

A graphic consisting of five overlapping speech bubbles in various colors: teal, purple, tan, pink, and green. The text 'Be the Voice of Small Businesses' is written in white, bold, sans-serif font across the bubbles.

Be the Voice of Small Businesses

FSB Business Manifesto for
the 2015–20 Government

FSB

The FSB (Federation of Small Businesses) has grown since our founding in 1974 into the UK's leading business organisation.

Our mission is to create the best environment for businesses to start up and thrive. Our success will drive the economy and create jobs.

We are member-led, so that we authoritatively protect and champion the interests of nearly 200,000 self-employed people and owners of small firms. We are strong in every industry sector of the economy, and in every nation and region – England, Scotland, Wales and Northern Ireland.

Proud of our independence, we ensure the voice of small business is heard by decision-makers at every level of Government – from a local council right through to Brussels. We are a cross-party, non-partisan organisation, and so we work with councillors, MPs, MEPs, Peers and elected representatives from all major political parties and in all Parliaments and Assemblies. We campaign, but we also bring our entrepreneurial spirit into our work by proposing practical policy changes and being part of the solution.

More broadly, we support our members at every stage of their business journey. We provide them with market-leading business services from insurance and business banking through to legal and tax advice.

FSB Business Manifesto for the 2015–2020 Government

This document is aimed at policymakers of all parties, and candidates standing in the 7 May 2015 General Election. It sets out a coherent set of measures the next Government should implement in the following areas to support the UK's 4.9 million small businesses and deliver economic growth and full employment:

- Deliver a sustained economic recovery
- Rebalance the economy, driving sustainable growth in every nation and region
- Create high quality jobs and full employment
- Make all markets work better
- Lower the costs of doing business

The policy proposals presented here will spark sustainable economic growth and job creation, led by our world-beating small businesses. The next Government, regardless of its political make-up, needs to back small business. This Manifesto explains how.

ibacksmallbusiness.com

#ibacksmallbusiness

Foreword

It's time to back small
business's economic
ambitions

“Confidence is growing among small and micro business owners in every sector, and in every nation and region of the UK. Our members want to invest more in their businesses, recruit more people and break into new markets. Start-ups are being created at an all-time record rate, with more people choosing to be self-employed. We see more diversity among our ranks, with more women and young people in particular setting up in business for the very first time.



The next Government, regardless of its political make-up, needs to back small business

The 7 May 2015 General Election presents an opportunity for a new Government to set out its credentials to help these start-ups and small firms realise their ambitions.

We wish to see political leadership and focus on the pressing issues that small businesses face right now, and which will only intensify through the next five-year Parliament. The Prime Minister and Leader of the Opposition both addressed FSB members at our conferences in 2014, reflecting the increasing recognition of small business as fundamental to our long-term prosperity.



Government needs to streamline business support; improve access to finance and public procurement; invest in skills of our young people; rebalance the economy; make all markets work better; and reduce the costs of doing business

The foundation of that long-term prosperity must be fiscal discipline coupled with a clear monetary policy that provides the certainty businesses require to plan and invest. The next Government must therefore have sound public finances as the bedrock of its economic policy.

At a time of pressure on the public purse, this Manifesto is not a list of ideas that will increase public expenditure. The vast majority require zero cost to the Exchequer; where there are costs, such as investment in infrastructure, these will be more than covered by the long-term economic benefits. At their core, each proposal requires focus, coherence and long-term decision-making by those seeking to lead the next Government to provide the conditions for businesses to start up, grow and deliver economic recovery.

In many instances, it is about Government at all levels sharpening up the current offer, and improving delivery to match the world's best. Policymakers must test any intervention to make sure it is small business-friendly, and built for the long term: for too long the area of business

policy has been subject to regular alterations and poorly designed policy interventions. That must change. Instead, a long-term pro-enterprise approach must be at the heart of policymakers' thinking wherever they may be, instilling entrepreneurial spirit in the way Government itself works with the private sector. This applies to the EU too, where it should champion the interests of our small firms, making the business case for reform. And it is why the FSB is calling for a UK Small Business Administration to apply that focus and act as an anchor for small business policy across government, something that has worked so effectively in the USA for over 60 years.

This Manifesto is a cross-party document for policymakers in each party as they draw up their respective policy platforms for 2015. This is also a document for candidates from across the UK as they consider business issues that affect every nation and region.

In the FSB's 40-year history, the importance of the self-employed, small and micro business to the economy has never been greater. Our policy proposals here are evidence-based and aspirational, based on research and insight from our near 200,000 members. If these proposals are adopted by the political parties and enacted by the next Government, the benefits to the UK economy and the millions of small businesses will be clear.

“
To enact our proposals will spark sustainable economic growth, led by our world-beating small businesses. To ignore them will lead to increasing burdens on business and an unbalanced recovery

99%
of the 4.9 million
businesses in the
UK are small and
micro businesses



Small businesses have a huge amount to offer. They are agile and create jobs faster and in larger numbers than any other kind of organisation can, with an army of small businesses in every region and every sector. Because they are the very fabric of our communities, helping small businesses helps society. Large businesses must play their part too: working with, not against, small businesses. They must make the most of the flexibility and innovation of small businesses in their supply chain, treating them in a fair and transparent manner in their payment practices. This applies just as much where small businesses should be treated as consumers – by banks, energy companies and large firms in other markets. The FSB is often part of the solution, and we pledge to play our part – working with all parties to ensure that small business ambitions can be realised.

Now is the time for party policy decisions to be made. Now is the time for all parties to back small businesses' ambitions. As they face their first red boxes, this document contains the steps small businesses want Ministers in the next Government to take.”



John Allan
Honorary National
Chairman



Mike Cherry
National Policy
Chairman

Executive summary

What the next
Government
should do

What the next Government should do to deliver a sustained economic recovery

The next Government should:

- Put small businesses at the heart of policymaking, and create a coherent long-term plan for business support, including export support that matches the ambition of start-ups and those small firms that want to grow. The goal should be to create an environment in which the UK regularly encourages and supports start-ups to become 'world-beating' firms
- Commit to prudent fiscal plans as the bedrock of its economic policy
- Tackle once and for all structural issues within the finance system to create a more competitive, dynamic market to meet small firms' financing needs
- Pursue long-term pro-enterprise policies that address historical weaknesses in the UK economy, especially around productivity, investment, R&D and innovation
- Back a more entrepreneurial culture, with larger firms helping smaller counterparts
- Support those who set themselves up in business, or run an existing firm and whose businesses initially fail, but who want to learn and try again

It will do this by:

- Focusing policy and providing a strong voice at the heart of Government by establishing a UK Small Business Administration with clear direct reporting lines

into 10 Downing Street. This UK-level focus on small businesses should be reflected in sub-national strategic and delivery bodies such as Local Enterprise Partnerships

- ➔ Streamlining business support schemes, eliminating duplication and waste through a coherent, focused approach that is in place for the long term
- ➔ Tackling late payments and the practice of extending payment terms by enforcing a prompt payment limit of 60 days, striving for 30 days as good practice and taking action to prevent unfair retrospective discounting, upfront charges to be on supplier lists and invoices being challenged near their due date
- ➔ Increasing competition in the banking sector, encouraging new entrants by lowering barriers to entry, and enhancing the ease of switching between financial providers
- ➔ Promoting alternative forms of finance through regulatory and non-regulatory means and providing long-term backing for the British Business Bank so it has the means to identify and tackle market failures and promote non-bank alternative sources of finance
- ➔ Using the tax system to reward entrepreneurs and encourage equity investment in early stage businesses through schemes such as the Seed Enterprise Investment Scheme
- ➔ Ensuring export support schemes are fit for purpose for small and micro firms, and redoubling efforts to get small firms exporting for growth
- ➔ Encouraging greater investment by small firms by setting tax allowances on annual investment at a generous but stable level that helps businesses to plan rather than be subject to short-term change
- ➔ Simplifying and promoting R&D initiatives, as research will be a key trigger for future wealth creation. This should be coupled with further efforts to ensure intellectual property

mechanisms are affordable and accessible, so good ideas are protected and innovative firms reap the rewards, not their competitors

- Making the Government a better customer by improving access for small firms to its annual £230 billion of procurement opportunities – streamlining form-filling, avoiding excessive conditions on contracts, publicising opportunities and encouraging collaboration between small firms
- Growing and supporting local economies by using local procurement in a more effective way

What the next Government should do to rebalance the economy

The next Government should:

- Pursue policies that reconcile regional growth priorities and boost sustainable economic growth in every nation and region of the UK
- Deliver infrastructure, not just announce it – and put in place agreed long-term cross-party plans that are not derailed by short-term political needs
- Improve how local authorities across the UK and Local Enterprise Partnerships in England engage with their small business communities to promote growth and jobs
- Recognise that high streets and rural businesses face unique challenges and therefore require particular policy attention
- Strengthen its ambitions on broadband and mobile phone coverage to achieve universal connectivity and a good basic level of service throughout the UK, regardless of location

It will do this by:

- Taking into account regional economic priorities, ensuring the regions are integrated into plans when delivering major UK infrastructure projects such as HS2 and airport capacity, thereby maximising growth in the regions
- Guaranteeing the ‘additionality’ of HS2 investment, so that it is not at the expense of much-needed investment in the rest of the UK’s transport infrastructure. It should also make HS2 a ‘best-in-class’ small business public procurement programme
- Delivering the National Infrastructure Plan and maintaining investment over the next Parliament
- Implementing as soon as possible the Davies Airports Commission decision on runway capacity while ensuring new capacity is integrated into the UK’s regional transport infrastructure. This will be a litmus test of the next Government’s commitment to modernising and rebalancing the UK economy
- Guaranteeing minimum broadband speeds of 100 Mbps by 2030 and a universal service floor of 10 Mbps by 2018/19 for those businesses located in hardest-to-reach areas
- Developing a far more systematised approach to regional economic clusters, with small businesses at their heart
- Improving the sub-regional economic architecture, learning lessons from successful LEPs and setting a rigorous framework for LEP performance. Although LEPs’ performances vary, these should remain the mechanism for regional economic policy in England
- Encouraging local authorities to make more use of their discretionary rates relief powers to assist the local economy

-
- Rural-proofing all relevant policy, legislation and planning guidance, and prioritising jobs and growth in rural areas

What the next Government should do to create high-quality jobs and full employment

The next Government should:

- Make the goal of full employment a keystone of its economic policy
- Make it as easy as possible for small businesses to take on employees, building on recent reforms
- Make explicit the responsibility of the education system to prepare all our young people for adulthood and the world of work in the 21st century
- Promote vocational education and training so that it is recognised as high-quality and considered of equal status to academic education, while increasing academic standards
- Promote small business as a career option for young people either as an employee or as a self-employed small business owner themselves.
- Develop the quality of apprenticeships, making them easier and more attractive for businesses, and promoting them to teachers, young people and their families as a high-quality route into a career

It will do this by:

- Thoroughly understanding, robustly estimating and where possible alleviating the impact of employment regulations on small and particularly micro firms before they are introduced
- Raising the Employment Allowance currently worth up to £2,000 for businesses to create further incentives to hire workers
- Supporting the Low Pay Commission's (LPC) prudent approach to increasing the National Minimum Wage (NMW), and taking account of the impact on firms in sectors such as social care, hospitality and retail. The LPC must remain an independent body free from partisan political influence
- Tasking the LPC and Office for Budgetary Responsibility (OBR) to provide an indicative five-year NMW forecast, to give greater certainty to businesses and help them plan
- Maintaining the Living Wage as an aspirational, voluntary goal and not a requirement in public procurement contracts, which could harm competition and value for money for the taxpayer
- Developing a set of off-the-shelf HR policies to help first-time employers, and boosting access to high-quality HR support and training for existing small business owners
- Supporting the creation of voluntary collective insurance schemes to enable small firms to provide enhanced maternity, paternity or sick pay for their staff
- Making it easier for small firms to employ reservists and veterans
- Changing the school/college assessment system and Ofsted inspection framework to increase the emphasis on work-based skills in the curriculum

-
- Implementing Lord Young's 'Enterprise For All' report and encouraging schools to interact with businesses to inspire young people and create much closer ties between the business and education communities
 - Providing students with early careers education, in addition to high-quality independent careers guidance on both academic and vocational opportunities when students consider post-16 options
 - Reducing the administrative burden of apprenticeships, establishing a world-leading standard for the long term through setting the vast majority at level 3 or above, and promoting traineeships

What the next Government should do to make all markets work better

✔ The next Government should:

- Champion UK small business interests in Brussels, so that EU decision-makers 'Think Small First' – making regulation proportionate, boosting growth and driving a pro-entrepreneurship culture across the EU
- Treat the smallest of businesses in a similar way to consumers, and so afford them similar status in markets such as energy
- Boost transparency and competition in regulated sectors, most notably in the energy and water markets
- Intervene in the pubs sector to protect small publicans where self-regulation by the pub companies has failed

It will do this by:

- Pushing within the EU for an independent EU impact assessment board modelled on the UK's Regulatory Policy Committee; an ambitious TTIP EU–US trade agreement that meets the needs of small businesses; and the completion of the single market in the services and digital sectors
- Improving the provision of customer-focused information to small businesses in energy, banking, water and telecoms; and extending general consumer protection to micro businesses, in line with the Consumer Rights Directive and Consumer Rights Act
- Implementing the recommendations of the CMA inquiry into the energy market
- Introducing published non-domestic tariffs for energy providers, a code of practice for Third Party Intermediaries (TPIs), a complete ban on automatic rollover contracts, and help for small firms with energy-efficiency measures including smart meters
- Providing regulators with enforcement powers under Business Protection Regulations
- Ensuring that all small businesses can obtain affordable flood insurance, and improving access to information and resources that can help improve their resilience to extreme weather events
- Making further pub reforms to provide a 'free of tie' option for tied pubs, with an independently assessed market rent as well as guest beer rights
- Simplifying charges for businesses that play music/audio, clarifying in statute what constitutes a public performance and regulating PRS and PPL if unfair practices continue

What the next Government should do to lower the costs of doing business

The next Government should:

- Make the UK the best place in the world to run and grow a business, as well as to start up – by minimising costs on business that dampen entrepreneurial zeal
- Create a competitive, light-touch business tax framework for small businesses to support growth
- Tackle major costs faced by small firms that inhibit their expansion, such as business rates and fuel, and address emerging costs such as pensions and waste recycling
- Reduce unnecessary regulatory burdens and compliance costs

It will do this by:

- Asking the Office for Tax Simplification to undertake a full review of the tax treatment of the self-employed, micro and small businesses – to create a single, simplified new ‘enterprise tax’ framework to incentivise investment and create jobs
- Creating a business ‘tax account’ that pays interest and which small firms can pay into on a regular basis to set against their future tax liabilities
- Making permanent the temporary doubling of small business rate relief, before committing to fundamental business rates reform including an ‘enterprise tax’ framework for small businesses

-
- Cancelling fuel duty increases for the next Parliament, as these have a disproportionate effect on small firms, especially those in rural areas
 - Tackling business crime and cyber threats by giving law enforcement agencies the tools they need, strengthening digital information networks and helping small firms protect themselves
 - Providing clear guidance on pensions auto-enrolment, and preventing excessive charges
 - Encouraging local authorities to introduce free waste recycling for micro businesses
 - Reviewing the impact of reforms to the Royal Mail, especially on small business overseas deliveries, and safeguarding the six-day, door-to-door, single-price universal service
 - Maintaining the network of Post Offices by making them flexible small business hubs providing business support services under the direction of a UK SBA
 - Strengthening regulatory policy by setting an achievable and meaningful deregulation target for the next Parliament, bringing tax regulation within the remit of the Regulatory Policy Committee (RPC) and endowing the RPC with the role of regulatory ombudsman

Policies for the 2015–2020 Government

What the next
Government should do
to deliver a sustained
economic recovery

The next Government should:

- Put small businesses at the heart of policymaking, and create a coherent long-term plan for business support, including export support that matches the ambition of start-ups and those small firms that want to grow. The goal should be to create an environment in which the UK regularly encourages and supports start-ups to become 'world-beating' firms
- Commit to prudent fiscal plans as the bedrock of its economic policy
- Tackle once and for all structural issues within the finance system to create a more competitive, dynamic market that meets small firms' financing needs
- Pursue long-term pro-enterprise policies that address historic weaknesses in the UK economy, especially around productivity, investment, R&D and innovation
- Back a more entrepreneurial culture, with larger firms helping smaller counterparts
- Support those who set themselves up in business, or run an existing firm and whose businesses initially fail, but who want to learn and try again

It will do this by:

- Focusing policy and providing a strong voice at the heart of Government by establishing a UK Small Business

Administration (SBA) with clear direct reporting lines into 10 Downing Street. This UK-level focus on small businesses should be reflected in sub-national strategic and delivery bodies such as Local Enterprise Partnerships

- Streamlining business support schemes, eliminating duplication and waste through a coherent, focused approach that is in place for the long term
- Tackling late payments and the practice of extending payment terms by enforcing a prompt payment limit of 60 days, striving for 30 days as good practice and taking action to prevent unfair retrospective discounting, upfront charges to be on supplier lists and invoices being challenged near their due date
- Increasing competition in the banking sector, encouraging new entrants by lowering barriers to entry, and enhancing the ease of switching between financial providers
- Promoting alternative forms of finance through regulatory and non-regulatory means and providing long-term backing for the British Business Bank so it has the means to identify and tackle market failures and promote non-bank alternative sources of finance
- Using the tax system to reward entrepreneurs and encourage equity investment in early stage businesses through schemes such as the Seed Enterprise Investment Scheme (SEIS)

- Ensuring export support schemes are fit for purpose for small and micro firms, and redoubling efforts to get small firms exporting for growth
- Encouraging greater investment by small firms by setting tax allowances on annual investment at a generous but stable level that helps businesses to plan rather than be subject to short-term change
- Simplifying and promoting R&D initiatives, as research will be a key trigger for future wealth creation. This should be coupled with further efforts to ensure intellectual property mechanisms are affordable and accessible, so good ideas are protected and innovative firms reap the rewards, not their competitors
- Making the Government a better customer by improving access for small firms to its annual £230 billion of procurement opportunities – streamlining form-filling, avoiding excessive conditions on contracts, publicising opportunities and encouraging collaboration between small firms
- Growing and supporting local economies by using local procurement in a more effective way

Getting Government enterprise policy right – a UK SBA

Many small business owners want to grow their businesses, to invest, to employ more people and to export. The most ambitious want to grow from being a small business to one with an international presence – and often they cannot do this alone. The Government has a fundamental role to play to support a thriving small business sector – by putting small businesses at the heart of policymaking, providing better business support and encouraging a more entrepreneurial culture.

While there have been many well-intentioned initiatives to support small firms from successive Governments, the UK's productivity still lags behind our competitors'. FSB research has demonstrated that the current business support landscape is complicated, with interventions that are often poorly designed and characterised by constant policy churn. Although it is difficult to capture the full extent and cost of current business support across all nations and sectors, the Government's latest estimate is that there are in the region of 790 support schemes available to small businesses. As a result of this complexity, businesses are often unclear where to start and unable to identify the support they need, resulting in low uptake and public money not being spent effectively. Furthermore, interventions are not making the impact they should on firms' economic performance or matching their ambitions.

It is important that support is not just targeted at start-ups and high-growth companies. Existing companies also require help and advice at different points of their business journey to grow, to recruit and to take forward their business plans.

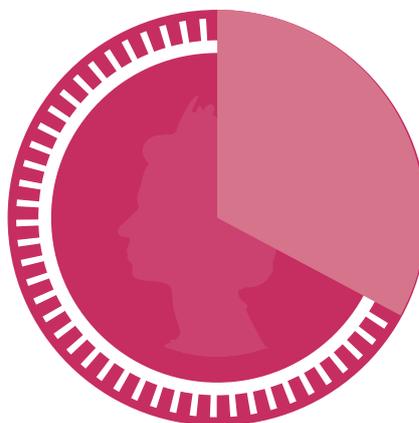
The next Government should establish a UK SBA to provide a cohesive business support framework and improve efficiency, by reducing duplication and gaps in funding. A UK SBA would have the responsibility for reviewing and simplifying the myriad of schemes. It would also go beyond signposting to provide a streamlined finance offer directly alongside export assistance, public procurement opportunities and effective business support.

The SBA should have a clear direct reporting line into 10 Downing Street (or the Cabinet Office) in addition to operational oversight by the Secretary of State for Business, Innovation and Skills through the Business Department. The SBA could be built around the British Business Bank, adding functions and amending its governance.

Establishing an SBA in this way mitigates the risk of a Non-Departmental Public Body (NDPB) under the Business Department failing due to lack of leadership and influence. It must have the authority to resolve issues at the highest level of Government, and across all Departments. In the USA, the SBA Administrator is a political appointee, with a position in President Obama's Cabinet. A policy or executive issue can then be resolved as it arises, as the SBA can use the authority of the Presidency to work together with other powerful agencies. In the UK, the SBA Chairman and Chief Executive

must have similar powers; past experience with the Small Business Service shows what happens when that is not the case. The FSB calls for cross-party support for the SBA model, to embed it as a crucial and permanent piece of government machinery well beyond the next Parliament.

The next UK Government should work with Governments in Scotland, Wales and Northern Ireland to implement this focus on small businesses at all levels of decision-making to provide schemes with a clear sense of purpose, measurable against meaningful criteria of success. Within England, this should be driven by local authorities and Local Enterprise Partnerships (LEPs).



33%

of turnover is from small firms –
£1.6 trillion of the UK economy

Tackling late payment

Small businesses face a continuing and increasing volume of late payments and extended payment terms by many larger companies. In 2008, £18.6 billion was owed in late payments – but this continues to rise, and has now more than doubled to reach £46.1 billion in 2014. This reflects a wider cultural trend among many large companies, where they use late payment terms to improve their own cash flow and margins, at the expense of their small suppliers. This harms small firms' cash flow, seriously hampering their ability to invest and grow and in some cases threatening their existence.

In a modern economy, 30 days should be more than sufficient to settle payments,



51%

of FSB members have been paid late in the last 12 months

building on the European Directive (2011/7/ EU) to combat late payments which became law in 2013. The Directive set a limit of 30 days for public authorities, and 60 days for the private sector.

As a first step, the Government should ensure its suppliers are signed up to and compliant with the Prompt Payment Code. Fair payment has long been a priority for the FSB in public procurement, and so we call on the Government to use its client power to extend the public sector's requirement to pay within 30 days to Tier 1 contractors and throughout their supply chains.

More broadly, large firms should match the ambition of the public sector, with 30-days payment enshrined through a reformed and enforceable Prompt Payment Code. Signatories should stick to this limit and cascade it throughout their supply chains. The next Government should complete the implementation of the Late Payment Directive to ensure that the period for payment fixed in the contract does not exceed 60 calendar days, alongside existing provisions that only focus on redress. But it should go further and aim for a 30-day limit for payments to be made, across both public and private sectors. If progress is not made, then statutory regulation should be considered. In addition, practices such as unilateral requests by large firms for discounts on existing invoices should be prohibited, as should requests for upfront payments to belong to a supplier list. A limit should be placed on debtors who delay payment further by challenging invoices near their due date, set at 21 days from the confirmed receipt of invoice.

Access to finance – creating more competition and choice

Access to finance remains a concern for many small firms, with the recession painfully highlighting the deficiencies in the UK finance market. At the heart of the problem is the overly concentrated nature of banking provision, with four banks accounting for 85% of small business lending. As well as posing risks to financial stability, the high level of concentration restricts competition and choice. Donald Cruickshank's report over a decade ago demonstrated the impact of that dominance and underlying structural issues in the market, suggesting that retail banks were benefiting from excessive profits, by overcharging personal and small business customers by up to £3–5 billion a year for banking services.

The next Government must tackle these long-standing structural issues once and for all. As well as implementing in full the recommendations of the Independent Commission on Banking (ICB), the next Government should follow a twin-track approach:

- Making the banking market dynamic by lowering barriers to entry and helping new entrants scale up quickly. This should be informed by the proposed Competition and Markets Authority Review
- Continuing to encourage non-bank providers of finance, who through the use of innovative technology can often provide alternative finance solutions for small firms

and thereby put competitive pressures on the large banks. This should be supported by providing long-term backing to the British Business Bank.

Banking reform

The next Government should continue reforms to make the small business banking market more competitive and 'contestable' by making it easier to set up and grow a bank. This can be achieved by further lowering the capital requirements for entrants and enabling the entry of 'off the shelf' banks with standard IT models that are common in the United States. Many of these solutions have long been identified and yet have not been implemented.

The Business Banking Insight website launched in 2014 has been a significant step forward in helping provide small firms with the information they need as they compare banking services. This needs to be funded, promoted and developed over the course of the next Parliament and beyond.

Measures in the current Small Business, Enterprise and Employment Bill to create a referral mechanism for small businesses that have been rejected for credit are welcome, as are measures to improve sharing of credit data beyond established banks. To build on this, the next Government should increase transparency and guidance to help small firms understand their credit score and take steps to improve it. This would strengthen their ability to access credit in the long term. The next Government should also work with the FSB to address

concerns among businesses about good practice and data protection.

The creation of a Payments Regulator is welcome, as is the protection of its remit within the Small Business Bill. To ensure a market that is transparent and fair, the next Government should instruct the forthcoming Payments Regulator to engage with small businesses when establishing advisory bodies. Smaller firms should feed in their views and have formal access to the regulator, offering end-users greater protection. In addition, the next Government should guarantee equal access to the payments system for all banks. This would reduce barriers of entry to the market for new retail banks.

The next Government should review and if necessary enhance the Current Account Switch Service (CASS) so that small firms secure a seamless hassle-free service as originally promised by the Payments Council. The new Government should task the Payments Regulator with addressing current small business concerns.

Restoring confidence in the banking system

Reforms to the banking system need to be accompanied by efforts to rebuild trust in our banks, which has been so badly hit by a series of mis-selling scandals. In the case of small businesses, that came in the form of interest rate hedging products or 'swaps', where the FSB was at the forefront of calls for redress to those mis-sold these

toxic products. In the wake of this scandal, a number of instances of tailored business loans or 'embedded swaps' have emerged. Small firms have borne the brunt of this latest financial scandal, with testimony from FSB members and other small firms showing that many of these products have been sold by commercial bank teams. Many firms were not told of expensive break costs and only learned they had a tailored business loan at the point of trying to break, exit, or move. This goes against new conduct principles.

Embedded swaps currently lie unregulated in a grey area inbetween HM Treasury, the Business Department, the Financial Conduct Authority and the Financial Ombudsman. The next Government should commit to investigating the way these products were sold, set up a redress mechanism as appropriate, simplifying these products for small firms and putting stronger protections in place. Small firms need to know more about derivative products and their associated risks, with any break costs explained at all points during the transaction.

Alternative finance

Alongside banking reform, the next Government should continue to support and promote alternative sources of finance. The FSB strongly supports the British Business Bank, which has a key role to play. The next Government should commit resources for the Bank to continue its work boosting and diversifying lending channels (including peer-to-peer lenders), addressing market failures in the provision of finance to start-ups and growing businesses, and

improving information provision for small businesses – linking where possible to wider business support initiatives. This would drive further competition into the market and offer greater choice to smaller firms who find it hard to navigate the process. Our research indicates that over a third (35%) of smaller firms are rejected for credit – a figure that has changed little in the last few years.

The solution needs to be broader than merely looking to diversify sources of debt finance. We do not yet see significant awareness and uptake of alternative finance arrangements. As well as promoting the offer of challenger banks and these other finance channels, the next Government should revisit the recommendations of Timothy Breedon's 2012 report, implement any outstanding recommendations and look at other ways of promoting alternative finance, learning from the experience of other countries.

Encouraging equity investment

Encouraging equity investment by business angels in smaller companies and start-ups is an important policy goal. Business angels can bring valuable insights, experience and resource into companies, helping them grow more quickly. The UK needs to further boost its entrepreneurial culture and supportive infrastructure, by encouraging higher levels of business angel investment and filling the 'equity gap' faced by ambitious small companies.

The gap in equity investment typically starts at £250,000 and reaches around £2 million. This level of funding is not large enough to be of interest to venture capitalists, yet too large to be raised from friends and family. The introduction of the Seed Enterprise Investment Scheme (SEIS), which has very attractive tax advantages for the angel investor, was therefore welcome and signs are that early-stage businesses are getting more access to equity finance. To further encourage this trend the next Government should maintain, and build upon, the highly attractive features of SEIS.

Driving exports

As part of efforts to rebalance the economy, the Government has set welcome and ambitious targets for 100,000 new exporters and to double the value of exports by 2020. Small businesses must be at the forefront of the strategy to achieve this. FSB members that do not currently export cite a number of barriers, including the difficulty in finding customers, difficulty in dealing with paperwork and a lack of support and information. The next Government should instil ambition in both start-ups and established firms to trade globally and deal with specific challenges they face.

UKTI has increased the availability of personalised support to small exporters through trade advisors. The improvements made to this service need to be maintained and built upon. As with other areas of enterprise policy, a long-term approach is needed to allow the benefits to be fully realised. Trade advisors should continue to

work closely with exporters and potential first-time exporters to identify business leads, provide intelligence and offer guidance on new markets and regulatory issues. They should also continue to work with firms on export growth strategies that can be supported by UKTI and UKEF. Where schemes have successfully driven export growth (such as Passport to Export), funding streams should be maintained for small firms. In the longer term, export advice and assistance should fall to a UK SBA to develop and champion.

Research, development and innovation

The tax system should be used to incentivise business investment in the UK, where levels of investment lag behind international competitors. The doubling of the Annual Investment Allowance to £500,000 until the end of 2015 is welcome, but awareness among the business community remains too low and it will take time before behavioural effects are seen.

The next Government should keep the Annual Investment Allowance set at an attractive but stable level for the long term. In recent years, it has been subject to several changes: stability will allow businesses to plan effectively. A more attractive rate should be considered for small businesses as part of the design for our proposals for an 'enterprise tax' system set out later in this Manifesto.

The next Government should make a long-term commitment to increase public

expenditure on research and development, and use the tax system and other means to incentivise private expenditure. Taken together, public and private investment in R&D is just 1.7% of GDP. As we set out in the following section, more needs to be done to help small firms access and commercialise the research being carried out in the UK's world-class universities, and a more systematic approach be taken to developing regional clusters with small firms at their heart.

Introduced in 2001, R&D tax credits are a useful incentive to encourage private-sector R&D activity. However, small business take-up remains low, with just 1 in 50 FSB members claiming them. Many members still claim that the process is too complicated, taking too much time to apply and prove that the work constitutes R&D and so is within scope of the tax credit. The FSB would therefore like the new Government to see how applying for the credit might be simplified, and to explore how it might be better promoted and made accessible to a greater range of businesses.

With many reforms to intellectual property (IP) protection now in place, these now need a period of time to bed in. The next Government should ensure the Intellectual Property Office develops the IP framework through the Hargreaves reforms to make it easy for small firms to access and also to combat malicious infringement. To assist, the upper limit for cases to be heard in the small claims track of the Intellectual Property Enterprise Court should be increased to £15,000.

Public procurement – Government as a better customer

Almost all (99%) of UK businesses are small firms, and yet in 2012–13 SMEs accounted for just 10.5% of direct central Government procurement expenditure. To enable more small firms to compete for public procurement opportunities, the next Government should promote them more widely and use its client power to encourage Tier 1 contractors to open up their traditional supply chains to small and micro businesses. Opening up procurement in this way will benefit the public purse and boost local economies, and should be adopted by all Government Departments and across the public sector.

If the next Government creates a powerful UK SBA, its remit should include the development and promotion of contracts to small businesses, to help drive up the proportion and value of contracts won by them. The next Government should also build on Lord Young's proposed reforms to the annual £230 billion public procurement programme and improve access for small firms. It should do this by enabling groups of smaller companies to collaborate and bid for work, removing disproportionate tender requirements on turnover, and swiftly implementing the procurement measures within the Small Business Bill.

The next Government should develop the Small Business Research Initiative (SBRI) which connects innovative businesses

with public-sector opportunities, especially focusing on early-stage and small and medium-sized companies. SBRI funding is currently set at £200 million for 2014–15. The next Government should look to increase this over the course of the next Parliament.

Building on measures in the UK Small Business Bill and the Social Value Act, the next Government should also review the impact of Scotland's recent Procurement Reform Act. The Act creates a duty for public bodies to consider how their organisation's procurement practices can improve the social, economic and environmental well-being of an area, and also the involvement of SMEs. It should also provide guidance to public bodies to package their procurement in smaller lots – this will help small firms bid and bring creativity that multinationals cannot. The Government should encourage large suppliers to publish in their annual report the breakdown of both contracts and expenditure with micro, small, medium and large businesses. Flagship projects such as HS2 should be explicitly tasked with developing a 'best-in-class' approach to small business procurement.

When procuring goods and services, public bodies should avoid including non-core conditions within contracts. These are often well intentioned but can cause problems for small firms who do not have the resources to comply with these requirements in full. Spending with small local firms is a benefit to the local community, which should be protected and enhanced.

What the next
Government should do
to rebalance the economy

The next Government should:

- Pursue policies that reconcile regional growth priorities and boost sustainable economic growth in every nation and region of the UK
- Deliver infrastructure, not just announce it – and put in place agreed long-term cross-Party plans that are not derailed by short-term political needs
- Improve how local authorities across the UK and Local Enterprise Partnerships in England engage with their small business communities to promote growth and jobs
- Recognise that high streets and rural businesses face unique challenges and therefore require particular policy attention
- Strengthen its ambitions on broadband and mobile phone coverage to achieve universal connectivity and a good basic level of service throughout the UK, regardless of location

It will do this by:

- Taking into account regional economic priorities and ensuring the regions are integrated into plans when delivering major UK infrastructure projects such as HS2 and airport capacity, thereby maximising growth in the regions
- Guaranteeing the ‘additionality’ of HS2 investment, so that it is not at the expense of much-needed investment in the rest of the UK’s transport

infrastructure. It should also make HS2 a ‘best-in-class’ small business public procurement programme

- Delivering the National Infrastructure Plan and maintaining investment over the next Parliament
- Implementing as soon as possible the Davies Airports Commission decision on runway capacity while ensuring new capacity is integrated into the UK’s regional transport infrastructure. This will be a litmus test of the next Government’s commitment to modernising and rebalancing the UK economy
- Guaranteeing minimum broadband speeds of 100 Mbps by 2030 and a universal service floor of 10 Mbps by 2018/19 for those businesses located in hardest-to-reach areas
- Developing a far more systematised approach to regional economic clusters, with small businesses at their heart
- Improving the sub-regional economic architecture, learning lessons from successful LEPs and setting a rigorous framework for LEP performance. Although LEPs’ performances vary, these should remain the mechanism for regional economic policy in England
- Encouraging local authorities to make more use of their discretionary rates relief powers to assist the local economy
- Rural-proofing all relevant policy, legislation and planning guidance, and prioritising jobs and growth in rural areas

Using infrastructure to boost regional growth

The global economic success of London is integral to the strength of the UK economy. However, the capital's success is necessary but not sufficient. For sustainable and balanced economic growth, we need to utilise the breadth and depth of resources across the UK. The next Government's economic and infrastructure plans need to explicitly support every nation and region of the UK, taking account of rural needs alongside urban requirements.

With cross-party support, HS2 will be built. However, opinion about the scheme remains divided. The next Government needs to pursue HS2 in such a way that it reconciles the differing nations' and regions' economic growth priorities, including not only those areas along the proposed route of both phases but also those further afield. HS2 must not end up benefitting only London owing to the skewed nature of the economy, with the capital expanding its commuter suburbs up the new spine of the nation's rail network. Decision-makers – our politicians, local authorities and LEPs – must work with small businesses as they draw up cohesive economic plans to maximise the growth potential HS2 offers. In an internationally competitive market and with the persistent attraction of established markets in London and the South East, these bodies should provide a united front to increase the attractiveness of investment across all parts of the UK.

The next Government should intensify its initial planning to open up HS2 procurement to small firms across the UK so that they too can benefit from the investment of over £40 billion in this flagship project. This will inject more prosperity into local economies than relying solely on larger companies or those based overseas. The next Government should learn the lessons of the London 2012 Olympic and Paralympic Games, when not enough contracts were won by businesses outside London despite a strong communications programme on contract opportunities. In addition, good practice should be drawn from other major projects such as Crossrail. The next Government should instruct HS2 to package contract bids as a series of smaller opportunities; streamline and clarify its tender process; promote these contracts through a single, simple web portal such as CompeteFor that enables collaborative bids from different small businesses; and hold/attend events at national, regional, local and sector level to help small firms win business. Positive efforts to promote small businesses and local communities through contract terms should be cascaded throughout the supply chain.

It is imperative that HS2 investment does not divert funds from the critical task of upgrading the UK's rail and road infrastructure, which is in vital need of investment and an issue most acute in rural areas. The model of a franchised operator and public infrastructure provider has led in recent years to a steep increase in annual investment in rail infrastructure by Network Rail. This has benefitted small businesses that depend on rail either for business travel, and freight or for customers. The next Government should commit to maintaining

the current levels of infrastructure investment – increasing capacity, modernising rolling stock, increasing track electrification and improving connectivity across the UK, especially on East–West routes.

FSB research shows that roads are the most important means of transport for small firms. All Governments in recent times have not invested enough in road infrastructure, in contrast to rail investment. The next Government should deliver the National Infrastructure Plan, and maintain the level of investment over the next Parliament to boost roads, railways, energy, telecommunications and flood defences.

Being bold – making a decision on airport capacity

One clear constraint on the UK’s economy is limited airport capacity, with demand significantly outstripping supply in London and the South East. The business case for new privately-funded runway capacity has long been established. The FSB wants all major parties to implement the Airports Commission report and build vital new runway capacity as quickly as possible. The delay in the decision on runway locations has led to the UK falling behind international competitors. While the decision will not be resolved at the next General Election, it must be made as soon as possible after the Airports Commission reports. Whatever the ultimate location (or locations) for additional capacity, it must be integrated into wider transport infrastructure plans if economic growth is to be felt in all parts of the UK.

The next Government should support investment to improve surface access to existing airports, and connectivity to existing hubs. This should include investment in rail links and transport interchanges; building new terminals and refurbishing old ones; modernising customer facilities; and supporting innovations by the competing airport operators. The next Government should enable the trialling of other innovations to make the most of existing capacity and routes, such as mixed mode. All efforts should be made to improve hubs and regional airports to make the UK the best place to visit, do business and invest.

Broadband as the fourth utility

The internet has fundamentally changed how businesses work. Secure and reliable internet access, high bandwidth speeds and mobile technology are integral to how many small firms now operate. Almost all (94%) of FSB members consider a reliable internet connection critical to the success of their business. Universal digital connectivity is now of such economic importance to small businesses that they view broadband as the ‘fourth utility’. The next Government must reflect the critical importance of superfast broadband to small firms in its approach to digital and telecommunications policy as well as to cyber security.

Our international competitors have set out bold plans to deliver superfast broadband which go far further than the UK’s current aspirations. FSB members do not believe

that the current plan is sufficiently ambitious, namely to deliver speeds of 24 Mbps broadband to 95% of the country by 2017 and leaving the remaining 5% of primarily rural users with just 2 Mbps. 2 Mbps is barely sufficient for sending commercial emails, let alone uploading data to the cloud, using digital marketing software, creating video and multimedia or using new innovative e-commerce platforms. The lack of fast mobile data connections, particularly in smaller towns and rural areas, doubly disadvantages a vast number of smaller businesses. These firms represent a potential source of economic growth that will remain untapped unless provision is improved.



16%

of FSB members say growth is a key business objective in the next 12 months, especially in water, energy, environmental, digital and telecoms sectors

The next Government should therefore raise the UK's ambitions on digital connectivity to ensure that all businesses wherever they are located can share in the economic benefits. A failure to address the digital divide facing small firms will mean that efficiency savings for Government through the 'Digital by Default' programme in areas such as tax will not be realised, with implications for the public purse.

The next Government should commit to delivering a new minimum 'service level floor' of 10 Mbps for all premises regardless of location by 2018–19. This is achievable and will throw a lifeline to rural businesses, affected disproportionately by the lack of access to even basic broadband services. The next Government should pledge minimum guaranteed speeds of 100 Mbps to all premises by 2030. This would send a critical policy signal to investors and the market to build the infrastructure required for the future.

However, targets alone are not enough. The next Government and its delivery partners should move beyond their current primary focus on residential premises to also include businesses. It should prioritise delivering fibre-optic broadband to new and existing business parks and fully connecting enterprise zones, many of which still do not have superfast connections. Government should also ensure that business broadband products are far more affordable and reflect the needs of small businesses. This includes greater symmetry between upload and download speeds and improved quality of connections, which are paramount to business operations. Many firms up and down the country complain about latency, jittering and dropping connections.

The next Government should address gaps in mobile telephone and data coverage, especially in rural areas. This should include reforms in the mobile market such as moving towards national roaming between mobile network operators. It should treat rural business data needs with the same importance as urban areas, including ‘smart cities’. The next Government should also accelerate the roll-out of 4G mobile connections and plan for the emergence of 5G over the course of the next Parliament, including setting an appropriate regulatory framework.

Decent broadband connectivity is vital to the modern economy, so the market must work effectively in the interests of the consumer. With a single incumbent so dominant in the market, there is a risk that may not be the case. To ensure customers reap the full benefit of technology and emerging innovations, the CMA should, at the request of Ofcom, conduct a review of the broadband market to boost competition and deliver more affordable options to small businesses. This should include measures to support new entrants into the infrastructure market, including local community initiatives.

As it sets targets for the delivery of digital infrastructure, the next Government should demonstrate that it is future-proofing what is built. Finally, owing to the scale and complexity of the challenge, all aspects of universal connectivity policy should be entrusted to one Department and one lead Minister.

Economic development in the English regions – LEPs

There is a need for a clear vision for regional economic development in England – localism is not an excuse for poor governance. The next Government should address weaknesses in the sub-national economic architecture, which is currently disjointed, limiting efforts to drive growth in the regions. As FSB research with the Centre for Local Economic Strategies has shown, LEPs have a mixed record of success. To address this, the next Government should rationalise funding for LEPs, clarify uncertainties in their remit and address issues of governance. Within this vision, the new Government should confirm a core principle of LEPs: that they must remain business-led. Without it, they will become disengaged from their local economic community.

This is not just about resources, but also accountability, transparency and local engagement. LEPs need to work more effectively together and operate within a new national performance framework. Good LEPs are transparent, independent and business-led. They also have mechanisms in place to prioritise the needs of small businesses in all aspects of their work. The Government should also encourage LEPs and local authorities to consult more effectively with the small business community, as many LEPs struggle to engage with this economically significant group.

Associated with economic governance at the local level is a need to provide greater co-ordination between private-sector activity

and public-sector support. This will make the most of limited public resources and help foster clusters of small firms. While previous attempts have been made in the UK to develop an explicit clustering policy, there is no ‘rule book’ currently in place to develop existing clusters in the regions. The next Government should develop such a ‘rule book’ to help regions nurture natural economic clusters in a far more systematic way. One particular model within academic research that is worthy of consideration is the work of Michael E. Porter at Harvard Business School. Our world-class universities should be at the centre of this approach, working with business to harness the commercial potential of their research.

Emerging ‘growth hubs’ offer the potential to facilitate public- and private-sector collaboration in local economies, but will need to develop and strengthen their strategic role – something the next Government should consider as a priority. This would build on international best practice with appropriate and transparent governance, while ensuring they are fully integrated into LEPs and their networks.

Coupled with a sharper set of local structures to marshal local economic policy, a more astute use of procurement policy needs to be ingrained in procurement culture, using to the full the flexibility and value offered by smaller companies. At the local level, the next Government should consider an ‘economy of place’ approach to public procurement.

FSB research shows that money spent with small firms in a local area benefits the community more than purchases from their larger counterparts. Small firms are anchored

within their local community, paying local taxes and driving the local economy. For every £1 spent by a local authority with local small firms, a further 63p is generated for their local economy – owing to their shorter supply chains and local employees which keeps resources in the locality. This compares to just 40p with large local firms, and less with larger businesses based further afield.

Corporation tax in Northern Ireland

Recognising the unique circumstances faced by Northern Ireland, the FSB supports the call for devolution of corporation tax powers and for the rate to be set at an affordable and competitive level.

Revitalising our town centres and high streets

Town centres and high streets are focal points of many local economies, providing vital jobs, goods and services to their communities. As economic hubs, all local authorities should be prioritising the needs of their town centres and high streets as they develop their vision for their communities, especially in their planning decisions.

Some local authorities provide discretionary business rates relief, assisting local small businesses. Others should follow their lead as this will support the local economy,

safeguard local jobs and preserve high streets and town centres.

In addition, the next Government should examine the potential to grant enhanced powers to Business Improvement Districts. This would help unify fragmented high streets and empower businesses to act collectively to lead the development and rejuvenation of their local areas.

The availability of affordable business premises is vital to growth prospects and successful local economic development. This remains a concern for many local businesses, especially in the capital, and needs to be considered by planning authorities in their decision-making.

Recognising rural needs – rural-proofing policy

Rural businesses are diverse but face particular challenges in many areas of public policy, which require tailored policy interventions. As well as having poorer-quality access to superfast broadband, rural businesses rely more heavily on road travel than their urban counterparts. It is harder to recruit staff in areas with lower populations, and harder to attract new local customers. Staff travel is an issue as rural public transport facilities have been reduced or withdrawn. Provision of non-commercial bus routes has fallen in rural areas, which affects staff travel to the workplace and training centres as well as customer access, especially among younger and older people. Furthermore, local councils in rural areas

have fewer opportunities for regeneration than larger metropolitan centres, which benefit from larger labour pools, better transport and a more diverse industry base.

The next Government should pledge to rural-proof all relevant legislation. It should adopt a consistent (and not contradictory) approach to legislation and policy measures that impact rural areas across Whitehall and public agencies, including the Rural Payments Agency and Natural England. This will ease the pressure on rural firms and improve compliance. The next Government should also build on the rural principles set out in the National Planning Policy Framework to retain jobs and stimulate growth in rural areas. It should do this by creating ways for councils to share best practice in their approach to rural policy, with those rural specialists in council planning teams sharing their expertise with other authorities.



60%

of FSB members pay
business rates

In addition to broadband, rural businesses need access to finance provider services. The next Government should consider measures to safeguard existing rural branches and encourage alternative lenders to have a rural presence, such as providing services through rural branches of the Post Office network and ‘time-sharing’ bank premises.

Local government licensing

The complexity of licensing is an issue many small businesses face in their day-to-day operations in both rural and urban areas, but especially in sectors such as hospitality. The current framework for licensing is disjointed, difficult to navigate and time-consuming. Within England, the next Government should review those activities for which small firms currently require a licence from local authorities, and aim for a simple application and renewal framework. This would increase consistency, improve compliance and reduce the time spent on paperwork. In addition, small firms should have access to a single contact point in each local authority.

What the next
Government should do
to create high-quality jobs
and full employment

The next Government should:

- Make the goal of full employment a keystone of its economic policy
- Make it as easy as possible for small businesses to take on employees, building on recent reforms
- Make explicit the responsibility of the education system to prepare all our young people for adulthood and the world of work in the 21st century
- Promote vocational education and training so that it is recognised as high-quality and considered of equal status to academic education, while increasing academic standards
- Promote small business as a career option for young people either as an employee or as a self-employed small business owner themselves
- Develop the quality of apprenticeships, making them easier and more attractive for businesses, and promoting them to teachers, young people and their families as a high-quality route into a career
- Raising the Employment Allowance currently worth up to £2,000 for businesses to create further incentives to hire workers
- Supporting the Low Pay Commission's (LPC) prudent approach to increasing the National Minimum Wage (NMW), and taking account of the impact on firms in sectors such as social care, hospitality and retail. The LPC must remain an independent body free from partisan political influence
- Tasking the LPC and Office for Budgetary Responsibility (OBR) to provide an indicative five-year NMW forecast, to give greater certainty to businesses and help them plan
- Maintaining the Living Wage as an aspirational, voluntary goal and not a requirement in public procurement contracts, which could harm competition and value for money for the taxpayer
- Developing a set of off-the-shelf HR policies to help first-time employers, and boosting access to high-quality HR support and training for existing small business owners

It will do this by:

- Thoroughly understanding, robustly estimating and where possible alleviating the impact of employment regulations on small and particularly micro firms before they are introduced
- Supporting the creation of voluntary collective insurance schemes to enable small firms to provide enhanced maternity, paternity or sick pay for their staff
- Making it easier for small firms to employ reservists and veterans

- Changing the school/college assessment system and Ofsted inspection framework to increase the emphasis on work-based skills in the curriculum
- Implementing Lord Young's 'Enterprise For All' report and incentivising schools to interact with businesses to inspire young people and create much closer ties between the business and education communities
- Providing students with early careers education, as well as high-quality independent careers guidance on both academic and vocational opportunities when students consider post-16 options
- Reducing the administrative burden of apprenticeships, establishing a world-leading standard for the long term through setting the vast majority at level 3 or above, and promoting traineeships

Small firms as dynamic job creators

Anyone who supports new jobs must also support the job creators. Small firms are already disproportionately driving the jobs recovery. They account for 59% of total private-sector employment, and 84% of jobs created between 2010 and 2013. In respect of tackling worklessness, FSB research shows that 95% of those people moving from economic inactivity into employment between 2008 and 2011 found work within a small firm or set up in business –

and these individuals are disproportionately drawn from those groups that face labour market disadvantage, such as those without qualifications, disabled people, seniors, young people, veterans and ex-offenders.

The UK has one of the most flexible labour markets in the OECD; however, understanding and complying with regulation can still be a challenge for small firms owing to their size. These firms often have limited capacity to deal with new regulations. This increases the administrative burden on business owners, takes them away from the task of running and growing their businesses and ultimately discourages job creation. It is therefore important that regulatory requirements at both national and EU levels remain proportionate and strike a fair balance for workers and businesses alike.

Recent reforms have lifted some of the burdens associated with employment. Employment tribunal fees have helped stem the number of applications to tribunals, and changes to the rules on unfair dismissal claims are beneficial to employers. The introduction of the Employment Allowance has been welcomed by small firms, who say they will use the tax savings to raise wages and invest in their businesses. The level of the Employment Allowance should be reviewed and increased, to further help small businesses reduce their National Insurance bill and take on new employees, increase pay and provide more training.

The next UK Government should see where burdens can be further reduced while maintaining a fair balance with employment rights. Given the socially important role small firms play in helping the unemployed

and economically inactive back into work, it should carefully consider potential risks to job creation prior to introducing new employment legislation. The next Government should design regulations with small firms in mind, taking steps to alleviate burdens wherever possible. Alternatives to regulation are needed in areas such as flexible working and parental leave to help more small employers reap the benefits of a family-friendly workplace.

Self-employment and supporting first-time employers

The structure of the labour market is changing. It is now more transient, with the prospect of working for one company for life now rare. In addition, vast numbers of people are becoming self-employed and starting up a business, with many viewing self-employment as a positive and rewarding career choice which provides the flexibility they want. More young people are setting themselves up in business, while women and older people are turning to self-employment.

Within the social security system, the next Government should recognise and reward the valuable economic role played by the self-employed, building on recent reforms to the state pension and childcare. It should make sure that well-intentioned policies such as Universal Credit do not overly burden the self-employed. In requiring the self-employed to report their earnings every month against an assumed minimum level of earnings, there is a major risk that this policy will discourage genuine self-employment and inhibit

business growth. The next Government should ensure that Universal Credit provides adequate support for the self-employed and reflects the realities of running a business.

The changing nature of business and technology is allowing more and more entrepreneurs to set up and run a business from home. Nearly one in five (18%) FSB members say tenancy clauses are a barrier to running a home business, so recent moves to open up entrepreneurship as an option to those who rent their own homes are welcome. Many of these firms rely on the internet. Improving broadband is a priority to this group, with nearly one in three (29%) saying inadequate broadband provision is a barrier to running their business from home.

Out of Britain's 4.9 million small firms, 3.7 million are not currently employers. We know that one of the big hurdles faced by a small business owner is to recruit their first member of staff, with many choosing instead



18%

of small businesses are led by women, up from 16% at the last election

to sub-contract owing to the administrative and cost burden. Compliance is both daunting and time-consuming, and paying for an expensive consultant to help is often not an option. The next Government should create a set of free, straightforward, off-the-shelf HR policies for a prospective new employer. Using the growth voucher model if that proves effective, the next Government should also boost access to affordable, high-quality HR support and training so that small firms can manage their workforce effectively and grow their business with confidence.

Low pay

After several years of pay restraint, small firms are looking to increase staff pay. The FSB welcomed the introduction of the National Minimum Wage (NMW) in 1998 to provide a statutory floor that does not harm employment. The LPC's recommendations have consistently struck a sensible balance and have all but eradicated extreme low pay. The next Government should support the LPC's prudent approach to increasing the NMW and reaffirm its independent status. Both the LPC and Government should also take into account the impact on firms in sectors such as social care, hospitality and retail where the NMW is common and margins are tight.

The LPC currently advises Government on NMW rises for the following year, often giving employers only six months' notice before they come into effect. This makes it hard for employers to plan, affects investment and hiring decisions, and can also have an adverse effect on firms with pre-existing

contracts. The next Government should ask the LPC to work with the Office for Budgetary Responsibility (OBR) to publish a five-year indicative forecast for future rates, providing firms with greater certainty.

The next Government should also maintain the Living Wage (LW) as an important aspirational but voluntary goal for firms to strive for. Many small employers already pay the LW or above, recognising the benefits to their business in terms of staff morale, performance and recruitment. Just over half (53%) of FSB members pay all of their staff the LW or higher, while the proportion of members with any staff on the NMW has fallen from 27% to 23% in the last two years.

However, a mandatory LW – imposed either directly or indirectly through supply chains – would pose considerable risks to small businesses in certain sectors, especially care and retail. Instead, the next Government should support much-needed growth in real wages by reducing other business costs such as employers' National Insurance contributions through extending the Employment Allowance. Small firms could pass on the savings to their staff in the form of higher wages.

Helping small firms attract the best talent

Enabling small firms to create high-quality, skilled jobs and to attract the best talent will be the key to boosting productivity. While employees in small and micro firms report high levels of job satisfaction, data

from the Workplace Employment Survey shows that small firms often struggle to offer occupational benefits to their staff, largely owing to cost constraints. This can place them at a disadvantage compared to larger firms when it comes to competing for talent.

The next Government should therefore support and encourage the creation of voluntary collective insurance schemes for enhanced maternity, paternity and sick pay, drawing on the 'DA-Barsel' model that has worked well in Denmark for a number of years. This would provide financial cover for small firms who experience long-term staff absence, as well as high-quality benefits to their workers, at low cost to the business or the state. Such a scheme would go some way to helping businesses no longer able to recover statutory sick pay since April 2014.

Reservists and veterans

The number of reservists is expected to rise in the coming years, as the number of full-time Armed Forces is reduced. The next Government should better publicise to small firms the benefits of employing reservists, and help small firms when they are affected by a reservist being mobilised.

Nine tenths (89%) of FSB members are not aware of the Ministry of Defence Employer Awareness events programme, with only 3% attending a local event. FSB research shows businesses would also appreciate support in taking on a reservist, such as help to find replacement staff and more flexibility in training schedules.

The impact of a reservist being mobilised is much greater in a small business. This is especially important if the reservist is the business owner, if the business is seasonal (and therefore at greater potential risk at a specific time of year), or if the reservist is uniquely skilled and so hard to replace. FSB research shows that nearly half of small businesses want three months' notice of mobilisation, in normal circumstances, to help them plan their business operations. The FSB welcomes plans to provide small employers with more notice when a reservist is mobilised and to grant them financial assistance to help cover costs, such as increasing overtime for existing staff or recruiting a temporary worker. The next Government must make sure any grant adequately compensates for the impact on a small business.

The skills gained in the armed forces are well suited to running a small business. Start-up funds, training and mentoring for former members of HM Armed Forces (including Reserve Forces) were provided through the 'Be The Boss' scheme, funded by the Government and delivered by the Royal British Legion. However, the scheme has been closed to new entrants because of the high volume of applications. The next Government should investigate this and ensure the scheme has the resources it needs to help veterans set up their own businesses. The Government should learn lessons from the US SBA, such as its military loan scheme for small business and its 'Operation Boots to Business' programme for veterans wishing to become entrepreneurs.

Education – getting our young people ready for work

Boosting the supply of skills while maintaining labour market flexibility is the key to achieving full employment. The lack of confidence among employers in finding young people with basic skills such as literacy and numeracy has been a persistent concern. This has also undermined efforts to tackle youth unemployment, which remains stubbornly high. When recruiting young people, 61% of small employers are not confident they will find a candidate with the right skills, while 46% do not believe local schools or colleges prepare young people to a sufficient standard for the world of work. FSB members value not only core skills, but also softer working skills such as general attitude to work, the ability to work as part of a team, and communication and interpersonal skills.

The shortfall in skills needed by business must be addressed if the UK is to compete with other countries, where standards are rapidly improving. This will require a concerted effort from Government, the education sector and the business community. The next Government should explicitly task the education system in England with preparing all our young people for later life and the modern workplace, bringing a real-world context to learning. The next Government should incentivise education providers to embed employability and personal skills in the education system at all levels, alongside academic achievement. To achieve this, the next Government should review school and

college assessment systems and the Ofsted inspection framework to focus on skills development and employability.

The FSB has led the drive to get more business owners involved in their local schools and colleges, and to join their governing bodies. These men and women can inspire young people to consider working for, or setting up, a small business. The next Government should incentivise schools to interact with businesses, and vice versa. The FSB has chosen Young Enterprise as our official Chairman's Charity, backing their new '5 Key Skills' campaign and ensuring FSB regions up and down the country engage with their local schools and inspire the next generation of entrepreneurs.

To further such efforts, the next Government should implement Lord Young's recommendations in his recent 'Enterprise for All' review to introduce long-term destination measures, embed enterprise education in school teaching and encourage business innovation and collaboration with colleges and universities.

In addition to skills, the next Government should guarantee access to high-quality careers education from an early age. This should be supplemented by independent careers guidance before GCSEs and throughout their later education. Teachers need the knowledge, tools and confidence to facilitate careers education, covering how businesses work in the modern economy and the variety, richness and rewards available to them in small business. Independent career advisors should provide careers guidance to all students on the wide variety of academic and vocational opportunities.

Apprenticeships

The apprenticeship system across the UK has been subject to repeated reviews and revisions, which has led to confusion among businesses. Reforms built for the long term are needed that establish a quality apprenticeship system with businesses at its heart. A direct employer-led apprenticeship framework in England is welcomed, but the next Government should guarantee that any reformed system is easy to use and does not place significant administrative or financial burdens on small businesses.

Apprenticeship specifications should be written clearly, avoiding jargon. Reforms should also be piloted and publicised to businesses, especially as the smallest of firms are the hardest to reach. Larger firms also have a role here – their apprentices should be able to gain experience and understanding of small companies in their supply chains.

To establish a standard of quality that employers recognise, the next Government should set the vast majority of apprenticeships within England at level 3 or above. It should also develop traineeships and promote them as an alternative to apprenticeships. Traineeships should also be an avenue to further training, apprenticeships, or paid employment.

What the next
Government should do
to make all markets
work better

✔ The next Government should:

- Champion UK small business interests in Brussels, so that EU decision-makers 'Think Small First' – making regulation proportionate, boosting growth and driving a pro-entrepreneurship culture across the EU
- Treat the smallest of businesses in a similar way to consumers, and so afford them similar status in markets such as energy
- Boost transparency and competition in regulated sectors, most notably in the energy and water markets
- Intervene in the pubs sector to protect small publicans where self-regulation by the pub companies has failed

✎ It will do this by:

- Pushing within the EU for an independent EU impact assessment board modelled on the UK's Regulatory Policy Committee; an ambitious TTIP EU-US trade agreement that meets the needs of small businesses; and the completion of the single market in the services and digital sectors
- Improving the provision of customer-focused information to small businesses in energy, banking, water and telecoms, and extending general consumer protection to micro businesses, in line with the Consumer Rights Directive and Consumer Rights Act

- Implementing the recommendations of the CMA inquiry into the energy market
- Introducing published non-domestic tariffs for energy providers, a code of practice for Third Party Intermediaries (TPIs), a complete ban on automatic rollover contracts, and help for small firms with energy-efficiency measures including smart meters
- Providing regulators with enforcement powers under Business Protection Regulations
- Ensuring that all small businesses can obtain affordable flood insurance, and improving access to information and resources that can help improve their resilience to extreme weather events
- Making further pub reforms to provide a 'free of tie' option for tied pubs, with an independently assessed market rent as well as guest beer rights
- Simplifying charges for businesses that play music/audio, clarifying in statute what constitutes a public performance and regulating PRS and PPL if unfair practices continue

Small businesses in Europe and the global economy

The European Single Market is good for business. UK firms have benefitted from the lifting of trade barriers and the free movement of goods and services that stem

from its creation. However, the EU needs reform to mitigate the burden of regulations that small firms have to comply with, and to be more pro-enterprise in its outlook. That means understanding and appreciating the impact of measures on small firms from the outset. It also needs to create more flexibility in its thinking and its institutions so Europe's economies are ready for the challenges ahead. This way our businesses will be able to compete with those in today's emerging global markets.

The completion of the single market in the services and digital sectors should be economic priorities for European institutions, alongside making sure the needs of small businesses are addressed in negotiations for the upcoming EU-US Transatlantic Trade and Investment Partnership (TTIP) deal.

Having a single market by definition requires uniformity in key areas of regulation. However, EU legislation in areas such as Employment, Health and Safety and Data Protection often pose major challenges for small firms. The Working Time Directive and the resultant case law from the European Court of Justice have proved particularly problematic, causing confusion around the interaction between annual leave and sick pay, overtime or commission payments. The next Government should prioritise reform in this area and make the case for labour market flexibility across the EU.

Small firms need a stable regulatory framework and for all laws to be proportionate and evidence-based whether they emanate from the EU or within the UK. Learning from the UK's Regulatory Policy Committee, the next Government should champion a fully independent EU regulatory

impact assessment board. This would properly scrutinise the costs and benefits of a proposed measure throughout the EU decision-making process.

As regards broader policymaking across the EU, the next Government should press the European Commission, Members of the European Parliament, and Council of Ministers to 'Think Small First' from the outset of European decision-making.

Micro businesses as consumers

When consumers buy goods and services, they enjoy a range of rights and protections that prevent exploitation. The protection offered to businesses is much lower, reflecting an assumption that all businesses should be able to look after themselves.

In reality, the smallest of businesses face much the same problems as consumers. This is true in the regulated sectors such as energy, financial services, water and telecoms as well as other markets. Through the Unfair Commercial Practice Directive, EU Member States are able to extend consumer protection to smaller business customers and several have done so. The next Government should build on the Consumer Rights Act and extend key elements of consumer protection. Where possible, the approach taken by the major regulators towards micro businesses should be aligned, so they are treated like consumers. In addition, the enforcement powers available under the Business Protection Regulations should be given to all regulators.

Reforming the energy market

Almost a third of FSB members highlight the cost of energy as a barrier to the growth and success of their business. The FSB believes the market is not functioning well with automatic rollover contracts (now withdrawn by the major energy suppliers after a campaign by the FSB), insufficient transparency of tariffs and difficulties of switching suppliers. We therefore strongly support the CMA inquiry into the energy market and call on the next Government to implement its recommendations.

Despite consuming a similar amount of energy to domestic households, micro businesses in particular struggle in the energy markets owing to their limited purchasing power and expertise. The next Government should require providers to publish comparative non-domestic tariffs, as the time and resource costs associated with searching for a new deal are simply too high for many small businesses. Four in five FSB members agree that published tariffs would benefit their business.

Third Party Intermediaries (TPIs) in the energy market can play a role in helping small businesses to negotiate the best new deal from their energy supplier. However, many small businesses do not use a TPI because of a general lack of trust or confidence in the industry, often based on poor previous customer experience or an aggressive sales approach. The next Government should regulate TPIs and ensure that energy suppliers only work with those that have signed up to a code of practice.

The FSB's campaign to persuade the major energy suppliers to end automatic rollovers has been popular with their business customers. Previously, many small businesses had been placed on (and then locked into) expensive tariffs. The next Government should prohibit automatic rollover contracts altogether. The next Government should also support Ofgem's proposals for non-domestic consumers, including shortening the maximum termination notice period to 30 days, highlighting current and renewal prices and annual consumption data on their renewal letters, and acknowledging receipt of termination notices.

In addition to addressing issues in the market, the next Government should make sure the energy tax regime does not place an undue burden on business. While the pricing of carbon can help invigorate investment in low-carbon energy and reduce the use of carbon fuels, taxes such as the Carbon Price Floor (CPF) harm the competitiveness of UK industry, particularly in energy-intensive sectors. Despite recent reforms, there remains a risk that large businesses that are subject to the CPF will relocate outside the UK, harming small businesses in their supply chains. The next Government should scrap the CPF altogether and put UK business on a level playing field with the rest of the EU.

The roll-out of smart meters will be of critical importance to consumers making decisions about their energy use. The next Government should not exclude small firms from this market transformation and should instead empower them with the information they need to manage their energy use and reduce their costs. Most small businesses

have received very little advice or support to improve their energy efficiency. The FSB remains concerned that small businesses are still not taking advantage of the Green Deal. The next Government should revisit this scheme with small businesses and promote Enhanced Capital Allowances to encourage small firms to invest in energy-saving equipment and renewable generation. Feed-In Tariffs should be maintained and improved to incentivise firms to install electricity-generating technology from a renewable or low-carbon source.

Many rural businesses use traditional off-grid generation for their energy needs, such as through heating oil. The next Government should consider incentive measures through the tax regime to modernise off-grid generation to more renewable, low-carbon sources. This would provide more sustainable, efficient and cheaper fuel.

Flood insurance

In the wake of recent floods across large parts of the UK, the next Government should acknowledge the potentially serious implications for small businesses excluded from the new Flood Re insurance scheme for householders, which replaces the current Statement of Principles. FSB research showed businesses in flooded areas were hit by an average cost of £1,531. Nearly 40% of FSB members in these areas expect it to be more difficult to renew their insurance and nearly 60% expect their insurance to become more expensive as a result of being left out of the Flood Re support scheme.

A micro business has little time or resource to negotiate affordable and competitive flood insurance, unlike larger firms, and will often have little option but to take expensive cover or risk having none at all. The next Government must make sure that all small firms can obtain affordable flood insurance, and improve access to information and resources that can help improve their resilience to extreme weather events.

A fair deal for publicans

For a number of years some of the large pub companies have exploited their tied pubs through disproportionate increases to rents and beer prices. Self-regulation has failed to resolve this problem, with many pubs unable to reach their full economic potential. The FSB has campaigned hard for a statutory code of practice and a pubs adjudicator, which are now included in the Small Business Bill. The next Government should go further by enshrining the principle that a tied licensee should be no worse off than a non-tied licensee, providing a 'free of tie' option with an independently assessed market rent (Market Rent Only) and introducing guest beer rights.

Music in the workplace and collective rights

Most businesses that play music on radio or television are required to purchase licences from PRS for Music (PRS) and Phonographic

Performance Limited (PPL). Since legislation in this area in 1988, there has not been clarity in the law to define what constitutes a public performance or broadcast.

The next Government should address this by consulting on and adopting a statutory definition of 'playing in public'. Many small businesses believe they are being unfairly charged to play music in non-public settings and having to pay twice owing to

the need to purchase two licences. The lack of transparency over both pricing and requirements should be tackled by better co-ordination of PRS and PPL, focused on the end-user, such as through joint licensing. The next Government should proactively monitor the compliance of Collective Management Organisations with the new Independent Code, and use its powers to regulate through the Enterprise and Regulatory Reform Act should evidence of unfair practice continue.

What the next
Government should do
to lower the costs
of doing business

The next Government should:

- Make the UK the best place in the world to run and grow a business, as well as to start up – through ensuring Government imposes the minimum costs possible on business and does not dampen their entrepreneurial zeal
- Create a competitive, light-touch business tax framework for small businesses to support growth
- Tackle major costs faced by small firms that inhibit their expansion, such as business rates and fuel, and address emerging costs such as pensions and waste recycling
- Reduce unnecessary regulatory burdens and compliance costs

It will do this by:

- Asking the Office for Tax Simplification to undertake a full review of the tax treatment of the self-employed, micro and small businesses – to create a single, simplified new ‘enterprise tax’ framework to incentivise investment and create jobs
- Creating a business ‘tax account’ that pays interest and which small firms can pay into on a regular basis to set against their future tax liabilities
- Making permanent the temporary doubling of small business rate relief, before committing to fundamental business rates reform including

an ‘enterprise tax’ framework for small businesses

- Cancelling fuel duty increases for the next Parliament, as these have a disproportionate effect on small firms, especially those in rural areas
- Tackling business crime and cyber threats by giving law enforcement agencies the tools they need, strengthening digital information networks and helping small firms protect themselves
- Providing clear guidance on pensions auto-enrolment, and preventing excessive charges
- Encouraging local authorities to introduce free waste recycling for micro businesses
- Reviewing the impact of reforms to the Royal Mail, especially on small business overseas deliveries, and safeguarding the six-day, door-to-door single-price universal service
- Maintaining the network of Post Offices by making them flexible small business hubs providing business support services under the direction of a UK SBA
- Strengthening regulatory policy by setting an achievable and meaningful deregulation target for the next Parliament, bringing tax regulation within the remit of the Regulatory Policy Committee (RPC) and endowing the RPC with the role of regulatory ombudsman

An 'enterprise tax' system

Currently, the legal status of many small businesses is driven by tax rather than economic considerations, such as the conversion of tax treatment of income on labour (wages) to income on capital (dividends) which can produce significant tax savings. This leads to complexity and increases compliance activity by HMRC to ensure taxes are paid and rules are not abused. Small businesses consider compliance with tax rules their heaviest compliance burden – larger than other areas of regulation. Tax rules have been modified so many times that small businesses often have no other option than to pay for professional advice.

The next Government should task the Office for Tax Simplification (OTS) with addressing this issue to save time and money for both businesses and HMRC. FSB research shows the average small business spends over £3,600 a year complying with their tax obligations, much of which could be better used elsewhere in their business. Building on the insights of the Mirlees Report, the next Government should ask the OTS to develop options for an 'enterprise tax' system. This would deliver much-needed simplicity by drawing on lessons from countries such as New Zealand that have already radically simplified their approach. Such an approach should remove the need for multiple systems and the complex range of tax statuses that include personal service companies (IR35), partnerships, sole traders, and those being incorporated. By doing this, compliance costs for small firms and individuals would fall, as would the costs for HMRC, to the benefit of the public purse.

The design of a simplified system could incorporate additional incentives for economic 'goods' such as investment, for example through more attractive treatment of capital expenditure, and thereby address an area where the UK has historically lagged behind our competitors. A higher Employment Allowance could be a feature of the system, which would encourage further job creation. The design could also incorporate business rates. Such an approach would remove the need for revaluations by the Valuation Office Agency, significantly reducing bureaucracy costs. This could ensure that the very smallest businesses (which do not currently pay business rates) would continue to be exempt from the tax, as well as helping start-ups in their early stages.

Alongside the 'enterprise tax' system, the FSB would like the option for small firms to 'save' on a monthly basis akin to arrangements for energy bills through a single tax account. HMRC has detailed records on the expected tax liability of a business – businesses could therefore plan for these costs, encouraged by a return from Government in exchange for current deposits (that attract interest paid by Government) set against future tax liabilities. Such a principle already operates through Certificates of Tax Deposits.

Reform of business rates

Across the nations and regions of the UK, and whether devolved or retained by Westminster, the current business rates system has lost the support of the business community. It is complicated, opaque, regressive and unresponsive to changes in economic

conditions. No-one with business in mind would design the system as it currently stands. It is not fit for purpose and is rapidly becoming unaffordable for those paying the full rate – stifling growth and job creation.

With moves for reform already under way in Scotland, Wales and Northern Ireland, the next Government should take immediate steps in England to provide certainty for the smallest businesses. The next Government should make the temporary doubling of small business rate relief permanent, and develop and implement administrative reforms to the rates system due in 2017. More fundamentally, it should commission a full independent review of the non-domestic rates system to design a new national system for securing business contributions to the funding of local services, including consideration of the idea of an ‘enterprise tax’ such as that described earlier.

Freezing fuel duty

FSB members consistently say that their most important means of transport is by road – which is why investment in our road infrastructure is so important. We have campaigned hard to prevent increases in fuel duty, which would have had a huge impact on small businesses that struggle with the cost at the pump, especially those based in rural areas. The decision to freeze the level of fuel duty until 2015 was one that small businesses across the UK welcomed. We still have one of the highest levels of fuel duty in Europe, with tax accounting for 60% of the cost of fuel. The next Government should therefore commit to freezing fuel duty for the whole

of the next Parliament. Preventing future increases would enable businesses to plan, especially those in rural areas.

Tackling business crime

Business and retail crime disproportionately affects small businesses, which tend to be both more vulnerable and more likely to be negatively affected by the losses that result. The next Government should ensure that business crime is tackled as a specific type of criminal activity, and that enforcement agencies have the resources they need. It should also rationalise the current fraud reporting and investigation landscape and take action to stop credit card companies transferring the costs of retail fraud onto small retailers. Police and Crime Commissioners should include business crime as a priority within their own plans.

Prioritising cyber security

Cyber crime is a growing threat to every size of business. The next Government should make sure the UK’s cyber crime and information security regulatory framework is fit for purpose, and assess whether improvements are needed to respond to issues such as identity theft. It should review existing Mutual Legal Assistance Treaties to ensure they facilitate effective co-operation between UK and foreign enforcement agencies on cyber crime. It should also address differing levels of capacity and resources across local and regional police

forces to deal with cyber crime, as identified by HM Inspectorate of Constabulary.

The next Government should help small businesses boost their cyber resilience by ensuring there is an effective market in cyber security tools and services, underpinned by robust and widely recognised standards. ISO 27001 has been useful, but small firms need additional help. The FSB therefore supports strengthening the Cyber Essentials Scheme so that it includes staff capability as well as processes and technology.

Auto-enrolment

The roll-out of pension auto-enrolment poses a major challenge for small businesses. While changes have been made to ease the administrative burden, small firms need support in order to comply. The FSB remains deeply concerned that the administrative burdens for small firms will be greater than previously estimated.

The next Government should work together with the Pensions Regulator, the pension and payroll industries and the FSB to intensify communication efforts ahead of the staging dates for micro businesses, who in most cases are not pension experts. Small firms will need clear guidance, provided in good time. This will assist compliance and keep administrative costs down.

The next Government should avoid fundamental policy changes until the current roll-out plan through to 2018 is complete. However, the next Government should build upon the welcome introduction of a pension

charge cap, in order to prevent excessive charges by pension fund providers. Charges must be transparent, fully disclosed and easily comparable across different schemes. Small firms want their staff to enjoy value for money in retirement, and their financial contribution to their employees' pension pot should not be eaten up by excessive charges.

Waste recycling

Costs of waste recycling can be significant, especially for micro businesses. With ever-increasing emphasis on sorting recycling materials at source, micro businesses are finding it increasingly difficult to find a private collection service at a reasonable cost. Local authorities in England should provide them with a free waste recycling collection service, as many small firms do not typically produce any more waste and recycling than a comparable domestic household.

Postal services

While the recent reforms aimed at increasing investment in postal infrastructure are welcome, the next Government must safeguard the Universal Service Obligation (USO) as a six-day, door-to-door, single-price service that provides the bedrock for postal delivery. It should review the effectiveness of the recent reforms, looking specifically at whether they are meeting the needs of small firms. The USO is more important to small businesses than to large companies, especially those in rural areas.

Postal charges can be a major cost for many small businesses, particularly those selling goods to consumers abroad, where fears over reliability and cost play a large part in deterring expansion into overseas markets. Low-cost and efficient postal services are therefore vital for the competitiveness of small businesses.

The Government should support the ‘Keep Me Posted’ campaign, which calls on service providers such as utilities and banks to give small firms the choice to receive key information by post rather than just online, and without financial penalty.

FSB members value the Post Office network and many small businesses use it extensively. The next Government should take steps to secure the future of the Post Office network. It should develop Post Offices into flexible small business hubs, redirecting face-to-face Government and small business services through Post Offices – ideally under the leadership of a new UK SBA.

Getting regulations right

The UK is one of the easiest places in the world to start up a business. But it must also be the best place to run and grow that business once it is established. Reducing the costs of doing business will boost the economy, increase investment and support a more entrepreneurial culture.

Both the quantity, quality and frequent changes to regulation are serious concerns for FSB members. While an individual regulatory proposal may be well intentioned, the cumulative effect of multiple regulations is often damaging to the competitiveness of small firms that have little capacity to absorb new burdens. Overall, there needs to be a reduction in the total burden of regulation on small business and commitment for all regulation to be risk-based and proportionate.

To ensure these two objectives are achieved, the next Government should maintain and strengthen the regulatory policy making processes currently in place, including the Small and Micro Business Assessment for all new regulations. It should build on the current ‘one-in, two-out’ regulatory policy by setting a meaningful and realistic deregulation target for the next Parliament. It should also bring tax legislation, activities of regulators and EU legislation within the Regulatory Policy Committee (RPC) process.

In addition, a more powerful RPC should establish strong ‘challenge panels’ looking at all areas of regulation and regulatory enforcement. The RPC should take on the role of a regulatory ombudsman, and be empowered to investigate problems or trends when they are highlighted by trade associations and business groups. The next Government should put in place incentives to encourage the full adoption of the Better Regulation agenda by all regulatory authorities.

I support Small Business Saturday, and will visit local small firms on the day

I will work to improve links between schools and business

I shop local, supporting the FSB's Keep Trade Local campaign

I oppose excessive parking charges and fees that harm local high street trade

I call for investment in local roads and transport

I support my local publicans and want to see further pub reforms

I back small business

To show your support, go to
www.ibacksmallbusiness.com

I call on my local authority to make the most of the flexibility it has to grant business rates relief

I will encourage my local authority to buy goods and services from local suppliers, and to pay them promptly

I want small firms to be on my local LEP Board to reflect the business community

I call for my local authority to implement policies that boost the high street such as free parking

I call on my local authority to help micro businesses recycle more and improve waste collection services

I want small firms to benefit from superfast broadband, including those on the high street, in rural areas and in business parks

I want my Police and Crime Commissioner to prioritise business crime in their plans



Federation of Small Businesses
The UK's Leading Business Organisation

© Federation of Small Businesses 2014
Telephone: 020 7592 8100
Email: correspondence.unit@fsb.org.uk
Website: www.fsb.org.uk

[@fsb_policy](#)

[facebook.com/federationofsmallbusinesses](https://www.facebook.com/federationofsmallbusinesses)

This report can be downloaded from the FSB website at <http://www.fsb.org.uk/documents>

If you require this document in an alternative format please email
accessability@fsb.org.uk

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior permission of the Federation of Small Businesses (FSB). While every effort has been made to ensure the accuracy of the facts and data contained in this publication, no responsibility can be accepted by the FSB for errors or omissions or their consequences. Articles that appear in the report are written in general terms only. They are not intended to be a comprehensive statement of the issues raised and should not be relied upon for any specific purposes. Readers should seek appropriate professional advice regarding the application to their specific circumstances of the issues raised in any article.

Designed by Soapbox, www.soapbox.co.uk

Published September 2014