



SMALL BUSINESS AS USUAL

STRENGTHENING RESILIENCE AGAINST 21ST CENTURY TERRORISM

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ABOUT FSB

The Federation of Small Businesses (FSB) is the UK’s leading business organisation. Established over 40 years ago to help our members succeed in business, we are a non-profit making and non-party political organisation that’s led by our members, for our members. Our mission is to help smaller businesses achieve their ambitions. As experts in business, we offer our members a wide range of vital business services, including advice, financial expertise, support and a powerful voice in government. Our mission is to help smaller businesses achieve their ambitions. FSB is also the UK’s leading business campaigner, focused on delivering change which supports smaller businesses to grow and succeed. Our lobbying arm starts with the work of our team in Westminster which focuses on UK and English policy issues. Further to this, our expert teams in Glasgow, Cardiff and Belfast work with governments, elected members and decision-makers in Scotland, Wales and Northern Ireland.

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FOREWORD

Sadly, terrorist activities within and against the United Kingdom have been and continue to be a regular feature of daily life. Threat levels remain high and there are frequent attempted and actual attacks taking place – and far more plots and plans thwarted by the skilled efforts of our security services that are never publicly reported. There has been an appalling loss of life and heart breaking human tragedies. Terrorists aim for publicity, murder and mayhem, to create loss of and disruption to ordinary life, including to the prosperity that we enjoy in the UK.

Of secondary importance, but nevertheless critical to a swift return to business as usual, is the economic impact of terrorist activities – every attempt, every attack, costs us more. Recent incidents in Manchester and London Bridge hit smaller firms hard. Small businesses are generally more vulnerable to significant commercial disruption than larger firms. This is for the simple reason that larger businesses have more resources at their disposal to anticipate and plan for a wider range of potential risks and to absorb the impacts on revenues and business assets more easily.

Such disruption often has wider negative consequences for local economies as smaller businesses face a double whammy, suffering from both the initial disruption and hit again by the time taken to recover. In some cases, the return to normal can be more disruptive and financially detrimental to local and regional economies than the actual attack itself. The recent London Bridge attack saw the area closed down for a considerable period, which resulted in an extended disruption to trading for many smaller firms. While the investigation into the attack is paramount, it is important that local communities are able to ‘keep calm and carry on’ as soon as possible. Where that isn’t possible, information for local businesses about when the disruption is likely to end needs to be disseminated effectively so they can plan accordingly.

In order to help reduce the short and longer-term negative impact of a terrorist incident on small businesses and local economies, small firms need to be able to plan ahead in order to be resilient in the face of any threat or attack that may come along. However, smaller firms generally struggle with resilience – be that a flood, fire, civil disturbance, failures in the supply of essential services, cybercrime or a terrorist attack. The nature of small businesses means that they aren’t able to invest in contingency planning and afford associated measures as extensively as larger firms.

FSB wants the UK’s small business population to continue to play its part in defying the current and ongoing terrorist threat. We play a central role in helping affected communities return to normality – as has been witnessed on many occasions recently, with small, family run businesses providing shelter, sustenance or support to both emergency services and their local community. For smaller businesses to be able to continue in this role they need some additional support to help them be more resilient in the face of terrorism.

This report looks at ways in which the current policy framework on increasing the resilience to terrorism of businesses could be further improved. To that end, it makes recommendations to policymakers which will deliver a more prepared small business community which, in turn, can greatly assist in the recovery from any terrorist actions.



Ken Wright / FSB Home Affairs Chairman

EXECUTIVE SUMMARY

One of the ways terrorism impacts communities is through disrupting local businesses and consequently the economy. This is deliberate on behalf of the terrorist, as they aim to interrupt and impede normal life, including commercial life. Therefore, one result of terrorism can be reduced prosperity over both the short and the longer-term, due to the disruption to business activity. As a result, it is imperative that businesses, and by extension local economies, are resilient to terrorist threats to minimise such risks. A key way of achieving this is to enable the businesses in a locale to be more resilient. The most vulnerable businesses in this regard are smaller businesses. They lack the resources of larger businesses to plan ahead for, protect themselves against and recover from attacks. Consequently, smaller firms need support in order to become more resilient and, in turn, enhance the resilience of local economies.

In order to achieve higher resilience levels across the small business community, the amount and quality of the preparation undertaken by firms need to be raised. Better preparation will improve the ability of businesses to protect themselves from some of the consequences of an attack and more easily and quickly recover afterwards. This will help speed up the return to as close to ‘business-as-usual’ as is practicable.

National and local government, along with the police, have key roles to play in helping smaller firms enhance their planning and recovery capabilities. Much is already being done by the National Counter Terrorism Security Office (NaCTSO) and local authorities as a result of the obligations of Civil Contingencies Act 2004. However, there is scope, with the right investment, to enhance aspects of the existing policy framework to deliver a small business community more resilient to terrorist attacks that is able to return to normal more quickly and play a central part in re-building and sustaining economic prosperity.

Specifically, Government should:

- Take more action to significantly increase awareness and understanding about the terrorist threat in the UK among smaller firms.
- Review the current UK counter-terrorism preparedness policy framework to identify where it could be improved, with a specific focus on how smaller firms might be better supported in building up their resilience.
- Extend the Pool Re system so that a wider range of business damages including ‘non-damage business interruption’ such as trading losses, can be compensated for through insurance.
- Introduce temporary measures which can help reduce the outgoings of smaller firms impacted by a terrorist incident to help improve cash-flow during difficult times.

The recommendations above are set out in the knowledge that the UK’s devolution settlement means some measures would fall within the authority of the devolved institutions of London, Northern Ireland, Scotland and Wales, while others are exercised at a UK level. Where the former is the case, the recommendations should be read as referring to England only. In those cases where devolution applies, we would urge all institutions to take action to help smaller firms prepare for, and recover from, the impact of possible future incidents.

THE TERROR THREAT

“...currently [there is] ‘more terrorist activity coming at us, more quickly’ and...it can also be ‘harder to detect’!”

Andrew Parker, Director General of MI5, cited by the BBC, 17 October 2017

The UK is expected to suffer from a persistent terrorist threat for many years to come.² This state of affairs has been described by some as ‘the new normal’. There are currently estimated to be around 23,000 ‘people of interest’ to the security services in the UK and around 500 active counter-terrorist investigations into terrorist plots.³ Since 2001, there have been 3,157 terrorism related arrests.⁴ This has resulted in over 500 convictions for terrorist related offences since 2001 in England, Wales and Scotland.⁵ The most recent official data shows that between April 2016 and March 2017 there were over 300 arrests for terrorist related activity.⁶

Terrorism aims to disrupt the rhythms of daily life in a community and across a country. One result of a successful attack is disruption to commercial activity with consequences for the growth levels of local economies. Small businesses are the least able group within the business community to withstand the damage inflicted and recover from an attack and its aftermath due to their lack of resource and inherent vulnerability to significant external and unexpected ‘shocks.’

If expected trends in the development of new attack methods come to fruition and their destructiveness increases, then the impacts of terrorism may worsen still.⁷ In such circumstances the destructive effect of a single attack could be significantly greater than seen to date. Therefore, policymakers need to develop a framework for resilience to terrorist attacks among the business community that not only ensures the current threat of disruption to commerce and local and regional economies is minimised but also that of potential future threats.

1 G. Corera, MI5 boss Andrew Parker warns of ‘intense’ terror threat, 2017. Available at: <http://www.bbc.co.uk/news/uk-41655488>

2 J. Maidment, UK will face Islamist terror threat for next 30 years, former MI5 chief warns, 2017. Available at: <http://www.telegraph.co.uk/news/2017/08/11/uk-will-face-islamist-terror-threat-next-30-years-former-mi5/>

3 Pool Re, Terrorism Threat and Mitigation Report: January – July 2017, 2017.

4 B. Polittowski, ‘Terrorism in Great Britain: the statistics. Briefing Paper Number 7613’, 2016.

5 ACPO’s Counter Terrorism Coordination Centre (ACTCC) cited in B. Polittowski, ‘Terrorism in Great Britain: the statistics. Briefing paper Number 7613’, 2016. The data above does not capture those terrorists who die carrying out their attacks whether by the police or because the method involves the suicide of the attacker(s) e.g. the recent attack in Manchester was conducted by a suicide bomber. While the perpetrators of the London Bridge attack were shot by armed police. Further, it does not include the attacks successfully thwarted by the police, which would have increased the number of people injured and killed and the financial cost of terrorism in the UK.

6 ONS, Operation of police powers under the Terrorism Act 2000, financial year ending March 2017, 2017. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/619016/police-powers-terrorism-mar2017-hosb0817.pdf
At the same time terrorist activity continues in Northern Ireland too. For example: C. McCollough, 1,100 bombs and shootings in 10 years: The figures that prove terrorism hasn’t gone away, 2016. Available at: <http://www.belfasttelegraph.co.uk/news/northern-ireland/1100-bombs-and-shootings-in-10-years-the-figures-that-prove-terrorism-hasnt-gone-away-34672253.html>

7 Pool Re, Terrorism Threat & Mitigation Report August – December 2016, 2016.

THE IMPACT OF TERRORISM ON SMALLER FIRMS AND ECONOMIES

Short-term impact

The short-term economic cost of a terrorist attack involves a range of impacts such as damaged goods, destroyed property, damaged infrastructure, and reduced short-term commerce in the days, weeks and months after an attack.⁸

Table 1: Examples of the short-term economic impact of terrorist attacks

Source: Various, see footnotes

Attack	Estimated short-term economic impact
London Bridge, 2017	• £1.4 million of costs - mainly borne by smaller and medium-sized businesses. ⁹
Brussels, March 2016	• €1 billion of lost GDP ¹⁰
Paris, December 2015 and June 2016	• A reduction of €750 million in tourism revenue. ¹¹
London bombings, July 2005	• Reduction in footfall in the West End of between 20 and 30 per cent. ¹² • 9 months for the demand for hotels in London to recover after the attacks. ¹³ • A reduction in annual tourism revenues of around £750 million. ¹⁴
New York, September 2001	• 145,000 jobs lost. ¹⁵ • Between USD \$80 and \$90 billion of lost growth. ¹⁶

Smaller businesses are often the most badly impacted segment of the business community in an area where there is an attack. The range of impacts that a terrorist incident can have on an individual small business can be categorised into two groups; first-order and second-order.

Table 2: Breakdown of the impact of terrorism on smaller firms

Impact	Detriment
First-order impact	<ul style="list-style-type: none"> • Injuries, or death, caused to staff, customers and/or the business owner. • Damage to premises, fixtures and capital stock.
Second-order impact	<ul style="list-style-type: none"> • Lost days / reduced volumes of trading due to: <ul style="list-style-type: none"> - The police investigation making certain areas ‘out of bounds’. - Transport disruption and restricted access to business premises by customers, business owners and employees. - Change in consumer and business sentiment i.e. an undermining of confidence among customers and a reduced willingness to spend and a reduction in the risk appetite of businesses. • Increase in the costs of doing business as risk premiums for loans and other finance such as insurance rise.

8 T. Sandler and W. Enders, The Economic Consequences of Terrorism in Developed and Developing Countries, 2005.

9 Pool Re, Terrorism Threat and Mitigation Report: January – July 2017, 2017.

10 C. Croet, Brussels terror attacks cost Belgian economy almost €1 billion: report - Hotels, stores lost revenue after attacks that killed 32 in March, 2016. Available at: <http://www.politico.eu/article/brussels-terror-attacks-cost-belgian-economy-almost-e1-billion-report/>

11 Reuters, Terror attacks cost Paris region €750m in lost tourism, officials say, 2016. Available at: <https://www.theguardian.com/world/2016/aug/23/terror-attacks-cost-paris-region-750m-in-lost-tourism-officials-says>

12 London Chamber of Commerce and Industry, The economic effects of terrorism on London – Experiences of Firms in London’s Business Community, 2005.

13 S. Oaten, K. Le Quesne and H. Segal, Adapting to Uncertainty – The Global Hotel Industry, 2015. Available at: http://www.weforum.org/docs/TT15/WEF_TTCR_Chapter1.2_2015.pdf

14 I. King, Will the Westminster terror attack have an impact on the economy?, 2017. Available at: <http://news.sky.com/story/will-the-westminster-terror-attack-have-an-impact-on-the-economy-10811465>

15 US Bureau of Labor Statistics 2003, cited in W. Enders and E. Olsen, Measuring Economic Costs of Terrorism, 2012.

16 Kunreuther et al 2003, cited in W. Enders and E. Olsen, Measuring Economic Costs of Terrorism, 2012.

The first-order costs describe the direct impacts on a small business in the immediate vicinity of an attack. The second-order impacts specifically capture what is frequently described as ‘business interruption’ i.e. indirect impacts. Second-order impacts not only fall upon those businesses who suffer from first-order impacts but can extend to a wider number of businesses over an extended geographical area. Smaller businesses find it much more difficult to cope with both first and second-order impacts than a larger business would because:

- Smaller firms are strongly represented in the kinds of sectors that are often the most significantly impacted by acts of terrorism such as retail, entertainment, transport and tourism. In these sectors, a reduction in footfall and the inability for staff to get to work or to sell and replenish perishable stock can cause a significant financial loss and even prevent a business from being able to operate at all.
- Small businesses’ lack of resources makes them vulnerable to unexpected ‘shocks’ to economic activity like terrorist attacks.¹⁷ Therefore, it frequently takes a small business more time to recover from such ‘shocks’ compared to a larger business.

Case study A highlights how the impact of a terror attack is not necessarily limited to those who may have suffered damage to property or stock, directly.

Case study A – Business disruption caused by terrorism

Business profile: Boutique clothing designer and retailer, Manchester.

Incident: Manchester Arena attack, May 2017.

Impact on business: The proximity of the business to the Manchester Arena attack resulted in a complete pause in business. In the words of the business owner, it ‘...went dead for a week’. The boutique relies, in part, on customers coming to the shop to talk through ideas (design options, fabrics etc.), try on samples and at the end of the process make a final purchase. The immediate aftermath of the attack deterred customers. Many cancelled their appointments. This caused disruption to the business with knock-on effects for future customers too. Overall, it took ‘...a few weeks to return to normal’. The reduction in trading activity meant reduced revenues and, as the business owner recalled, she ‘...struggled that month...[with]...no cash at the end of the month meant I couldn’t buy in stock, fabrics...’.

Resilience planning: The business owner had not carried out any formal resilience planning. Evaluating the risk of attack to be low, continuity planning for such an eventuality was not a high priority. However, the boutique has a strong online presence including a social media profile and the ability to sell online. Therefore, the member was confident that she could have ridden out any problems without permanent damage to the business.

Support from the authorities: The member described receiving no information or support of any kind from the authorities. No one from the police or the local authority spoke to or contacted her either prior to, or after the attack about preparation and resilience. The member had no awareness of the information and training materials available from the police on the Gov.uk website nor the existence of the Cross-Sector Safety and Security Communications (CCSC). After the incident, there was no direct communication from the authorities. All the information the member received largely came through the local news complemented by Twitter.

Changes to improve the response: The member outlined a number of ways her business could have been better helped through the difficult immediate aftermath. These included:

- A similar measure to the We Love Manchester initiative that would support and boost morale in the small business community.
- Better communication with the business community. The member suggested that a larger numbers of businesses could be reached if councils utilised tools such as the Business Rates database of local businesses for such things.
- An explanation of the responsibilities that businesses have to their customers in extreme circumstances such as a terrorist attack and what kinds of actions can be taken to help keep them, as well as staff and business owners, safe in such circumstances e.g. escape routes.

In addition to the first and second-order impacts, smaller firms can face a further squeeze. The various obligations small businesses have e.g. paying taxes and paying suppliers, do not abate. With business revenues and operational capacity reduced for the reasons described in Table 2, it becomes more difficult for a smaller firm to meet such obligations in the short-term. In some cases, this puts extra pressure on the solvency of a business.

Long-term impact

The long-term cost of terrorism can also be significant, though often subtle and not identified until long after an attack. These longer-term costs fall into three categories, set out in Table 3.

Table 3: Long-term costs of terrorism

Source: Various, see footnotes

Transaction costs	Opportunity costs	Demand
<ul style="list-style-type: none"> • Delays and frictions in economic activity due to security requirements.¹⁸ • Higher insurance and other risk premiums required for conducting business activities.¹⁹ 	<ul style="list-style-type: none"> • Investments not undertaken due to expenditures on security or other measures e.g. rebuilding infrastructure, as a result of an attack.²⁰ • Preferred consumption foregone. • Higher amounts of compensation paid to those working in high-risk locations.²¹ 	<ul style="list-style-type: none"> • Structural shifts in consumer sentiment i.e. confidence and preferences.

The long-term security costs that add delays, inefficiencies and frictions into markets and higher risk premiums for essential services like insurance or finance have been likened to an additional transaction tax on the economy i.e. a ‘security’ or ‘terrorist tax’.²² The cumulative effect of the long-term costs of terrorism on the economy can be lower GDP growth and GDP per capita, lost Foreign Direct Investment (FDI), more price volatility and increased unemployment.²³

¹⁷ ‘Resources’ refers to a wide range of constraints on smaller firms e.g. the limited asset base compared to larger firms, small workforces and a limited division of internal labour, knowledge and time limitations, minimal market power, higher risk profile and the consequences of that for access to external resources such as finance.

¹⁸ J. Saxton, The Economic Costs of Terrorism, 2002. Available at: https://www.jec.senate.gov/public/_cache/files/79137416-2853-440b-9bbe-e1e75d40a79d/the-economic-costs-of-terrorism--may-2002.pdf

¹⁹ T. Sandler and W. Enders, The Economic Consequences of Terrorism in Developed and Developing Countries, 2005.

²⁰ J. Saxton, The Economic Costs of Terrorism, 2002.

²¹ T. Sandler and W. Enders, The Economic Consequences of Terrorism in Developed and Developing Countries, 2005.

²² J. Saxton, The Economic Costs of Terrorism, 2002.

²³ T. Sandler and W. Enders, The Economic Consequences of Terrorism in Developed and Developing Countries, 2005.

Table 4, below, illustrates the kinds of long-term economic consequences that can result from terrorism.

Table 4: Estimated long-term economic impact of terrorism on selected worldwide locations

Source: Various, see footnotes

Area	Estimated cost
Northern Ireland (United Kingdom)	<ul style="list-style-type: none"> If economic activity in Northern Ireland had matched the UK average:²⁴ <ul style="list-style-type: none"> GVA per capita would have been £5,845 higher. 60,000 more jobs would have been created. £274 million more tourist spend. There would have been 3,745 more business births.
Basque country (Spain)	<ul style="list-style-type: none"> Between 1976 and 1996, GDP per head was 10 per cent lower than it would have been had there been no terrorism.²⁵
Spain	<ul style="list-style-type: none"> Over 22 years of terrorism, Spain lost a full year's worth of tourism revenues.²⁶ Terrorism reduced levels of FDI by 13.5 per cent.²⁷
Greece	<ul style="list-style-type: none"> 23.4 per cent reduction in tourism revenues as a result of terrorism. Attacks induced a fall in FDI of 11.9 per cent.
Multiple countries	<ul style="list-style-type: none"> Each year a country experiences a terrorist incident it reduces growth by 0.05 per cent.²⁸ A country that experienced at least one incident a year between 1968 and 2000 could expect their growth to be 1.6 per cent lower than otherwise would have been the case.²⁹ GDP loss in 2005 due to terrorism of USD \$19,412 billion and over the period 2000 to 2005 of USD \$83,407 billion.³⁰

As Table 4 illustrates, the balance of the existing body of evidence suggests that in most places there is at least some long-term economic price to pay for terrorism that sustains over a period of time, but the specific long-term impact can vary. The variation can be between countries, regions (within countries) and sectors. Factors influencing the size of the impact are likely to include the length of time and severity of a particular terrorist campaign.

REDUCING THE IMPACT

Reducing the potential negative impact of terrorism on smaller firms would help reduce the costs to the economy. In order to do this, smaller firms need to be resilient in the face of such attacks and the consequences that flow from it. However, smaller businesses inevitably have fewer resources compared to larger firms, including financial reserves. They are therefore in a more challenging position in relation to preparation because planning for relatively rare events like a terrorist attack competes directly with running the business (i.e. meeting customer orders, finding new clients, paying wages and taxes).

Small business resilience has two elements; preparation and recovery. These are described in more detail in Table 5. Helping small business optimise these will ensure:

- Smaller firms have a good chance of continuing to operate as successfully as possible through the aftermath of an attack and beyond.
- Local economies are more resilient in the face of individual terrorist incidents and ongoing threat of future attacks.

Table 5: How small businesses can increase their resilience to a terrorist attack

Element of resilience	Actions
Preparation	<ul style="list-style-type: none"> Continuity planning ahead of any attack i.e. setting out in a clear plan the steps that need to be taken, assets protected and key people and organisations (such as customers and suppliers) to be communicated with should a business be caught up in a terrorist attack or its aftermath. Suitable training for owners, managers and staff. Up to date threat information.
Recovery	<ul style="list-style-type: none"> Support after an attack for local businesses both directly and indirectly impacted. Such support should have two aspects: <ul style="list-style-type: none"> The provision of up to date information on the scale and scope of the attack, advice on the likely timescales of the investigation and thus the ongoing disruption to trading. Such information would help business planning. Promotion of an area that has recently suffered from attacks, with the aim of galvanising support and attracting commercial activity back. Sustaining cash-flow i.e. measures which can help a business caught up in an incident to meet the cost of any short-term outgoings due when incoming revenues are under pressure.

²⁴ Ulster University, Cost of Division: A benchmarking of performance and expenditure, 2016.

²⁵ Abade and Gardeazabal, cited in W. Enders and E. Olsen, Measuring the Economic Costs of Terrorism in The Oxford Handbook of the Economics of Peace and Conflict. Ed. M. R. Garfinkel and S. Skaperdas, 2012.

²⁶ Ibid.

²⁷ Ibid.

²⁸ Blomberg, Hess and Orphanides 2004, cited in W. Enders and E. Olsen, Measuring the Economic Costs of Terrorism in The Oxford Handbook of the Economics of Peace and Conflict. Ed. M.R. Garfinkel and S. Skaperdas, 2012.

²⁹ Ibid.

³⁰ Sandler, Arce and Enders 2009, cited in W. Enders and E. Olsen, Measuring the Economic Costs of Terrorism in The Oxford Handbook of the Economics of Peace and Conflict. Ed. M.R. Garfinkel and S. Skaperdas, 2012.

PREPARING FOR A TERRORIST INCIDENT

The constraints that smaller businesses operate under make planning and training for relatively unlikely events such as terrorism, a low priority.³¹ Around 60 per cent of small firms have no resilience plan of any kind.³² Half of small firms say they do not consider themselves equipped to respond specifically to a security-based crisis situation.³³ Of those that undertake resilience planning of some kind, the risks most aim to limit the impacts of are: workplace fires, transport disruption, severe weather, loss of access to utilities (electricity, gas, telephone and internet) or a non-terrorist criminal act such as a robbery. The extent of the formality and depth of such plans also varies considerably.

In order to help close this ‘resilience planning’ deficit, smaller firms would benefit from more awareness and encouragement to undertake resilience planning and take up available counter-terrorism training such as that already available from the police. For example, the police provide a range of information and online training through the National Counter-Terrorism Security Office (NaCTSO) pages on the Gov.uk website for individuals and businesses.³⁴ Further, initiatives like Project Argus, delivered by local police Counter-Terrorism Security Advisors (CTSA), are also aimed at businesses in particular high-risk sectors such as the ‘night time economy’, entertainment and retail.³⁵ However, to differing degrees, the ability of either to reach deep into the UK’s small business community are limited by the availability of funding to invest in outreach. More funding could help increase the impact of these programmes. In addition, there are questions about the consistency of the delivery of some of the support on offer, as illustrated by case study B, below.

Case study B: Small business terrorism resilience planning

Business profile: Restaurant and entertainment venue, London.

Support from the authorities: This owner-manager of a central London night-time economy venue outlined considerable discontent with the current support offered to smaller inner-city businesses to help with improving their resilience to the counter-terrorist threat. He said, that: *‘...we are at the absolute heart of the West End but remain largely ‘forgotten’ by local and national initiatives’.*

The owner-manager has a keen interest in security and has been willing to invest to improve it, both within his venue and across his area of London. For example, *‘we upgraded our door security, using the same company that worked at the Manchester Arena during the attack there. That brings unique and considerable experience to the venue, yet the police have never bothered to meet with them’.*

In the absence of any proactivity from the police in his area around counter-terrorism preparation, he had to ‘invite himself’ to a briefing for night-time economy businesses by the Metropolitan Police’s Counter-Terrorism Command taking place in another borough. As the member observed:

‘Inspired by the presentation, I did as requested. I compiled an ‘Enhanced Security Protocol’, discussed it with my managers and encouraged a ‘see it, say it, sorted’ mind set amongst my staff. The Counter Terrorism Command offered all Licensed Premises a visit from one of their officers to review their preparations. Despite three emails from me and promises to attend from them – they never have’.

31 Three quarters see terrorism as a low risk. Source: Arthur J Gallagher and You Gov, Understanding Security Risks: How SMEs can build a culture of resilience, 2017.

32 FSB, Resilience Survey, 2015.

33 Arthur J Gallagher and You Gov, Understanding Security Risks: How SMEs can build a culture of resilience, 2017.

34 NaCTSO is part of the National Police Chief’s Council (NPCC) and supports the work of 190 CTSA’s in local police forces. NaCTSO provides advice and guidance to government and industry about how to maximise levels of preparedness for and protection against terrorism threats. The specific projects aimed at supporting businesses, designed and developed by NaCTSO and delivered online and by CTSA’s in constabulary areas are Argus and Griffin.

• Argus: Aimed at a range of sectors such as hotels, retail and night-time economy businesses. Argus is a ‘testing and exercise’ initiative for business owners and staff, who can learn how to reduce their vulnerability to attack and plan for what actions to take in the event of an incident.

• Griffin: Aimed at enabling businesses to self-deliver PROTECT counter-terror training for industry. Griffin is currently aimed at larger businesses within the business community.

Source: NaCTSO, no date given. Available at: <https://www.gov.uk/government/organisations/national-counter-terrorism-security-office>

35 More detail on CSAs and their functions and how to contact them can be found on the NaCTSO pages of the Gov.uk website. Available at: <https://www.gov.uk/government/publications/counter-terrorism-support-for-businesses-and-communities/working-with-counter-terrorism-security-advisers>

Further, *‘...after repeatedly asking for direct radio link facility with neighbouring venues, after two false starts...[the borough]...issued us with such a radio. It doesn’t ‘speak’...to venues across the road, it doesn’t work in a basement venue...’.*

Improving the services provided by the authorities: The member suggested that counter-terrorism activities should be *‘...part of routine, community policing at local bobby level for SMEs, discussed over a cup of coffee with community police rather than waiting in a queue to be ignored’.*

Case study B highlights how challenging it can be for a small business to get noticed and obtain some support. Further, it provides an example of the risks of an unevenly provided support offer. A reliable offer will build a strong reputation among smaller businesses. Only following the provision of this, will interest in and take up of the advice and training significantly increase across the small business community. Poor delivery will undermine efforts to improve resilience and breed dis-engagement among the small business community. To avoid undermining the reputation of the support available and to generate interest and buy-in from the small business community, a minimum service standard should be expected from those providing the support. This should be accompanied by resources and incentives to proactively reach out to and engage with the small business community in local areas.

Good business planning and training requires sufficient awareness of the potential threats and, consequently, a thorough analysis of the likely risks facing an enterprise. However, a gap has been identified in the information about the latest terrorist threats made available to the business community. Filling this gap could enable the business community to plan and prepare effectively and deliver substantially increased resilience levels.³⁶ Lord Harris, in his review of the preparedness of London for future terrorist attacks, found that businesses in London could be better helped by the provision of more timely and useful information on threats and likely terrorist tactics. Lord Harris was clear that an ‘enhanced’ approach would help increase business resilience.³⁷ Given London’s experience with terrorism over many decades, it’s unlikely that other parts of the UK are as advanced as the London authorities. Therefore, the picture is unlikely to be better in most other parts of the UK. Being as open as possible with the small business community is the right way forward. However, while the ‘enhanced’ approach described by Lord Harris is right in principle, both the method of communication and the design of the messaging have to be carefully calibrated in order to reach smaller businesses most effectively and help drive the desired behaviour changes. This is an important factor that is often missed by those who want to communicate with smaller businesses.

In order to implement Lord Harris’s proposals nationwide, in addition to communicating in the right way to smaller firms, there would need to be a communication infrastructure for delivering it. The Cross-Sector Safety and Security Communications (CSSC) partnership is currently rolling out across the UK with the aim of playing such a role.³⁸ The CSSC is setting-up regional structures in England and Wales which match those of the domestic counter terrorism policing network.³⁹ CSSC has also established a partnership in Scotland.⁴⁰ The roll out needs to be accompanied by a step-change in raising the profile of the CSSC as the single authoritative source for information and updates about threats to the business community. In order to deliver that step-change, there needs to be a concerted and targeted effort to reach out to the small business community and make it aware of CSSC’s existence and the benefits it can offer.

In addition to the efforts by the police, local authorities also have a role in helping businesses within their locale be more resilient to incidents such as terrorist attacks. This function is a requirement of the Civil Contingencies Act 2004.⁴¹ The Act requires local authorities to have emergency plans in place to deal with a range of civil emergencies, including terrorist incidents.⁴² Local Resilience

36 T. Harris, London’s Preparedness to respond to a Major Terrorist Incident, 2016.

37 Lord Harris highlighted as good practice the experience and practices in the airline sector and that of the US Department of Homeland Security. Source: T. Harris, London’s Preparedness to respond to a Major Terrorist Incident, 2016.

38 The CSSC website can be accessed here: <http://www.vocal.co.uk/cssc/>

39 The East of England followed London (CSSC’s original focus) as the first region in the rest of England and Wales to get a dedicated CSSC partnership. The remaining regional operations are currently being established.

40 CSSC Scotland was established in 2013. Source: CSSC, Scotland, no date given, Available at: <http://www.vocal.co.uk/cssc/scotland/>

41 G. G. Grimwood, Dealing with civil contingencies: emergency planning in the UK, 2017.

42 Civil contingency response coordination between local authorities and the emergency services is planned and organised through Local Resilience Forums based upon identified Local Resilience Areas. Source: G. G. Grimwood, ‘Dealing with civil contingencies: emergency planning in the UK’, 2017.

RECOVERING FROM A TERRORIST INCIDENT

Forums facilitate the formulation of coordinated plans between the emergency services and others with duties under the Civil Contingencies Act to prepare for civil emergencies.

What is offered to businesses by local authorities varies depending on local priorities, resources and motivations. Further, the involvement of local businesses in the formulation of local resilience plans and associated initiatives similarly varies. Therefore, the available resilience support before an incident and the response from the local authority after an attack is likely to be different depending on the geographical location of the business. For example, some local authorities offer resilience advice through a webpage on the council website, while others take a more proactive approach. For example, Manchester City Council's corporate risk and resilience team undertakes outreach work about resilience with the business community. Part of that manifests itself in the form of the Manchester Business Continuity Forum which is supported by staff at the Council and provides regular information on resilience issues and online resources for local businesses to utilise.⁴³ Given the considerable proportion of the small business population that does not resilience plan and prepare for events such as terrorist incidents, a more proactive approach is a good way to get greater numbers of smaller firms preparing, planning and training their staff for incidents. As highlighted in Case study A, however, the outreach has to be of a good and consistent standard. Poor delivery will risk stunting the ambition to increase preparation levels among smaller firms.

Access to information

Up to date information in the aftermath of an attack is essential for any business which is either directly or indirectly caught up in a terrorist incident. As illustrated above, the short-term economic impact of an attack can be significant. The cost to the local economy and the smaller businesses at the heart of that local economy can be managed better if businesses have good information on which to base their short-term plans to cope with the disruption to trading. Case study C illustrates the importance of communication to a business in such circumstances alongside reinforcing the types of disruption an attack can bring to a local small business community.

Case study C: Impact of an incident and post-attack support for smaller firms

Business profile: Cloud computing, software and digital compliance services, London.

Incident: London Bridge attack, June 2017.

Impact on business: The proximity of the business to the London Bridge attack resulted in the police cordon encompassing the offices of the FSB member. The owner and his staff were unable to get to their workplace for around five days. This had a number of disruptive impacts on the business:

- Effectiveness declined during the period as staff had to work from home and, consequently, there was some loss of efficiency, such as that which comes from working as a team in a single office. For the period of disruption, the owner described how the company couldn't operate '*...at 100 per cent, as before...[the attack]*'.
- '*Some appointments had to be cancelled...[and]...pre-booked office meetings could not be done*'. One particularly significant impact was on a planned training programme the business was scheduled to deliver to colleagues who had flown over from Greece for it. Another aspect to the disruption resulted from the visitors' booked accommodation also being within the police cordon.

The member added that his business was expecting the delivery of several servers around that time. Luckily they didn't arrive until after access to the company's office was restored. Otherwise, as he stated: '*...what could I have done with those, sent them back?*'. Through luck, the business was saved from more costs that could have easily been incurred due to the business interruption stemming from the attack.

Resilience planning: The business had thorough and tested resilience plans in place. These were activated as soon as it became clear to the owner-manager that access to the office was not possible. The ISO 27001 certification that the business had been awarded was an essential element in enabling them to have plans in place to cope with such an eventuality. As the member noted, while a terrorist attack was considered '*...low risk, it happened...*' and the time and resource spent on planning to keep the business operating in difficult times paid off. Although the member had extensive resilience plans in place, he was not aware of the CSSC and its threat dissemination activities, nor the specifically designed materials available on the Gov.uk website. The latter provide information and training about preparing for potential terrorist incidents and could have complemented the resilience planning his business had done. Consequently, he had undertaken no specific preparation for a terrorist incident.

Support from the authorities: The member described receiving no information or support of any kind directly from the authorities. The only police officers that spoke to the member after the attack were those guarding the cordon. The lack of information was challenging for short-term planning. He noted that not knowing much created considerable '*...uncertainty over when and how...*' his team might return to its premises and get back to normal. The member was lucky that he happened to be in the area on the Thursday after the attack and saw the cordon being lifted and so knew that he and his team could get back into his business within a few hours.

⁴³ While all councils have an Emergency Planning Officer (EPO), the numbers within each council and the resources at their disposal is a decision for local authorities. For example, some have a multi-person team looking after emergency planning issues, while others may have a member of staff who looks after emergency planning in addition to other duties. This piece offers a useful insight into the EPO role: A. Goddard, Working lives: local government emergency planning officer, 2012. Available at: <https://www.theguardian.com/local-government-network/2012/may/17/local-government-emergency-planning-officer>

Changes to improve the response: The member suggested a number of ways of improving the situation for smaller firms, especially in the days and weeks following an attack to aid the return to *'business as normal'*, these included:

- Better communication utilising *'...a collective of technology...'* to reach different audiences.
- Publicly available information on the extent of the cordon and estimates of how long it is expected to be in place in order to aid short-term business planning in reaction to the disruption caused by the attack.
- More broadly, the member suggested that the 'rule' for communicating about terrorism with the business community outside of periods immediately following incidents should be one of communicating infrequently but, when needed, to do it succinctly and clearly. Small businesses already have to deal with *'...too much information...'* The risk is that too much additional information will get lost among the existing stock.

The dissemination of essential information, post-attack, to the affected local business community should be a central part of all local authority civil contingency plans. To be effective and reach as many businesses as possible, local authorities may need to find ways to build up and maintain a database of local businesses for such purposes. One way to do this could be to utilise local Business Rates databases for use in times of emergencies.

Boosting local consumer and business sentiment

Local authorities can play a role in helping initiatives by groups of local small businesses that aim to promote an area or group of businesses impacted by a recent incident. A campaign of this nature to promote businesses around London Bridge was organised after the 2017 attacks. While small in scale, such measures can help galvanise a local community after an event and encourage the return to 'business as usual'. Where there are unitary authorities, combined authorities and/or Metro Mayoralties, local leaders should look to promote an impacted area to the residents of the wider locality to encourage a return to normality, including levels of commercial activity, as quickly as possible.

Finance

Smaller firms caught up in the aftershock of a terrorist incident will face financial pressures. These emerge from several sources:

- Death and/or injuries (physical and mental) to employees.
- The costs resulting from the damage to business property (e.g. buildings, capital stock, fixtures and fittings) which will need to be repaired/replaced.
- Stock irreparably damaged (including foodstuffs which might perish).
- Inability of employees and clients/customers to get to a business's premises, perhaps due to associated transport disruption or the post-attack security cordon and wider harm to the confidence of customers. Businesses in the retail and leisure trades (entertainment venues, restaurants, cafes, bars and pubs) are particularly likely to be badly impacted in such circumstances.⁴⁴
- Ongoing financial obligations e.g. taxes, such as Business Rates, still have to be paid. So too do creditors, such as banks, who may have provided a loan as well as suppliers who have provided services already consumed.

An important way of minimising the economic disruption of an attack and increasing the likelihood of businesses successfully returning to normal trading levels is lessening the short-term financial costs on businesses. There are two ways of minimising these financial costs:

- Compensation.
- Reducing short-term outgoings while revenues are squeezed.

Compensation usually comes from an insurance policy.⁴⁵ However, many smaller firms do not have terrorism cover in their insurance policies or as a separate stand-alone protection either. It is estimated that take up is around 10 per cent among the business community and this tails off significantly among businesses outside London.⁴⁶

However, the small business community likely underestimates the threat.⁴⁷ There are at least three reasons for this:

- The threat is growing and it changes e.g. switches methods and targets, quickly. The perceptions of business owners of what the threat is, its scale and likelihood may be behind the reality.⁴⁸
- The success of the police and security services may provide a false picture of the scale of the risk, suggesting it's lower than it is.
- The nature of the attacks is changing. Businesses are not just affected through direct damage to people, property and stock, but a larger number of businesses over a wider area can suffer detriment as a result of the consequent 'business interruption'.

Other barriers to the uptake of terrorism insurance by smaller firms include a perception that costs incurred from such incidents might already be covered by existing insurance policies and a lack of awareness that you can get specific terrorism insurance. Typical business insurance policies do not cover costs incurred due to terrorist incidents. However, those businesses that do have insurance which covers the impact of terrorism frequently find that the policy coverage can be limited to property damage and losses directly due to such damage. The trend in terrorist attacks has been such that the biggest impact on smaller firms of a terrorist attack is becoming 'non-damage business interruption'.⁴⁹ The failure of the insurance market currently to be able to cover such 'wider impacts' has been highlighted by Pool Re:

'...the attacks in Manchester and London have highlighted a key area where a gap has emerged between the coverage available and the manifestation of the current threat'.

Pool Re, Terrorism Threat Mitigation Report January – July 2017

Closing this 'gap' in insurance cover would be helpful for smaller firms who already have terrorism insurance and for those who may take it up in the future.

The burden of financial outgoings that have to be paid by small businesses, such as loan repayments and utility bills, do not ordinarily adjust to fluctuations in revenue. Therefore, a small business which suffers the economic impacts caused by a terrorist attack will still have to pay their property taxes and other bills, despite the unexpected and unusual interruption to trading. This can put considerable additional short-term pressure on cash flow. While insurance may be able to cover some of this cost, insurance pay-outs are unlikely to come swiftly enough to meet the current month's bills and in some cases, payments due the following month too. It is neither in the interest of the small business affected, nor the supplier, for a bad debt situation to develop out of such circumstances. Consequently, there is a case for additional action to help the financial position of smaller businesses caught up in the aftermath of a terrorist incident by allowing flexibility in payment.

⁴⁵ Terrorism insurance is able to be offered by the insurance market because Pool Re provides re-insurance for terrorist risks which ensures that insurance providers can offer cover to businesses for example, for losses due to acts of terrorism. Pool Re is able to ensure any losses can be covered, not least because in the final analysis it can call on funds from HM Government. Pool Re is a mutual whose members are those in the insurance industry providing terrorism cover. Source: Pool Re, Pool Re: What We Do, no date given. Available at: <https://www.poolre.co.uk/what-we-do/>

⁴⁶ Pool Re, Terrorism Threat and Mitigation Report: January – July 2017, 2017.

⁴⁷ Arthur J Gallagher and You Gov, Understanding Security Risks: How SMEs can build a culture of resilience, 2017.

⁴⁸ There is a considerable gap between the proportion of smaller firms concerned about terrorism and the proportion of larger firms – eight per cent compared to 22 per cent. Source: Arthur J Gallagher and You Gov, Understanding Security Risks: How SMEs can build a culture of resilience, 2017.

⁴⁹ Arthur J Gallagher and You Gov, Understanding Security Risks: How SMEs can build a culture of resilience, 2017.

RECOMMENDATIONS

Awareness

Recommendation 1: The first step for policymakers should be to raise awareness in the business community about the threat of terrorism and the importance of undertaking some planning and preparation for incidents. This will require resources to be allocated to designing a long-term sustainable strategy and rolling out a communications programme based upon it. Any strategy should:

- Emphasise the importance of resilience planning as an essential business task.
- In part, be aimed at increasing the profile of the CSSC across the smaller business community with the aim of making it the key source for information on the ongoing terrorist threat.
- Look to significantly raise awareness among businesses of the information and training produced by the police and available on the Gov.uk website.
- Identify and learn from lessons from other attempts by Government agencies (such as the Home Office, Department for Health and HSE) to raise national awareness levels on important issues. One lesson that will have to be recognised, if a strategy is to succeed with hard to reach groups like smaller businesses, is that there will need to be a degree of focussed intensity to it.

Preparation

Recommendation 2: The UK Government should commission an independent review into the UK's civilian preparedness for the ongoing terrorist threat to the UK, using the Lord Harris model that recently reviewed London's preparedness. Part of this should include a specific focus on small business and an analysis of the effectiveness of the current civil contingencies and counter-terrorism support landscape for business. The review should specifically look at:

- The consistency and quality of the support (i.e. advice and guidance) offer from local authorities and the police, and the degree to which the support offered penetrates into the small business community and is effective for firms.
- The extent to which small businesses are consulted on the development of local and regional emergency planning, identifying best practice where it does take place.
- The prioritisation of civil contingency planning by local authorities (especially in light of reductions in council budgets over recent years) and options for making sure it is a priority function. This should include the case for ring-fencing monies for civil contingency planning and activity (including support for business).
- The scope for local authorities to have a named member responsible for civil contingencies.

Recovery

Recommendation 3: The Government should identify local authority best practice for supporting businesses in the aftermath of an attack. Within 24 to 36 hours of an incident taking place, local authorities should be implementing plans to keep local business communities informed about the process for 'returning things to normal'. The Government should give additional ring-fenced resources to local authorities for use to establish suitable databases and communication channels to utilise in such circumstances.

In addition to the essential communication role, such plans might also include measures to provide funds or logistical help for groups of small businesses in a local affected area to enable them to mount campaigns to promote the area after an attack. These activities become helpful following the immediate aftermath, such as once the police crime scene investigation has been completed.

Recommendation 4: The Government should make the necessary legislative changes to allow Pool Re to extend its re-insurance coverage so that the terrorism insurance provided by insurance companies can cover a wider range of 'losses' than currently, including 'non-damage business interruption'. Changes in terrorist methods are extending the economic impacts of terrorism, to a wider range of businesses than only those who suffer direct damage to property and associated costs. Consequently, in order to minimise the financial costs to business and the economy the insurance market needs to be able to adapt and reflect this new reality. This can best be achieved through extending existing successful mechanisms, such as the Pool Re arrangements, to cover the changing threats, encouraging insurance companies to make their product available to as many businesses as possible, thereby enhancing resilience in the economy.

Recommendation 5: The Government should look at introducing a 'flexibility clause' requirement in supply contracts in regulated utilities such as financial services and energy, whereby it is possible for a business affected by a terrorism incident to delay a payment to help short-term cash flow. It is in neither the interest of smaller firms nor suppliers of key services for a short-term cash-flow problem to turn into an ongoing problem debt issue. Therefore, a policy which enabled the better management of a cash-flow issue in the short-term would be beneficial in the longer-term to both supplier and purchaser. However, to minimise any risks, such a policy rule would have to be drawn tightly to make sure it was focussed on those exceptional circumstances that a terrorist incident gives rise to.⁵⁰

Recommendation 6: The Government should mandate local authorities, for a limited period, to give Business Rates relief to small firms affected by a terrorist incident. Such a measure should be administered by local authorities by implementing the powers they already have.⁵¹ Any short-term shortfall in local authority revenue should be made up by central Government on an automatic basis.

⁵⁰ Cyber terrorist attacks may not be suitable for inclusion in such a policy as these would be less easy to tightly define. Geographical delineations are easier to draw.

⁵¹ Local authorities across the UK have the power to vary Business Rates in extenuating circumstances already. Provision is set out in the Local Government Finance Act 1988.

METHODOLOGY

This report was compiled after conducting a series of qualitative interviews with key informants (business owners, policy experts and practitioners) and a review of some of the existing body of available materials on current UK Government policy on counter-terrorism policy and business resilience.



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