



“The coalition: Our programme for Government”

FSB Policy Analysis

The Conservatives-Liberal Democrat coalition has announced their programme for government. Below is an outline briefing of the measures affecting small businesses and the FSB's analysis and response.

Financial issues

Government announcement:

1. The deficit reduction programme takes precedence over any other measures and the speed of implementation that have a cost to the public finances will depend on decisions that will be made in the Comprehensive Spending Review. The Coalition wants the banking system to serve business, not the other way round. They will bring forward detailed proposals to foster diversity in financial services, promote mutuals and create a more competitive banking industry.
2. The coalition will develop proposals to ensure the flow of credit to viable SMEs. This will include consideration of both a major loan guarantee scheme and the use of net lending targets for the nationalised banks.

FSB response:

1. The FSB welcomes the need for greater competition within the SME credit market, with the advice that this can only be done by bringing more banks into high street banking. Added competition will bring downward pressure on prices and also more choice for small businesses.
2. We hope that the Enterprise Finance Guarantee will be used as a route to develop the 'major loan guarantee' scheme. This was trailed by the Conservative Party before the election, with the figure of £50billion presented as the rough amount for the loan guarantee. Net lending targets have not worked and are only applicable to RBS and Lloyds.



Enterprise

Government announcement:

1. The Coalition will support would-be entrepreneurs through a new programme *Work for Yourself*, which will give the unemployed access to business mentors and start-up loans.
2. The Coalition will ensure that UK Trade and Investment and the Export Credits Guarantee Department become champions for British companies that develop and export innovative green technologies around the world, instead of supporting investment in dirty fossil-fuel energy production.
3. The Coalition will fund a targeted national enterprise mentoring scheme for BAME people who want to start a business.
4. The Coalition will support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services.
5. The Coalition will end the ban on social tenants starting businesses in their own homes.

FSB response:

The FSB supports any measures that improve and enhance a small business culture in the UK. Most importantly we advocated an Enterprise Allowance Scheme which appears to be a similar model to the "Work for Yourself" programme outlined above.

Keep Trade Local

Government announcement:

1. The coalition will ensure a level playing field between small and large retailers by enabling councils to take competition issues into account when drawing up their local plans to shape the direction and type of new retail development.
2. The Coalition will promote small business procurement, in particular by introducing an aspiration that 25 per cent of government contracts should be awarded to small and medium-sized businesses and by publishing government tenders in full online and free of charge.
3. The Coalition will ensure that Post Offices are allowed to offer a wide range of services in order to sustain the network, and will look at the case for developing new sources of revenue, such as the creation of a Post Office Bank.



4. The Coalition will take steps to improve the competitiveness of the UK tourism industry, recognising the important part it plays in our national economy.
5. The Coalition will find a practical way to make small business rate relief automatic.
6. The Coalition will support the creation of Local Enterprise Partnerships – joint local authority-business bodies brought forward by local authorities themselves to promote local economic development – to replace Regional Development Agencies (RDAs). These may take the form of the existing RDAs in areas where they are popular.

FSB response:

1. The FSB welcomes the proposal to help local authorities become stronger in their scrutiny of large new retail developments. We also urge the coalition government to follow up on their proposal to bring back the 'needs' test for councils.
2. The FSB welcomes the proposal of earmarking 25 per cent of government contracts for small and medium sized businesses and recognised that it is a step in the right direction. The FSB believes however that more emphasis should be put on providing contracts for micro-sized businesses.
3. The FSB has been championing the creation of a Postbank and will inform the Government through the Postbank coalition on which the FSB has a prominent role.
4. The FSB has long been voicing concern that Government proposals to remove reasonable tax breaks from small firms that run self-catering holiday properties could have a devastating impact on the sector. Under current rules, businesses run in the holiday sector - known as furnished holiday lettings – must be available to rent for at least 20 weeks of the year and must be rented out for 10 weeks. The simple solution to increase the threshold would ensure that commercial self-catering properties continue to benefit from much needed tax reliefs, save thousands of jobs and also mean costs to Government are kept low.
5. FSB lobbying in Scotland (Small Business Bonus Scheme), Northern Ireland and Wales has made Small Business Rate Relief automatic – and we now want this rolled out in England.
6. The FSB continue to call for major policy areas to be covered at a regional level (for example, transport, skills, planning and infrastructure).



Taxation

Government announcement:

1. The Coalition will introduce Employer National Insurance thresholds in order to stop the planned jobs tax.
2. The Coalition will seek ways of taxing non-business capital gains at rates similar or close to those applied to income, with generous exemptions for entrepreneurial business activities.
3. The Coalition will review IR35, as part of a wholesale review of all small business taxation, and seek to replace it with simpler measures that prevent tax avoidance but do not place undue administrative burdens or uncertainty on the self-employed, or restrict labour market flexibility.
4. The Coalition will reform the corporate tax system by simplifying reliefs and allowances, and competitive corporate tax regime in the G20, while protecting manufacturing industries.

FSB response:

1. The FSB welcomes the repeal of the previous governments increase in the national insurance contributions. If the proposal had been enacted it would have been at the cost of 57,000 jobs in small businesses.
2. The FSB is concerned that the definition of business activities will not encapsulate inward private investment in small businesses. The FSB would like to see incentives for private investors and small businesses discussing capital investments more often, rather than banks having the stronghold of lending.
3. The abolition of the IR35 legislation, which was introduced in 1999 in an effort to clamp down on freelancers providing their services through a company or partnership as a mean of avoiding tax is a draconian measure. Many small consultancies view this legislation as complex and unfair.
4. The FSB welcomes the announcement of tax reform, but wishes to see the reform also stretch to the simplification of R&D tax credits for hi-tech companies, small firms and start-ups.



Regulation

Government announcement:

1. The Coalition will cut red tape by introducing a 'one-in, one-out' rule whereby no new regulation is brought in without other regulation being cut by a greater amount.
2. The Coalition will end the culture of 'tick-box' regulation, and instead target inspections on high-risk organisations through co-regulation and improving professional standards.
3. The Coalition will review employment and workplace laws, for employers and employees, to ensure they maximise flexibility for both parties while protecting fairness and providing the competitive environment required for enterprise to thrive.
4. The coalition will make it easier for people to set up new enterprises by cutting the time it takes to start a new business. Our ambition is to make the UK one of the fastest countries in the world to start up a new business. We will reduce the number of forms needed to register a new business, and move towards a 'one-click' registration model.
5. The coalition will end the so-called 'gold-plating' of EU rules, so that British businesses are not disadvantaged relative to their European competitors.

FSB response:

The FSB has called for all of the above. In particular we are pleased to see an emphasis on reviewing employment and workplace legislation as our research shows us that members believe that this is the most troublesome area of regulation.

Health and safety

Government announcement:

1. The Coalition will reform Access to Work, so disabled people can apply for jobs with funding already secured for any adaptations and equipment they will need.

FSB response:

1. The FSB welcomes this announcement as it is something that we have campaigned for. It will give the employer the security of knowing that when they take on a person with a disability they are assured that funding is available to make the necessary adaptations rather than having to apply after a position is offered with no way of knowing what help they will receive.



Construction

Government announcement:

1. The Coalition will explore a range of measures to bring empty homes into use.
2. The Coalition will promote 'Home on the Farm' schemes that encourage farmers to convert existing buildings into affordable housing.

FSB response:

The FSB supports both of the above proposals as they provide ways in which the retrofitting and renovation of homes market can be revived. The majority of our members in construction work in this sector.

Equalities

Government announcement:

1. The Coalition will promote equal pay and introduce a range of measures to end discrimination in the workplace.
2. The Coalition will extend the right to request flexible working to all employees, consulting with business on how best to do so.

FSB response:

1. The FSB supports the National Minimum Wage (NMW) because of the protection it gives low income workers and the incentives to work it provides. However, now is not the right economic climate for further increases in the NMW.
2. The FSB welcomes the announcement that the Government will consult with business on how best to extend flexible working to all employees. However, small businesses already deal with their staff flexibly and Government must realise this if they intend to increase the "right to request" culture.



Children and Families

Government announcement:

1. The Coalition supports the provision of free nursery care for pre-school children, and we want that support to be provided by a diverse range of providers, with a greater gender balance in the early year's workforce

FSB response:

1. The FSB believes that an increase in free provision will be costly for nurseries and would like the current system reviewed and the suspension of the current Code of Practice to ensure our day nursery members can remain sustainable.

Pensions

Government announcement:

1. The Coalition will simplify the rules and regulations relating to pensions to help reinvigorate occupational pensions, encouraging companies to offer high-quality pensions to all employees, and will work with business and the industry to support auto enrolment.
2. The Coalition will phase out the default retirement age and hold a review to set the date at which the state pension age starts to rise to 66, although it will not be sooner than 2016 for men and 2020 for women.

FSB response:

1. We welcome any moves to encourage greater saving for retirement. With the new pension scheme due to start in 2012 our concerns remain about cost and any administrative burdens placed on businesses.
2. We are pleased to see note that due recognition will now be given to members concerns over the level of unsustainable public sector pensions as we move forwards. Recent survey work by the FSB informs that 40 per cent of FSB members feel the DRA should be scrapped.



Transport

Government announcement:

1. The Coalition will establish a high speed rail network as part of our programme of measures to fulfil our joint ambitions for creating a low carbon economy.
2. The coalition work towards the introduction of a new system of HGV road user charging to ensure a fairer arrangement for UK hauliers

FSB response:

1. The FSB remains unconvinced that HSR is going to bring significant benefits to small businesses as the majority operate locally. We are also concerned that investment will be diverted away from local commuter routes which are of much greater relevance. Small businesses rely on road transport far greater than other modes of transport and this needs to be taken into consideration when planning transport priorities.
2. The FSB have lobbied for a Lorry Road User Charge for many years – we hope this will equalise the costs for UK hauliers and therefore make foreign lorry users pay for the use of UK road space.

Skills

Government announcement:

1. The Coalition will seek ways to support the creation of apprenticeships, internships, work pairings, and college and workplace training places as part of our wider programme to get Britain working.

FSB response:

2. As the forerunner in lobbying for apprenticeships and more engagement with Universities the FSB welcomes this proposal.

Energy and Climate Change

Government announcement:

1. The Coalition will establish a smart grid and roll out smart meters.
2. The Coalition will establish a full system of feed-in tariffs in electricity – as well as the maintenance of banded Renewables Obligation Certificates.
3. The Coalition will introduce measures to promote a huge increase in energy from waste through anaerobic digestion.



4. The Coalition will create a green investment bank.
5. Through the 'Green Deal', the Coalition will encourage home energy efficiency improvements paid for by savings from energy bills. Also taking measures to improve energy efficiency in businesses and public sector buildings. The Coalition will reduce central government carbon emissions by 10 per cent within 12 months.

FSB response:

1. Whilst the FSB is fully supportive of the introduction of smart meters we have serious concerns that the six big energy companies are, at present, likely to be the main beneficiaries and that if the wrong decisions are made about the nature of the smart meter rollout small businesses will not be able to enjoy the full benefits.
2. The FSB believes it is essential that the rollout ensures small businesses benefit from a competitive meter market, full meter interoperability and the necessary training and advice to ensure that small businesses can play their part in a low carbon economy.
3. The FSB is concerned that the feed-in tariffs (FITs) announced in April have been set too low to attract many small businesses to take up small scale renewable energy. The FSB would like to see enhanced FIT rates which will give small businesses the return on investment that will stimulate demand for the take up of small scale renewable energy generation within this sector.
4. The FSB would like to see a scheme that works along the lines of the 'pay as you save' scheme to allow small businesses to access upfront capital which is repaid once businesses start experiencing reduced energy costs. We would like to see relevant support and help to ensure that the agricultural sector can benefit from the take up of anaerobic digestion.
5. The FSB welcomes the announcement of a Green Investment Bank. However, we need to ensure a significant amount of this funding reaches innovative small businesses that are leading the way to a low carbon economy.



Environment, Food and Rural Affairs

Government announcement:

1. The Coalition will work towards a 'zero waste' economy, encourage councils to pay people to recycle, and work to reduce littering.
2. The Coalition will reduce the regulatory burden on farmers by moving to a risk-based system of regulation, and will develop a system of extra support for hill farmers.
3. The Coalition will create a presumption in favour of sustainable development in the planning system.

FSB response:

1. A zero waste economy is an ambition to be applauded but there it is essential to put in place the necessary infrastructure to ensure the UK's 4.7 million small businesses can play their part in a world without waste. The FSB calls for local waste infrastructure suitable for small businesses, such as civic amenity sites, to be made available to them or for appropriate alternatives such as bring back schemes to be developed. This would allow businesses to manage rising costs whilst playing a more active role in responsible waste disposal
2. The FSB welcomes steps to review the regulatory burden placed upon farmers. A risk based approach to regulation would be a welcome first step to ensuring our agricultural sector can survive and thrive in 21st century Britain.
3. A vibrant, diversified rural business community must be encouraged. A clearer investment in these businesses will also ensure the well being of the countryside.



Business Crime

Government announcement:

1. The Coalition believes that we need radical action to reform our criminal justice system. They feel we need police forces to that have greater freedom from Ministerial control and are better able to deal with the crime and anti-social behaviour that blights people's lives, but which are much more accountable to the public they serve.

FSB response:

The missing link in the crime and policing agenda is the business community.

Police surveys show that business crime makes up one fifth of recorded crime ('the forgotten fifth') therefore targets and strategies to reduce this type of crime would show results. FSB research shows that 64% of businesses have been a victim of crime over a twelve month period yet official figures underestimate the issue as only 45% of businesses report crime when they're a victim. National and local crime statistics will continue to be unreliable until this is addressed

We welcome moves to make police forces more locally accountable to the local community but directly elected police commissioners and politicising the police is not the way. The FSB wants to see the local business community, as a central victim, as a key voice at a local level in influencing local policing priorities through neighbourhood policing teams and police authorities with specifically nominated representatives on police authorities tasked with consulting with and reflecting the views of that community

The FSB wants to see a national definition for business crime agreed for police forces to properly record this type of crime and set strategies at a local level to address and reduce it.