

# **The business lens**

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## Introduction

The relationship between the public sector and the private sector has never been more important or relevant to *The State of the State*. For central government, engagement with corporates is crucial to delivering its Industrial Strategy, improving the UK's lacklustre productivity and managing a successful departure from the EU. Locally, public bodies continue to increase their engagement with partners to support their operations and deliver citizen-facing programmes. And for local government specifically, a thriving local economy has become more central to its purpose than ever as its funding becomes linked to business rates.

To explore that latter issue in more depth, this section of *The State of the State* explores the business community's view of the local public sector.

## Beyond the state

In its modern form, public sector contracting with the private sector began as outsourcing in 1980 when Compulsory Competitive Tendering was introduced for construction, maintenance and highways work undertaken by councils.<sup>27</sup> Within two years, the same system was extended into health authorities for support services including catering, cleaning and estate maintenance and the scope of outsourcing continued to grow. Almost forty years later; outsourcing is just one way that the public sector engages with partners, and the sector spends more on contracts with others than it spends on delivering services itself, according to the National Audit Office (NAO). Local government and health remain the largest buyers of external services, spending £69 billion and £61 billion a year respectively.<sup>28</sup>

As well as working with the private sector, the public sector has a long history of engaging the voluntary sector – especially to deliver citizen-facing services – and as with the private sector, such partnerships are anticipated to grow in scale and scope. Research by New Philanthropy Capital suggests that 48 per cent of charities currently deliver public sector contracts, and 87 per cent expect to be doing so to the same or a greater extent within three years.<sup>29</sup>

This year's *State of the State* explores engagement between the private and public sectors, with a special emphasis on local relationships. To inform our thinking, Deloitte and Reform commissioned Ipsos MORI to survey more than 1,000 UK businesses to gauge their views on councils and the local economy. We wanted to explore the interface between companies and councils and understand what businesses think local government should prioritise.

That research drew five conclusions, outlined below:

- 1 Local businesses want their council to prioritise business rate reductions, better town centres and investment in local infrastructure**
- 2 While businesses might not see support from councils as central to their success, they do see certain government functions – like tax and regulation – as key**
- 3 Councils are a significant and well-regarded source of information for medium-sized enterprises, but most businesses know little or nothing about what the council does to support them**
- 4 Businesses tend to think that the local public sector does not understand its needs and are split on their confidence in councils to attract new businesses and investment**
- 5 Council plans for improving their local economies are well-regarded by the businesses that are aware of them – but connections between the sectors need to improve to create a truly shared agenda**



**1 Local businesses want their council to prioritise business rate reductions, better town centres and investment in local infrastructure**

Our survey asked local businesses about what councils should prioritise to support local economic growth. As Figure 24 shows, almost a quarter said that they wanted councils to collaborate more with them, and more than a fifth want support and advice from local government.

But above those priorities, some 40 per cent of businesses told us they want their council to prioritise business rate reductions, 28 per cent said they want to see investment in town centres and 27 per cent said they want to see direct investment in local infrastructure. Clearly these are conflicting views: business rate reductions would of course mean less public funds available for investment.

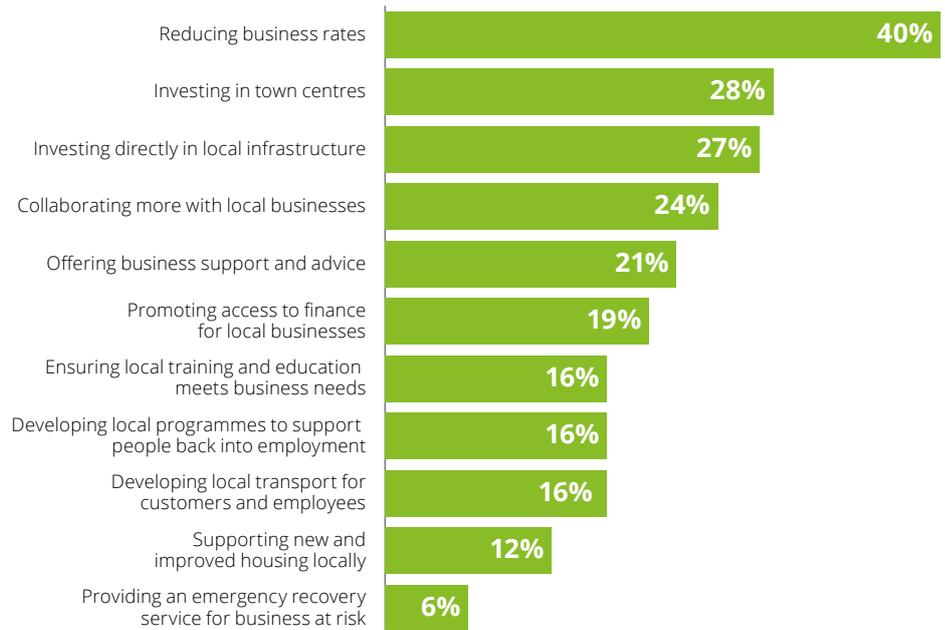
**2 While businesses might not see support from councils as central to their success, they do see certain government functions – like tax and regulation – as key**

Our survey asked local businesses to identify the biggest obstacles to their success. As shown in Figure 25, just 11 per cent said that a lack of support from government or their council was an obstacle. Instead, businesses cited competition, cash flow issues, red tape, taxes and skills as the five biggest issues. While councils may not be able to intervene in competition or cash flow, they are of course a significant regulator, a tax authority for business rates and – especially in devo deals – a central part of the skills landscape.

Overall, a fifth of businesses told us they think their council and its partners make a positive difference to their success. That number increases to 59 per cent among managers working in medium-sized companies.

**Figure 24. Local business priorities for councils**

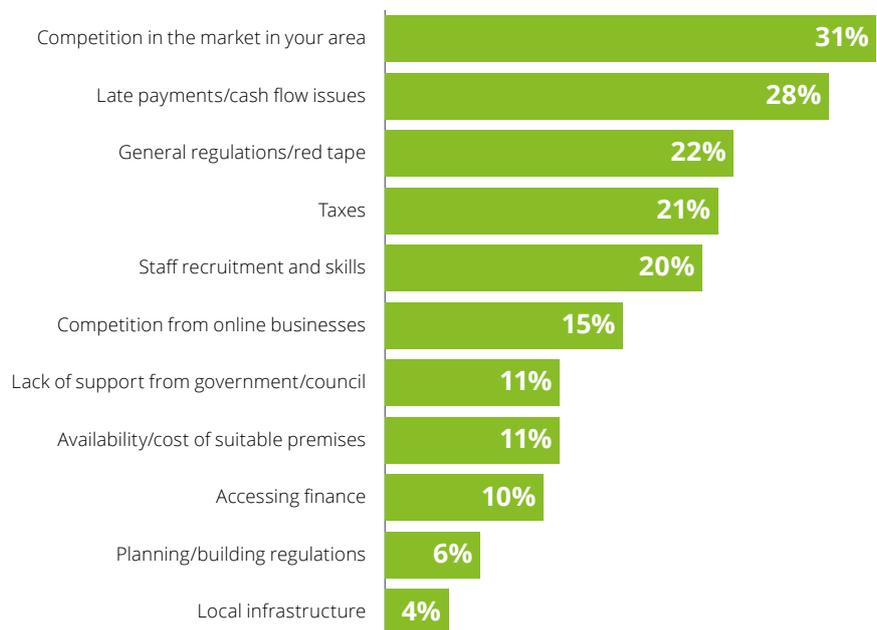
Which two or three, if any, of the following do you think your local council and its partners should prioritise to support businesses and economic growth?



Base: 1010 UK businesses (online)

**Figure 25. Biggest obstacles to local business success**

Which two or three, if any, of the following would you say are the biggest obstacles to the success of your business in general?



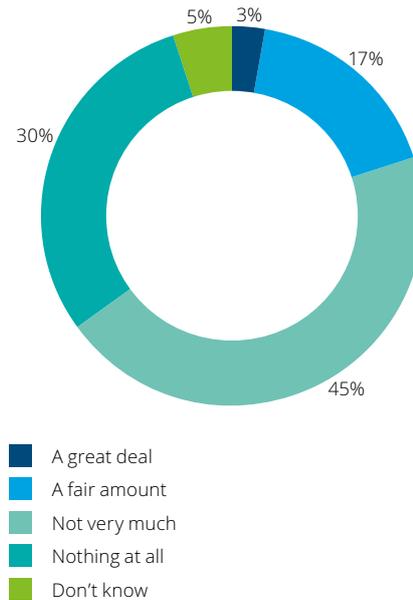
Base: 1010 UK businesses (online)

These results suggest different conclusions for policymakers, councils and businesses. For policymakers, it suggests that businesses do see council responsibilities as factors in their success, and so continued devolution of powers to local government could be used to stimulate local economic growth better. For councils, this result reinforces that business rate levels and local skills provision have significant impact on local businesses. And for businesses, it illustrates the importance of engagement with their council and its partners to have a voice in local growth debates.

**3 Councils are a significant and well-regarded source of information for medium-sized enterprises, but most businesses know little or nothing about what the council does to support them**

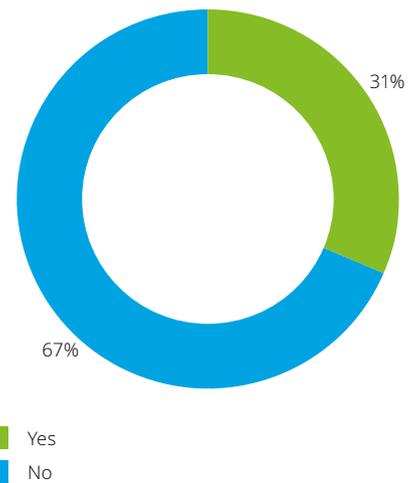
Councils are more likely to be approached for information or advice than any local business forums with 17 per cent of respondents telling us that they had approached their council in the past year. In addition, almost a third of businesses – and half of managers working in medium-sized companies – told us that they had visited their council online regarding their business in the past year. When asked if they were satisfied or dissatisfied with the information they received, half said that they were satisfied and almost a quarter said that they were dissatisfied, as shown in Figure 26.

**Figure 26. Information and awareness**  
How much, if any thing, do you know about what your local council does to support businesses?



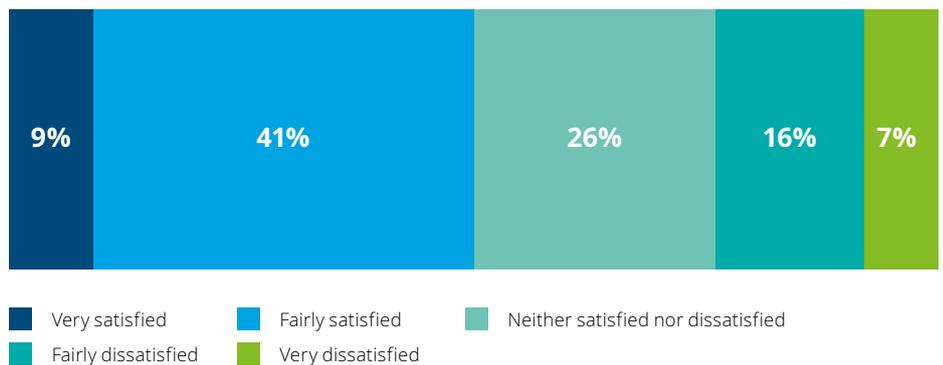
Base: 1010 UK businesses (online)

Over the past 12 months, have you visited your local council's website to get advice or information regarding your business?



Base: 1010 UK businesses (online)

How satisfied or dissatisfied, if at all, were you with the advice or information you received from your local council?



Base: 1010 UK businesses (online)

Fewer people – some 12 per cent – told us that they had visited their Local Enterprise Partnership’s (LEP) website but a greater proportion were satisfied with the information or advice that they received. Sixty per cent reported being satisfied and 17 per cent said they were not satisfied.

Overall, a fifth of respondents told us that they know about council support for business but 30 per cent said they know nothing at all. Medium-sized businesses were more likely to say that they were aware of council support with 43 per cent saying that they knew a fair amount or a great deal. The survey found a similar pattern in relation to LEPs with 14 per cent saying that they know a great deal or fair amount about LEP support.

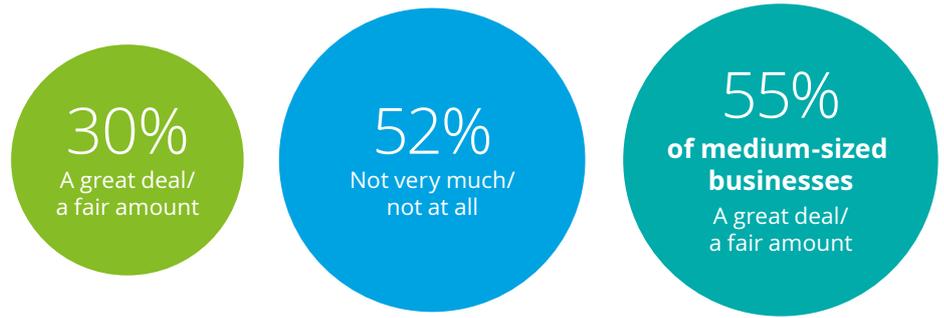
**4 Businesses tend to think that the local public sector does not understand its needs and are split on their confidence in councils to attract new businesses and investment**

Our survey asked whether local businesses thought that the council understood their needs. Overall, just less than a third told us they thought their council did understand their needs while more than a half thought that they did not, as illustrated in Figure 27. As throughout this survey, respondents from medium-sized businesses were much more likely to say that their council did understand local businesses’ needs.

We also explored if businesses are confident that their council and its partners can attract new businesses and investment to the area. Overall, half of businesses told us that they were not confident with just 28 per cent saying that they were ‘fairly confident’ or ‘very confident’. Looking just at data from medium-sized businesses shows a very different result, with a 56 per cent level of confidence in the council and its partners.

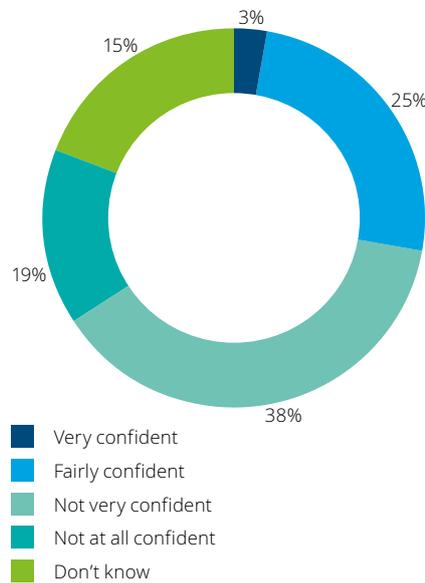
**Figure 27. Perception of council understanding of business needs**

To what extent, if at all, do you think your local council and its partners understand the needs of local businesses?



Base: 1010 UK businesses (online)

How confident, if at all, are you that your local council can work with its partners to attract new businesses and investment to your local area?



Base: 1010 UK businesses (online)

**5 Council plans for improving their local economies are well-regarded by the businesses that are aware of them – but connections between the sectors need to improve to create a truly shared agenda**

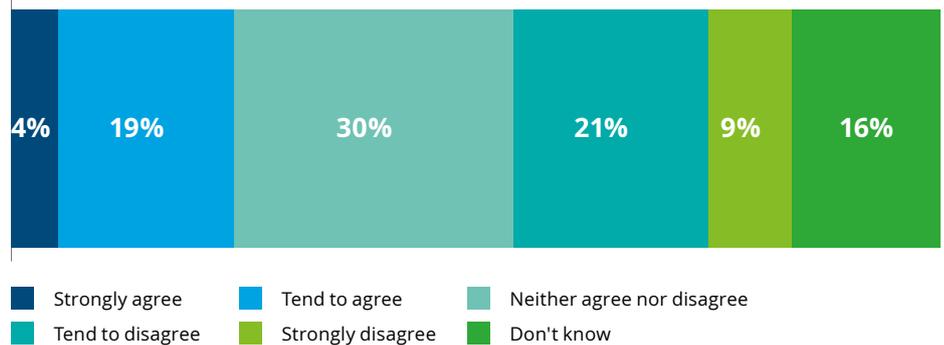
Our survey asked businesses whether their local council had a clear plan for improving the local economy. Overall, 23 per cent of businesses thought that they did and 30 per cent thought that they did not, as shown in Figure 28. Managers in medium-sized businesses were far more likely to think that their council had a plan, with 41 per cent saying so.

While this result suggests that too few businesses are aware of local economic plans, the people who were aware of them were likely to be impressed by them. Some 54 per cent of the people who said they were aware of a local plan told us that they agreed with it while just 13 per cent said they did not.

In other words, where businesses are sighted on a local plan, they are likely to get behind it. The challenge for local government is therefore to make sure it is connected into the local business community in order to create a truly shared agenda – not exclusively through business forums but also directly with key business leaders to foster a constructive network.

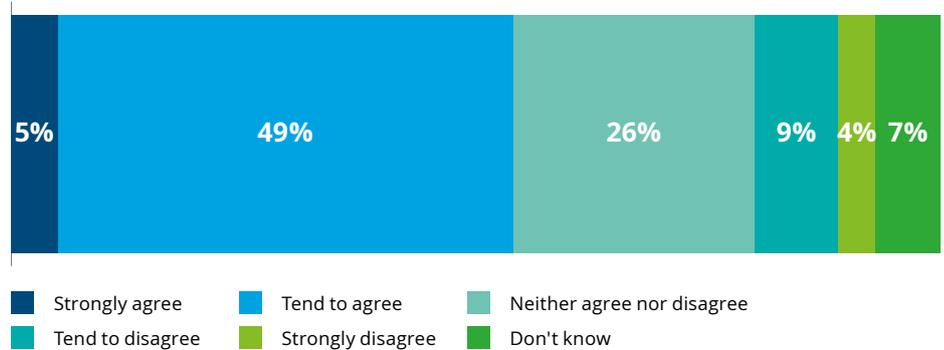
**Figure 28. Local government plans – a shared agenda?**

To what extent do you agree or disagree that your local council and its partners have a clear plan for improving the local economy?



Base: 1010 UK businesses (online)

And to what extent do you agree or disagree that the plan is one that local businesses agree with (just looking at those aware of a plan)?



Base: 270 UK businesses who agree their council has a clear plan