Through the Small Business Bonus Scheme the Government has already removed or reduced business rates for over 64,000 business properties cross the country. The Bonus scheme will continue in 2010-11 and, as you may already be aware, new thresholds were [announced](#) on 3rd February 2010. From 1 April the rateable value threshold for 100% relief increased from £8,000 to £10,000, 50% relief will increase from £10,000 to £12,000 and for 25% relief from £15,000 to £18,000. In addition, the decision to again keep the business rates poundage in-line with England – the lowest national poundage ever set for Scotland – will give Scotland’s businesses a saving

worth almost £220 million in 2010-11. This will deliver the best package of small business reliefs available anywhere in the United Kingdom.

Finally I would stress that actions required to accelerate recovery and improve the long term performance of Scotland's economy were set out in a further update of the [Scottish Government's Economic Recovery Plan](#) published on 3rd March 2010, including:

- The development of a low carbon economy to harvest Scotland's unrivalled energy resources and deliver the world's toughest emission reduction targets;
- New inward investment, a scaling up of support for Scottish exports and continued focus on tourism initiatives;
- Continued improvement of Scotland's planning regime and streamlined support for new domestic and inward investment;
- Ensuring improved access to finance to support investment for growth;
- A renewed focus on commercialisation to translate Scotland's natural and intellectual assets into future growth, through innovation, leadership and management skills;
- Directing resources towards skills and training to manage the ongoing employment pressures in Scotland

I look forward to meeting you again the next meeting of the National Economic Forum on 19th May at Heriot Watt University.

JOE BROWN

FORTUNETWORK: THE URGENT NEEDS OF SCOTTISH SMALL BUSINESSES: A RESPONSE

The following sections address in turn the issues raised in the policy paper tabled by Fortunetwork on 20th January 2010.

Tendering

“Current system still overly complex....Needs to be more open to new companies without 3 year accounts.....and if there are criteria such as minimum turnover it must be “up front” so companies don’t waste their time.

The Scottish Government is aware of the contribution that SMEs can make to the Scottish economy, and its Economic Recovery Programme states that the Government will do all it can to help Scottish businesses. Over the past several years, in pursuit of its commitment that SMEs have fair access to public sector contracts in Scotland, the Government has been working with business representative bodies, such as Chambers of Commerce and the Federation of Small Businesses, to identify what it might do to improve procurement processes to ensure that SMEs have a fair opportunity of winning public contracts. We have, for example, had a number of business and public sector bodies sign up to our Suppliers Charter. The Charter sets out a code of business conduct in dealings between public and private bodies and arose from meetings public sector bodies and business organisations such as the Federation of Small Businesses, CBI Scotland, Institute of Directors and Scottish Chambers of Commerce. The purpose of the Suppliers’ Charter is to develop public sector procurement processes with the aim of ensuring fairness and transparency and to consult with business on an ongoing basis to achieve change. It also requires a commitment from business organisations to encourage adherence to the Charter, recognise legal framework for public sector procurement and bid for appropriate contracts. We have introduced Public Contracts Scotland (www.publiccontractsscotland.gov.uk), a free-to-access website which provides details of contracting opportunities with Scottish Local Authorities, NHS Scotland, the Scottish Government, Agencies and NDPBs, Higher and Further Education and Emergency Services and where suppliers can register to receive free e-mail alerts. We have also produced a standard Pre-Qualification Questionnaire (PQQ) document and later this year we will introduce a PQQ database which will retain information provided by suppliers, to avoid the need to provide the same information every time a suppliers wishes to bid for a public contract. In addition to this, we are looking at the guidance we offer to purchasers regarding the Pre-Qualification process. At present, the current guidance states that information requested from suppliers as part of the PQQ process should be proportionate to the nature and size of the contract in question. So, for example, in respect of Financial Information, the standard PQQ document suggests that financial accounts for 2 years should be sought, however, for smaller value or low risk contracts it may not be necessary to request or evaluate 2 years of accounts.

We agree that criteria must be up-front and not hidden so companies do not waste their time, and in that respect our guidance makes clear that any minimum standards should be declared and that a scoring methodology should be drawn up in advance of issuing the PQQ and scoring methodology should disclose relative weightings. With this information suppliers should, therefore, be in a position to take an information judgement whether to bid for a contract or not.

“Ability for groups of small businesses to “pool” resources, talents and turnovers. Advice is required on the best way to implement this.”

Existing procurement legislation and the SG standard PQQ document recognises that there may be situations where a number of small businesses may wish to come together and combine their resources, skills, experience etc in order to submit a joint bid. How this would best be achieved would have to be determined on a case by case basis in light of the individual requirements of particular contracts”.

“Introduce paid tenders to public sector.....a small fee would be paid to shortlisted companies.

On larger tenders could weighting be given within the scoring process to how much money will be recycled within the Scottish Economy”

The Government continues to work with business representative bodies and others to assess what additional developments might be introduced to improve the economic impact of procurement practices, including opportunities for smaller firms, across all parts of Scotland. Whilst procurement legislation makes it possible for a public body to make payment to a supplier in respect of expenses it may incur in bidding for a contract, this is only permissible in respect of what the legislation defines as “particularly complex contracts”. In practice, this will mean high value contracts such as the contract for the Design, Construction and Completion of the Forth Replacement Crossing, and is unlikely to be the types of contracts that SMEs would be routinely bidding for. Consequently, and other than in the circumstances defined by legislation, there are no plans to pay a fee to suppliers who are shortlisted to bid for all other types of public contracts. With regard to the question as to whether larger contracts could be weighted depending upon how much money would be recycled within the Scottish economy, all contract award decisions must be based solely on criteria which are linked to the subject matter of the contract in question. Unless it could be shown that money being recycled within the economy was linked to the performance of a contract for services or for the purchase of goods, it would not be possible to factor into the evaluation process how much of the contract price bidders were proposing to recycle within the Scottish economy.

In conclusion let me stress that public sector procurement in Scotland has undergone a period of transformation over the past few years as a consequence of the Review of Public Procurement Report by John F McClelland in 2006. The Public Procurement Reform Programme was initiated in response to the Report and is a far-reaching and ambitious undertaking that aims to improve procurement across the Scottish Public Sector. The Programme's Vision is the implementation of structures, capability and processes to provide continuous improvement in procurement across the Scottish Public Sector in order to deliver Value for Money improvements and support increased efficiency. Part of this process saw the creation of the Public Procurement Advisory Group, and with its membership including representatives from Scottish Chambers of Commerce, Social Firms Scotland, CBI Scotland, Scottish Council for Development and Industry and the Federation of Small Businesses, the Group has a remit to provide an ongoing framework for dialogue about, and influence upon, public procurement practices as they affect suppliers. It is through this Group and our ongoing dialogue relating to procurement practices and procedures that the Government continues to look at ways in which we can identify and where possible improve public procurement processes.

I hope that you are heartened to note that some of the areas that you have highlighted in relation to the public procurement process have been, or are being, addressed as part of the

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ongoing process of continuous improvement in procurement across the Scottish Public Sector.

Large Public Sector

“With such a substantial percentage of workers in the public sector, or publicly funded organisations, this is having a major effect on the Scottish physic. We need to get back to a world of Scottish private enterprise, creativity and invention.”

“Inflated public sector / gov salaries are now out of touch with the real private sector. Public sector workers need to understand that they often earn more, with better benefits and security than private business owners.”

The First Minister had of course noted that public sector employment in Scotland is 23%, not 50% as originally stated. However, speaking during the Budget Bill Stage 3 debate on 3rd February, the Cabinet Secretary for Finance and Sustainable Growth, Mr Swinney said:

Public Sector Pay

Another key feature of our response to the financial challenges we face will be our approach to public sector pay.

Public sector workers deliver a first class service to Scotland. Their dedication, competence and creativity drives the public services upon which we all rely.

However, it is an inescapable fact that we spend over 60% of the Scottish Budget on pay. At a time when budgets are being squeezed across the board, we must ensure our total pay bill is sustainable.

I think all parties agree on this point and I have given particular consideration to the Liberal Democrat proposal for a 5% reduction in the pay bill of high earners in 2010-11. We are agreed on two points of principle - firstly, serious constraints on pay are essential if we are to live within our means; and secondly, we must protect those on the lowest incomes as much as we can. These will guide our pay strategies in the years to come. In relation specifically to 2010-11 we are taking decisive action where we have the power to do so.

Within Scottish Government, next year's pay bill will fall by 5.5%, as the £14 million reduction in the administration budget in 2010-11 kicks in. Ministers have also taken a lead in tackling pay restraint for higher earners by freezing their own pay.

More generally, our pay policy has tightened year on year since 2007, with progressively lower limits imposed by our policies.

Our limits are tighter than the UK equivalents - for example, we have imposed limits on maximum paybill increases whereas UK government has not, and we have asked NDPB Chief Executives to waive part or all of any bonus entitlement.

I will publish the details of our 2010-11 pay policy for senior staff after the Senior Salaries Review Body has reported. In this we will look to freeze pay of senior staff in line with our very constrained budgets next year.

Furthermore, we will restrict access to multi year pay deals in 2010-11 - so that all areas of the public sector will have to negotiate fresh pay settlements in the course of 2011-12.

We do this because we are clear that pay must be constrained further in 2011-12 and beyond.

Encouraging new start business

“Voucher scheme to the value of up to £5000 to help get the new business up and running, or to ‘buy some consultancy’ for an existing small firm, that enables them to buy a service from another small business with minimum administration and quick payment terms. By giving every small business added consultancy this would put valuable cash in the service providers pocket, while improving the business of the receiver.”

As a prerequisite to considering the proposal for a voucher scheme, a detailed business case will require being to be prepared and resource implications and value for money fully explored. The business case would include a full option appraisal setting out the likely costs and benefits, justifying any market failure/the need for the scheme, and demonstrate additionality to the existing range of start up support. Officials in Business Directorate will take this work forward and keep Fortunetwork informed of developments.

Affordable office space

“Whilst many city centre properties are vacant, there is an urgent need for flexible office solutions, outwith the main urban centres.”

Scottish Enterprise provides incubator support for companies with high-growth potential. In all other contexts this is a matter for local authorities or indeed the private sector to address, taking account of ongoing business, societal and technological developments which are changing the nature of work and the demand for office space.

Broadband for all

Businesses are still struggling on very poor connections. e.g. 3MB in city centre’s, with rural locations still much worse off.

Rural broadband in Scotland has been enhanced significantly, with the Scottish Government having invested more than £3 million to extend services. In addition, we have also been working with BT in a current programme to upgrade telephone exchanges with capacity constraints. That said, we believe that it is vital that the UK Government ensures that the needs of rural Scotland are fully considered as it takes forward its Digital Britain broadband policies. To this end, the Scottish Government has reached agreement in principle to work with “Broadband Delivery UK” – the UK Government’s new broadband delivery body – to ensure that the best possible Scottish outcome is achieved.

We are in the process of developing a future strategy on broadband. As part of this work, the Enterprise Minister has already hosted an industry seminar on the subject and we are currently in the process of commissioning research to develop a better evidence base on which to progress any future policy.

Scotland needs immigration

“Income tax incentive for people to choose to live in Scotland e.g 2% cut. Economy needs steady population growth, Politicians to actively promote this. e.g. Australia, points system, to attract net contributors to the economy.”

The Scottish Government is committed to promoting Scotland as an attractive destination for migrants and “The Government Economic Strategy” sets out our target to match average European [EU] population growth over the period from 2007 to 2017.

The Fresh Talent Initiative has contributed strongly to the population growth target, and while the latest population figures are more positive the projected increases are dependent on migration which will continue to play an important part in our efforts to boost Scotland’s population.

Responsibility for migration is currently reserved to the UK Government and as part of our efforts to promote Scotland more strongly within the current arrangements we have agreed the addition of a separate Scottish Shortage Occupation list for Scotland.. The Migration Advisory Committee (MAC) is responsible for recommending to the UK Government what skilled occupations should be included under the Lists. However, the MAC makes their recommendations based on evidence they receive and unfortunately to date they are not receiving the information they need from Scottish business. We would, therefore, welcome the opportunity for our Fresh Talent Team to discuss with you how the List could be used to better meet the needs of Scotland’s small businesses.

Like you, we believe that Scotland needs steady population growth to prosper. We also believe that a ‘One size fits all’ UK immigration system does not work. It makes economic sense for Scotland to have a more attractive points based package than the rest of the UK, to allow us to address the unique demographic challenges we face here in Scotland.

We believe that with independence or additional devolved powers, Scotland would have the opportunity to develop an immigration system that more effectively meets our economic, social and demographic priorities and needs. We could, for example, adopt a more flexible points based system that would more easily attract highly skilled and talented migrants.

We will introduce a bill to Parliament which if approved will allow the people of Scotland to make an informed choice about the future of their country in a referendum this year.

Education

“Business and entrepreneurship to become core part of the curriculum. We have whole communities where the majority work for the state or are unemployed”.

Enterprise in education has been at the forefront of Scottish education for the past six years through our Determined to Succeed (DtS) strategy. Put simply, this is about helping young learners - through Curriculum for Excellence - develop a knowledge and practical understanding of the world of work – including entrepreneurship – and the skills and positive attitudes required to support sustained economic growth. At the heart of Determined to Succeed lies the importance of engaging with employers to set learning in context and give it greater relevance to the world beyond school.

By way of evaluation of DtS, HMIE’s ‘*Improving Enterprise*’ report (February 2008) records significant progress in delivery, including how enterprise education is used to promote effective, stimulating learning and teaching, relevant to *Curriculum for Excellence* and in supporting pupils’ achievement and attainment.

A collation and analysis of Local Authority progress reports for 2008/09 undertaken by the Faculty of Education, The University of Glasgow states:

- “Employer Engagement occurs through national and local initiatives and is reported to be increasingly featured in strategic plans and policies across relevant departments in local authorities (eg, Education, Economic Development, Regeneration)”;
- “the range of outcomes used to evaluate the effectiveness of engagement included pupils and staff having increased knowledge of how business works; increases in employer engagement activity; and improved quality of relationship with business partners and pupils being able to discuss the impact of employer engagement”; and
- “Authorities report that it has increased young peoples perceptions of self employment as a viable career opportunity, they also report that entrepreneurial learning has had significant impact on young people’s awareness and understanding of private and social enterprise”.

Funding for real apprenticeships in all companies

“Even graduates are not ready for the workplace. Funding for all companies, even one man firms to offer ‘on the job’ training”.

The Employer Skills Survey in 2008 covered the private, public and voluntary sectors. Around 6,300 workplace interviews were conducted. The results are therefore representative of the views of Scottish employers. The survey found that:

- Around six in ten employers who have recruited a school-leaver thought that the recruit was well-prepared for work.
- Over three-quarters of employers who recruited someone straight from college, and four-fifths of employers who recruited someone straight from university thought that the recruit was well-prepared for the world of work.
- Further research conducted for Futureskills Scotland has shown that well-preparedness affects recruits in two ways; the size of the impact they can make to a business and the length of time to achieve this. That is, it affects how big an impact they can make, and how quickly they can make it.

That said, the Government has launched a range of support measures to support apprenticeships:

- **£1000 Apprenticeship Grant** was launched by the Cabinet Secretary, Mike Russell on the 11 January provides £1,000 for all employers that take on an apprentice of any age between 11 January and 26 March 2010. Following a very positive response from employers, this initiative - which was intended to help up to 4,000 individuals - was highly oversubscribed and was closed to new applications on 9 February.
- A **national marketing campaign** covering press and radio was launched on the 12 January to support the grant.

Other ScotAction apprenticeship initiatives are supported by the European Social Fund.

- **Adopt an Apprentice** was launched in June 2009 and provides a one of financial incentive to employers who recruit a redundant apprentice. Over 250 people have now found alternative apprentice employment through this scheme.
- **Innovate with an Apprentice** was launched in June 2009 and enables employers in the Life Sciences sector to recruit 2 apprentices for the cost of 1, with the Scottish Government paying 50% of the total wage costs.
- **Safeguard an Apprentice** provides a £75 per week wage subsidy, up to 31 April 2009, to SMEs in the manufacturing, construction and engineering who are facing difficulties to allow them to retain their apprentices.
- **Invest with an Apprentice (Strand 1)** gives £2,000 financial incentive to SMEs in the manufacturing, food and drink, energy and textile sectors to recruit a 16-19 year old

apprentice. (Strand 2) gives micro-businesses (less than 10 employees) £2,000 for a management apprenticeship.

The Scottish Government has introduced the most comprehensive apprenticeship support package in the UK.

Scottish Business - the brand/ The Scottish SME Code of Business

“We need to sell ourselves beyond Scotland, primarily into the UK. Scottish businesses need to differentiate themselves and stand out.”

We propose a Scottish SME Code of Business, that businesses can aspire to. It would represent the qualities that we look for in class leading Scottish businesses. A bit like ISO9001, but more accessible to the public. Features might include:

- *commitment to pay suppliers in 30 days*
- *commitment to use local suppliers where feasible*
- *clarity with quoting and fees*
- *commitment to source electricity from sustainable sources*
- *contribute time for ‘free’ to local businesses through ‘meet the expert’ events.*

This would be reviewed annually, with qualifying members displayed on a website.

This is an interest concept, which merits further consideration. The Scottish Government recognises that formally trading and business standards are reserved matters under the current devolution settlement. However, recognising the potential value for businesses in Scotland there is merit in seeking to develop this as a business-led, voluntary initiative. The Government will therefore facilitate discussion with the main business organisations in Scotland around how to develop and implement a Scottish SME Code of Business.

Marketing Scotland

“The opportunity that the “Homecoming” year presented was not well enough executed...these big initiatives need to get small businesses and local communities more involved, not just big city events.”

In 2009 Scotland hosted its first ever Homecoming celebration and it proved to be an exceptional year in which to visit Scotland with an inspirational programme of over 400 events, festivals and activities started on the weekend of Burns Night and ran through until St Andrew's Day. An extensive independent evaluation of the impact of Homecoming Scotland is being undertaken and will be available in Spring 2010 but interim results announced in November 2009 show that the project has been a major success for Scottish tourism and Homecoming is expected to exceed its target of generating an additional £44m in tourism revenue. This analysis of less than a quarter of the 112 funded events (and none of the over 300 partner events) showed that £19.4m additional income has been generated for Scotland, already nearly half way towards the target of £44m. On this evidence, the project is likely to generate a return on investment for the public sector well in excess of the target of £8 for every £1 invested.

The success of Homecoming is testament to one of the biggest partnership campaigns ever. There was an unprecedented coming together of public, private and voluntary sector organisations uniting around a common theme and shared goals. Many businesses helped promote the campaign and local communities across the length and breadth of the country answered the call to 'join the celebrations'. It is certainly not the case that the events were

restricted to Scotland's cities. Over 400 events took place across all of Scotland's 32 local authority areas.

Successful marketing of Homecoming and Scotland ensured awareness levels across the UK were high and, as a result, Homecoming has contributed to Scotland performing well in terms of domestic tourism visitor numbers with visitors from the UK are up by 3.5% (January – June) and more Scots holidaying in Scotland – up 11% (January – June) with many encouraged to stay at home because of the amount of events on their doorstep. In the run up to 2009 and throughout the year VisitScotland was committed to the effective marketing of Homecoming. The theme of Homecoming ran through its entire marketing campaign and was integral to the drive to promote Scotland domestically and internationally as a quality, must see, must return destination. Examples of domestic marketing include:

- The Homecoming 'Caledonia' advert that was seen by 3 million Scots (60 per cent of the population) when it premiered on TV in November. It ran again in Scotland and in Northern Ireland on the weekend of Burns Night, and was seen by 2.5 million people. It then ran across England in March and again in Scotland and was seen by approximately 7 million people.
- Homecoming press adverts in key magazines in Autumn 2008 including Coast Magazine, Good Housekeeping and Guardian Weekend. These were seen by 1.9m UK consumers.
- Half a million London consumers saw 25 large outdoor posters around the main arterial routes in London and digital advertising in over 30 underground stations in Autumn 2008.
- A radio campaign in the North of England in August, September and October 09 promoted Homecoming reaching audiences in Newcastle, Leeds, Sunderland, Bradford, Chester, Carlisle, Kingston upon Thames, Manchester and Liverpool providing a combined opportunity to hear of 9:1, more than 36 million impacts and an audience of more than 4 million consumers.

The Scottish Government is committed to building on the success of Homecoming, learning the lessons and sustaining the momentum built up in 2009. The five themes of Homecoming have proven that multiple stakeholders can use key themes to focus Team Scotland activity, as well as their own organisational objectives, and work is underway to develop the themes and messaging that sit beneath the overarching Scotland Brand. A Ministerial Task Force has been formed to develop a co-ordinated approach to promoting Scotland and advise on the delivery of future themed years.

Our Neighbours

We depend on the rest of the UK heavily as our local market, whilst the opposite is not necessarily the case. We need to work with our UK neighbours.

Agreed. The National Conversation document *Supporting Business and Enterprise* states that:

5.19. Scotland is - and has long been - an outward looking trading nation, with strong global connections. The Government's Economic Strategy places a strong emphasis on international activity, explicitly in the document, and indirectly as a means of delivering long-term growth targets for key sectors and the economy as a whole. The Scottish Government, and its agencies (primarily Scottish Development International), working with businesses, representative and civic organisations, colleges and universities, communities and friends of Scotland across the globe, are already actively working to:

- *increase the internationalisation of Scottish companies;*
- *increase the flow of inward investment to Scotland; and*

- *promote Scotland internationally as the home of innovative businesses and a vibrant place to do business, work and live.*

5.20. While that will continue, increasing the impact of the international sector of the Scottish economy is absolutely crucial in the context of any and all constitutional models.

5.21. The rest of the UK is our biggest trading partner, with "exports" estimated to be worth £26.1 billion in 2007. An independent Scotland would seek to enhance that relationship including developing new opportunities for Scottish business within these isles as well as more widely. Our common history and geography means that the nature of our relationship with the rest of the UK will develop. The UK will continue to be our closest partner and ally with independence bringing the relationship and partnership up to date. The key difference is that this would be an equal partnership.

Employment/ Firing

- *£3000 - new employee incentive for all companies. Government gets the money back in PAYE, and through savings in Social Security payments.*
- *Help the move from sole trader to employing people, a major step. e.g. in a recent meeting with 25 local businesses, 7 people had an immediate need to hire, but were nervous of the commitment / cash flow, opting to work night and day instead.*

Making it easier to get rid of people will also make it more attractive to hire people. We propose a standard temporary contract accessible to all new employers.

Employment law is a matter reserved to the UK Government.

Scottish Enterprise Funding

"Why are SE consultants paid £350 per day?"

On the question of SE using an element of external consultancy support, the £350 a day you mention represents a standard rate paid to purchase relevant professional and specialist expertise, usually to help companies raise finance for growth, through schemes like the Investment Readiness programme. This advice plays a critical role in leveraging significant amounts of commercial funding into businesses and evaluations of the scheme suggest that it delivers good value for money.

"We suggest that more business people with real business experience are positioned within SE and Business Gateway"

In terms of engaging people with real business experience within SE and the Business Gateway, while we agree that we should aim to increase this, many of SE's customer-facing staff have real business experience, for example within its account management function and its specialist Scottish Manufacturing Advisory Service (SMAS) practitioners. The same characteristics are likely to apply to contractors delivering the Business Gateway. In addition, you may be aware of SE's successful Business Mentoring project, which has put 1,000 businesses in touch with experienced business people to help them benefit from their experience.

"What are Business Gateway doing? "

The delivery of local Business Gateway services across Scotland is now the responsibility of local authorities. In lowland Scotland, 12 lead local authorities now manage the 12 delivery contracts that were awarded in 2007 following an open procurement and tendering process. At present, the contracted Business Gateway service in Edinburgh and the Lothians is managed by Edinburgh City Council, and if you have specific concerns about its delivery in this area, these can and should be raised directly with the Chief Executive of Edinburgh City Council.

Big Projects

Big capital investments should focus on creating Scottish jobs, now and in the future. e.g. We have the potential to be world leaders in renewables. We request a review of the planning regime in order that government policies become reality.

The Scottish Government published the National Planning Framework 2 (NPF2) on 12 December 2008. The NPF2 aims to guide Scotland's spatial development to 2030, and sets out strategic development priorities to support the Scottish Government's promotion of sustainable economic growth. It focuses strongly on priorities for the improvement of infrastructure to support Scotland's long-term development, identifying strategic priorities for investment in transport, energy and environmental infrastructure.

As set out in the updated Economic Recovery Plan, through recession, the Scottish Government have maximised support for employment by accelerating the public sector's capital expenditure programme - stimulating new employment at a time of falling private sector demand. The construction sector - among the most exposed sectors to employment demand fluctuations - has been the primary beneficiary of this accelerated capital support. Capital acceleration is designed to deliver long-term benefits to the Scottish economy by preserving key skills and heading-off the host of wider consequences that can stem from spells of unemployment. Details of the employment support that this programme has provided are contained in the box below. The Scottish Government has fully utilised its accelerated capital facility, but the programme will end in 2010. There remains an urgent requirement for further accelerated funds as we enter a critical period of the recovery. The Scottish Government has continued to make representations to the UK Government to release funds to support an extension of the Scottish capital acceleration programme and indeed to sustain a wider economic stimulus.

The Government also recognises the important role that planning can play in support of our central purpose of increasing sustainable economic growth in Scotland. Planning's role was recognised in the Economic Recovery Plan update published in October 2009. While the 2006 Planning Act provides the overall framework for a modernised planning process, the Government is committed to modernising the planning system to ensure that the process is efficient, inclusive, fit for purpose and promotes sustainability. We have recently published updated Scottish Planning Policy which emphasises the need for local authorities to support small business development and growth by taking a more flexible approach to the location of business premises and to working from home. A planning and economic recovery summit will be held in May. The summit will discuss the long term agenda for planning and economic growth. It will bring together Government, business, agencies and local authorities to focus on the importance of aligning efforts to accelerate recovery

Banks and Finance

The banks are simply not working for small businesses:

- *Under £10K credit is near impossible to come buy, yet this is primarily what small business requires.*
- *Loan guarantee system is failing. Even major city centre branches report only approving 4 - 5 projects per year!*

We propose a state owned bank to supply these facilities.

The Scottish Government recognise there is a problem in some viable businesses accessing levels of finance. The Scottish Government is committed to doing everything within its power to encourage investment in, and development of, the Scottish economy and help individuals and businesses - aim to encourage lenders to support the cash, credit and capital needs of viable businesses with good prospects.

The Government expects to see banks offer competitively priced loans to ensure that businesses get a fair deal and banks have demonstrated that they are committed to this. Decisions about the pricing, terms and conditions of loans (or overdrafts) to specific business cases remain commercial decision for banks, and the Scottish Government does not intervene in these commercial decisions. However we welcome the targets committing RBS to gross lending to businesses of £50bn and Lloyds Banking Group of £44bn. The combined gross lending to businesses target for both banks is £94bn - half of this lending will be to SMEs. The Scottish Government will continue to monitor credit conditions through its own survey of SME access to finance to ensure business requirements for finance are being met.

The UK Government highlight that the decision to use Enterprise Finance Guarantee is an extension to Lenders' normal commercial lending decision-making processes, businesses should be getting access to the bank's standard products. The scheme is making a positive impact in Scotland. To date there have been 629 offers to Scottish companies involving £88.02m - being 7.0% of UK offer numbers and 9.7% of UK loan offer amounts.

In addition, on 21st April the First Minister announced that the Scottish Investment Bank (SIB) Loan Fund which will complement a range of pan-UK initiatives such as the Enterprise Finance Guarantee, and the many loan schemes delivered by local authorities to mainly smaller firms serving local markets, ensuring that there is as complete as possible a spectrum of interventions in place to support access to finance for Scottish firms. The SIB will be responsible for the new Loan Fund and the agency's existing 3 mainly equity-based funds: Scottish Seed Fund, Scottish Venture Fund and Scottish Co-investment Fund.

Ensuring improved access to finance to support investment for growth is a key element of the Scottish Government's Economic Recovery Plan. Work is underway across the public sector to deliver that plan, accelerate recovery and improve the long term performance of Scotland's economy. The Scottish Economic Recovery Plan contains a number of measures to support businesses and individuals, developed through an ongoing dialogue with Scotland's businesses, academics, community groups and individuals. There is a range of support available through Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and Business Gateway to assist the sustainability of businesses in the current economic climate: including advice on cash flow, financial management, sourcing finance, improving productivity, mentoring, marketing and exporting.