



**Federation of Small Businesses**

*The UK's Leading Business Organisation*

Support Small Business;  
Support Sustainable Growth

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National Assembly for  
Wales Election Manifesto

FSB in Wales



2011

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# Foreword & FSB in Wales Membership

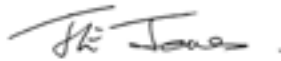
## Foreword

This Manifesto is intended to provide a guide for the next Welsh Government as to what is needed to support the majority of businesses in Wales, which are on average small, with less than ten employees. The recommendations within this Manifesto are presented recognising the budgetary constraints that the next Welsh Government will be operating within and the difficult financial pressures small businesses are experiencing due to the effects of the recession. This is why there is a focus on improving current Welsh Government policies, as well as suggestions for the changes which are being implemented by the Welsh Government following the Economic Renewal Programme announcement.

Bearing in mind that following the official launch of this Manifesto on the 9th February there will be ongoing structural changes within the departments of the Welsh Government, as well as to the working strategies and programmes of the Welsh Government, not to mention a Referendum on the future settlement of the powers at the National Assembly for Wales on March 3rd.

This Manifesto is intended to be a flexible document to respond to these unique circumstances. The Manifesto, including any updates, will be available on our website: [www.fsb.org.uk/wales](http://www.fsb.org.uk/wales).

We hope this Manifesto will be a valuable asset to the next Welsh Government, and we look forward to working with all parties at the National Assembly for Wales, to promote the priorities which will really support our small businesses to thrive, and therefore ensure our economy will be truly sustainable.



Janet Jones, Wales Policy Chair

## FSB in Wales Membership

The Federation of Small Businesses (FSB) is the UK's largest business organisation which represents the interests of over 210,000 members across the UK, with around 10,000 of whom are located in Wales. The FSB's membership is diverse and is therefore a sound reflection of the majority of SMEs, which account for 99% of business stock, in Wales. As the vast majority of businesses in Wales are SMEs, it is important that the views of this sector are strongly represented.

# The Economic Renewal Programme (ERP)

The FSB has raised numerous concerns that the ERP will benefit larger businesses to the detriment of the majority of indigenous Welsh businesses. To date our fears have not been allayed for example, the ERP intends to focus business support on six key sectors; ICT, Energy and environment, Advanced materials and manufacturing, Creative industries, Life sciences, Financial and professional services.

However, there are strong feelings amongst smaller businesses that there are businesses with potential to grow in every sector, and with 'anchor companies' more likely to be larger businesses, this will be harmful to the Welsh economy.

The Ministerial Advisory Group advised on the sectoral approach and the six were decided upon without consultation. The FSB is concerned with the choice of sectors, the number of sectors as well as the sectors of choice more typically favouring larger businesses.

However, within the current sector panel structure the Welsh Government needs to ensure that small enterprises are embedded throughout their work and we would encourage each sector panel to undertake specific research into the potential and opportunities for small companies in particular. This is vitally important as successfully implementing ERP plans regarding vitally important areas such as supply chains and quality systems will depend on the panels understanding the majority of businesses in Wales, not just working with larger 'anchor' companies.

- The Department for Economy & Transport (DE&T) needs to map what has changed in the department and what they intend to replace it with.
- There needs to be continued dialogue with stakeholders to feed back on their reaction to the implementation of ERP.
- DE&T need to make clear what support is available to small businesses, especially outside of the sector panels. SMEs need to be embedded throughout the Sector Panels and the ERP more generally.
- The effects of ERP need to be monitored, and the Welsh Government needs to be flexible enough to adapt the approach taken, in response to the changes in the economy. This needs to be done in conjunction with social partners.
- A Ministerial Portfolio for small businesses to be created within the Welsh Government. This person would ensure that the needs of all businesses, not just large firms, are fully taken into account when deciding future economic policy.



# Engagement

There needs to be an improved model retaining, implementing and embedding the Business Scheme throughout all Government departments. The new Council for Economic Renewal needs to be an action focused forum, looking to take forward key pieces of work alongside other social partners within designed mechanisms to achieve this. For engagement to be effective it needs to be early and progress needs to be continuously reviewed.

- ONS and other statistics on the Welsh economy need to be supported by more extensive data collection to be able to monitor the Welsh economy more effectively and make informed decisions on progress. For example better information on economic cycles and small businesses in Wales.
- The Government of Wales Act 2006 states that the Business Scheme must “consider the impact of the exercise of their functions on the interests of business”. It is therefore vital that all new legislation should be subject to a proper business impact assessment and early engagement with business is essential as part of the process. For example legislation on the single use bags levy should have consulted on the impacts on small businesses much sooner.
- The Welsh Government needs to work alongside the Welsh Local Government Association to ensure that enforcement of legislation by Local Authorities is taken with a light handed and sensitive approach, and not perceived as a way to simply raise revenue i.e. issuing fines for not displaying no smoking signage or the single use bags levy to be introduced in October 2011. The emphasis should be on informing and assisting small businesses to comply before fines are imposed.



# Business Support

We asked our members what they felt about the Flexible Support for Business (FS4B) service, and in a survey during August 2010, members stated that; 45% were aware of the service and 60% who had used the service rate it as good. Now that this branding has been scrapped it is vital that small businesses know where to go for advice and guidance, especially if they are outside of the six sectors chosen as part of the Government's Economic Renewal Programme.

- Businesses need one place to go to access business support which is clearly signposted and research needs to be undertaken into what services would be most valued by small businesses.
- Businesses need project based help, with access to specialists, including advice and best practice from other businesses.
- Support needs to target growth within established companies. In particular at the 12- 24 months phase, as this is the time businesses will decide whether to grow or level out.
- Not all business support is financial or necessarily what is traditionally thought of as business support. Advice on planning, crime prevention and environmentally beneficial improvements and opportunities would be important for small businesses.
- Local Development Plans should have small business input and support the development of local economies; rural businesses in particular have been underrepresented.
- Publicly-owned units, such as business centres, should provide a network of affordable facilities, such as meeting rooms, for small businesses. This is particularly important for home-based businesses to meet with customers and network.
- The Welsh Government should ensure continued support for the implementation of the Manufacturing Strategy.
- The Welsh Government needs to promote local tourism more effectively, within and outside of Wales. Information Centres need to be mobile, to be able to replace centres which have closed, when and where needed, when touch screen displays aren't a possibility. Innovative IT solutions, such as Visit Wales Apps, should be developed, which update automatically at a destination, and information included should be able to support local shopping and businesses.



# Welsh Language Support

27% of members use the Welsh language in their business, and of those who do use Welsh the main uses are to communicate with customers and suppliers (79%) to communicate internally (39%), in signage and documentation (37%) and in marketing activities (35%). Of those members not currently using Welsh 19% would be interested in support to use Welsh more regularly. The type of support felt to be most beneficial to those not currently using Welsh would be funding support (49%) and practical support and guidance (40%).

- There is therefore scope for recognised Welsh Language Business Support to replace the current Welsh Language Board provision with regard to small businesses voluntarily wishing to use Welsh in business.
- There may be a need to consider what would be available for businesses voluntarily wishing to define their intentions to provide a bilingual service, as much as they are able or appropriate to their business, in relation to their customers. Standards sound a heavier commitment than the current Welsh Language Schemes and could therefore be off-putting to an average SME.
- The role of promotion and support of the language may therefore be better split from the governance role of the Commissioner in terms of setting the standards and scrutiny for small businesses to be encouraged to use Welsh.
- There should be small business representation on the proposed Welsh Language Partnership Council.
- For business, especially SMEs, to be confident in the support that they can receive from Welsh<->English translators/ interpreters, the following issues need to be addressed;
  1. Linguistic: need for more specialised and ongoing work in creating and standardising Welsh terminology with the needs of the private sector in mind and in disseminating best practice amongst translators/ interpreters.
  2. Professional: need for standards of professionalism to be raised, recognised, accredited and monitored within the Welsh translation/ interpretation industry.



# Training Support

Our research suggests that business owners in Wales desire training in the areas of Marketing/ PR, financial issues and IT first and foremost. Further to that, SMEs feel that Health and Safety training would also be beneficial. In terms of employee training, members feel that their staff would benefit from training in customer service, communication, IT and health and safety issues. We welcome the Welsh Government's decision to prioritise spend on skills and apprenticeships in the budget announcement.

- Incorporating elements into training undertaken by business owners to be able to pass information on to train staff themselves would therefore benefit members and staff alike i.e. training the trainer.
- Ensure employability skills are incorporated into education and training, especially at pre-apprenticeship stage.
- Expand and promote availability of shared apprenticeships and improve the communication of training options with employers, including ways of recognising in house training already being undertaken.
- Monitor and fill skills gaps, such as in IT, through improved engagement with business.
- Address gender imbalances in skills training to fill shortages, such as IT.



# Financial Support

34% of members would support a Stock Exchange for Wales, and 22% don't know. 21% of members would consider floating their business either in the short term or long term, including 12% who would consider it if they had access to the right support and advice.

- The Welsh Government should undertake a feasibility study into setting up a stock exchange based on the Welsh economy, to provide another means of equity as well as to promote and develop a strong competitive economy in Wales.
- Businesses need genuine soft loans that are easily accessible, with quick decisions made without unreasonable personal collateral having to be committed.
- The Welsh Government needs to scope what finance is available to businesses, from every source, to identify gaps in finance for small business needs. Recommendations from the scoping project should include suggestions on ensuring finance for working capital, which is essential for SME survival, in addition to growth capital.
- Local Authorities should look at using their reserves as cash flow loans for small businesses, as this could be more flexible than European funding and could be recycled over time.



# Green Support

The majority of businesses (54%) feel that renewable energy should be prioritised for investment in Wales, and in particular marine (wave and tidal) is preferred as a source (28%). Members believe that being more environmentally responsible will have no impact on their business (49%), however 26% believe it will have a positive impact and only 12% believe that it will have a negative impact. Impacts considered positive are primarily attracting/ increasing customer base as a result of a 'green reputation' (51%) and cost savings through improved building efficiency (41%) and more efficient business processes (38%). 27% of businesses also see potential for cost savings through the introduction of a micro-generation scheme. More information needs to be provided on what positive green opportunities there are for small businesses.

Specific Support should include;

- Support for Research and Development into new technologies coupled with an effective commercialisation process.
- Environmentally beneficial changes should be exempt from rateable value calculations.
- The identification and prioritisation of areas of maximum impact and action to stimulate demand in key areas, e.g. improving the existing housing stock in Wales.
- Training programmes that are focussed on supplying the demand for green jobs.
- A supportive financial regime for investment in environmentally beneficial investments.
- The development of a robust Green Dragon standard with strong support from the Welsh Government and integration into public procurement policy.
- A clear focus on improving the carbon footprint within supply chains within Wales.
- Clear direction, leadership and co-ordination in Wales by the Welsh Assembly Government of actions to reduce carbon dioxide emissions.
- A review of the planning system to allow more flexible response to the challenges of Climate Change.
- Business recycling should be incorporated into Local Authority waste targets.
- The Glastir agri-environment scheme needs to be revised and seriously improved if it is to be attractive to farmers. There needs to be a complementary scheme to guide and support farmers into diversifying their production in response to Climate Change.



# Procurement Support

Over half of members are aware of Sell2Wales as a service, and 1 in 4 have used it. However 43% are unaware and the rating given by those who have used it is in the middle ground (28% fairly good and 30% neither good nor poor).

- This service needs to continue to improve its offering to small businesses and actively promote its services to the small business sector.
- Social clauses need to be considered where appropriate to secure large businesses paying second and third tier suppliers promptly.
- The practice by Local Authorities of 'clumping' procurement contracts should be monitored for its impact on local SME opportunities.
- The success of the pre-qualification (SQUID) questionnaire being developed needs to be monitored with regard to the impacts on SMEs.
- The Welsh Assembly Government needs to provide support to increase private procurement opportunities i.e. business to business. For example, promoting private sector use of Sell2Wales.
- It is vital to ensure best impact of public spend through supply chains in Wales i.e. mapping the supply chain to target any void.



# Crime Support

Crime against business has a detrimental effect on economic development in Wales. We wish to work with the Welsh Government to ensure that significant pieces of work, such as the Business Safety Wales Project, still have a way to be implemented in spite of restrictions on finance.

What the FSB would wish to see is:

1. Crime prevention measures to be exempt from rateable value calculations; as otherwise this is a disincentive to securing premises.
2. A Wales Business Crime Unit, such as discussed in the Business Safety Wales project, should be established in Wales to look at issues such as;
  - An active campaign to encourage businesses to report every crime every time.
  - Designated Police Officers allocated to concentrate on crime against business.
  - Coordination of existing work, such as the Welsh Government E-Crime Unit and Wales Against Business Crime forum.
  - Create one trusted source for businesses to access information regarding advice, through a Wales Business Crime Unit Website and events.
  - There is currently little understanding of the types and impact of crime against business, there needs to be a clear definition and recording system for these types of crimes.
  - Police forces needs to receive improved training on dealing with crime against business to improve their understanding of the consequences and increase sensitivity towards the SME owners and staff affected.



# Retail Support

The retail sector has long been ignored as an area for active business support, in spite of being crucial to vibrant local economies, contributing to the health of other businesses, such as tourism, as well as providing services to local communities. Promoting local shopping is also environmentally beneficial. Some larger retail multinationals may have experienced growth in recent years, but this has not been the case for small independents.

A Retail Strategy for Wales needs to be developed, including;

- All supermarket development within Wales should be compulsorily subjected to an independent retail impact assessment.
- Ensure that the provision of affordable or subsidised retail units is made a condition of new shopping developments.
- New significant housing developments should assess local amenities and include within them plans for basic retail services such as local shops and that public infrastructure be made condition of such a development if needed.
- Charity shops which sell new merchandise should be subject to payment of business rates.
- Regular Town Centre reviews should be undertaken to gauge the vibrancy of the local economy. These should be used to feed into LDPs.
- Business support provision to consider 'mystery shopper' based retail assessments, and offer training and advice.
- There should be active support for local shopping, including local high streets and farm shops. Promotion could take the form of an online shopping directory and Welsh produce days, to promote the sale and use of Welsh produce within Welsh businesses.
- There should be support for the development of the Rural Retail and Rural Communities Scheme to ensure the survival and reintroduction of village shops at the heart of our communities.
- Planning Authorities to be given stronger policy guidelines from Welsh Government to be able to withstand pressure for large developments, and preserve small indigenous businesses.



# Infrastructure Support

Infrastructure has a poor reputation in Wales and long term Wales infrastructure planning is needed, with budgets that are long term and flexible to make this a reality and thinking must not be concentrated on east west or north south.

- If the Severn Tolls are to be maintained, then the money need to be apportioned between Westminster and the Welsh Assembly, and the money ring fenced into upgrading Welsh infrastructure.
- A483/A5 should be upgraded, with support from England
- There needs to be long term strategies for M4 relief, as upgrade projects at the moment are simply fire fighting.
- The electrification of Welsh rail routes needs to be implemented
- The A470 needs regular passing lanes for journey safety and improvement
- There needs to be support for business to improve travel planning, including local routes.
- The Welsh grid system needs to be improved to a standard to support local micro-generation feed in and ensure security of supply.
- There needs to be improved public transport planning, in conjunction with local bus suppliers, to meet local demand. 'On request' timetabling should be used, especially during peak tourist times.
- The Welsh Assembly Government should develop a strategic land use plan to support economic development.



# Rates Support

Business rates are the third highest expenditure for small businesses, and can often be the most complex tax to understand with regard to basis for calculations.

- The Welsh Government to work with VOA to ensure that geographical areas which grow to become successful are not adversely penalised for this through the rates calculations. This is a disincentive for areas to increase the vibrancy of their high streets.
- Business Rates should be within the portfolio of the Minister for Economy and Transport.
- Business should be given a breakdown of what their rates are spent on, so that value for money is accounted for.



# Profile of FSB in Wales Membership

The FSB-ICM 'Voice of Small Business' Annual Survey published at the beginning of 2010 provides a picture of the typical business in Wales:

The majority of members in Wales conduct trade within close proximity of their business. Three-fifths (60%) of annual sales are with customers in their local area while a quarter (25%) are with customers in another part of their region. Over a quarter (28%) of annual sales are with customers in the rest of the UK. Irrespective of the location of the sales, 11 per cent of members' trade is from e-commerce.

Welsh members' businesses are most likely to be based in the retailing and construction/building sectors followed by business services, hospitality industry and manufacturing. The type of business Welsh members are involved in varies according to whether they are based in an urban or rural location. While retailing is spread evenly across the country, there is a greater incidence of business services, manufacturing, health/social work and personal services among urban members. In contrast, rural members are more likely to work in the hospitality, agriculture/fishing and leisure/ sports industries.

Members in Wales, on average, have owned or co-owned their main business for 15.7 years, considerably higher than the UK figure (14.4 years). Rural members in Wales have owned their business longer than those in urban areas (17.1 years compared to 14.3 years). Over two-fifths (44%) of Welsh based FSB members' main businesses are classified as limited companies and a third (34%) of members are sole traders/sole proprietors. While a fifth (18%) are constituted as a partnership, limited liability partnerships account for only one in a hundred.

The private sector has accounted for seven in ten (71%) members' sales during the last 12 months. Two in five (41%) members state that their business has recently supplied goods and/or services to the public sector: local authorities (35%) and schools/universities/colleges (23%) are the most likely destinations followed by the National Health Service (12%).

As befits an organisation that represents small business owners and the self-employed, the mean turnover for FSB members' main business in the last financial year is approximately £458,000. The UK mean is £525,000. At the extremes, a fifth turned over less than £50,000 while seven per cent turned over more than £1 million.

The average workforce of FSB members in Wales currently stands at 8.72, greater than the mean number across the UK (7.35), but lower than the number compared with 12 months ago (10.14). More saliently, while UK members expect some recovery over the year to come, members in Wales expect to employ fewer staff in 12 months time (average workforce of 7.72 compared to 8.72 currently).



“If every SME in Wales employed one extra member of staff, this would create employment opportunities for every person looking for a job in Wales”

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