

Rt Hon Sajid Javid MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

7 February 2020

Dear Chancellor,

We write ahead of the delivery of the first Budget of this new Government. We share your desire to unleash our country's potential, and we are optimistic about what lies ahead.

We have been heartened by the direction you and your party have taken since you became Chancellor. The manifesto you stood on at the last election had a number of clear commitments on what are 'bread and butter' issues both for our members and the mission of driving prosperity across the whole of the UK. We enjoyed strong engagement in advance of your manifesto, to ensure that the requests of small businesses were heard, and then incorporated.

For us, it is the delivery of those key manifesto promises which are paramount at this Budget, to drive the return of small business confidence. As our survey work at the time of the election made clear, the commitments you made, including tackling late payment, extending the employment allowance, fixing potholes and rolling out broadband, were very popular with small businesses. We have set out first in this submission those manifesto commitments which we see as most important to be delivered in this Budget. We intend to strongly welcome delivery of these commitments, and we have also set out options as we see them, for you to go even further.

Second, we have highlighted areas of caution where we have concerns about some areas of government policy, including reform of Entrepreneurs' Relief, IR35 rollout and potentially unhelpful changes to the apprenticeship levy. We believe in giving full, frank, but, crucially, constructive, advice. On these areas of policy, we believe there are some dangers that can and should be avoided. Together with the positive announcements, this could create a game-changer of a Budget for the UK small business community. It would set this administration up at its first major fiscal moment, to be clearly and unequivocally backing our country's 5.8 million strong small business movement - at the start of a strong four years in power.

Lastly, we have set out other measures which we believe are crucial to improving productivity, radically boosting infrastructure and levelling up opportunity and success in the UK. Whether on the design of the new skills fund, the future of our Town Centres, the National Disability Strategy, or tackling crimes against businesses and supporting

small house builders, we believe that putting small businesses at the heart of your thinking will help you with what you want to achieve as Chancellor.

We wish you luck in your preparation of the budget, and look forward to our planned meeting on Monday 17 February. We are grateful for the time you have given us, including during the general election.

Yours sincerely,



Mike Cherry OBE AIMMM FRSA
National Chair



Martin McTague
Policy & Advocacy Chair

1) Delivery of the Government's Manifesto Commitments to help the UK become the best place in the world to start, run and grow a business

Increase the Employment Allowance for small businesses

The Employment Allowance is a very welcome, sensible, measure that contributes to the viability of small employers and helps them afford higher wages and additional staff. We originally conceived the idea of a work-based tax incentive with your predecessor George Osborne, who then created the Employment Allowance and we have keen to see it increase, to enable every small employer to take on four individuals at the National Living Wage without paying national insurance contributions. We therefore agree strongly with extending this allowance from its current level of £3,000 to at least £4,000.

We believe that cutting the burden of employment taxes, rather than pay, staff hours or headcount, is clearly the right approach to mitigating any negative effects of increases to the National Living Wage (NLW). This is especially so given a high proportion of this increase in wages will accrue to government – at least 45.8 per cent through employment taxes alone.

Of course, even with these measures, many small employers would be likely to see their payroll costs increase heavily as a result of NLW rises. However, we believe that this increase will nevertheless help mitigate negative employment effects and be extremely welcome for small businesses.

If the Government wishes to go further, we would suggest either increasing the allowance further, perhaps to £4,500, or at least making clear that as the NLW rises further, so too will the employment allowance – maintaining the original promise for it to cover employer national insurance for four members of staff on the National Living Wage.

We are strong supporters, as indeed FSB was when we supported the introduction of the original National Minimum Wage, of a proper role for the independent Low Wage Commission, in both evaluating the impact of the reduction in the NLW age threshold, and determining the pace of annual increases to the NLW subject to economic conditions.

One year Employers National Insurance Holiday when employing ex-Service personnel

We are supportive of the manifesto commitment to introduce in 2020 a 12-month National Insurance holiday for small firms that hire ex-Service personnel. We would ask you to work to publicise this commitment once in place and we will do the same.

We are committed as an organisation to support Armed Forces veterans, including through our major partnership with X-Forces Enterprise to help ex-Service personnel start their own businesses. We have been actively engaging with the Office for Veterans Affairs and the Cabinet Office on the Veterans NICs holiday. If you are looking at taking additional measures, we would suggest looking at what additional financial support could be made available for those military service leavers who want further training and qualifications to achieve their post-military ambitions.

We have been consistently supportive of targeted National Insurance Holidays for groups who are disadvantaged in the labour market, including the long-term unemployed. We

hope that you will monitor the success of this measure and consider replicating it for other groups in time, including ex-offenders.

Cutting the burden of tax on business by reducing business rates

The commitment to a fundamental 'downward' review that cuts the burden of business rates is very welcome. We would suggest announcing the start of this review at the budget, if not before. It is very important this is not just another review, but one that is clearly aimed at reducing the burden. Previous reviews have been ineffective as they have insisted on maintaining the overall tax take, which is now rising beyond £26 billion.

In relation to what that fundamental review achieves, we would be happy to provide a detailed view, but believe the best way forward would be establish a process for all of those with concerns in this area, including of course HMT, to agree a principles-led approach. We believe this has the most chance of success and, coupled with the crucial overall reduction in the burden, will best avoid the failures of previous attempts for fundamental reform.

We called for an increase in the retail discount to 50 per cent, and welcome that this has been announced ahead of the Budget, and will welcome this when confirmed in the Budget. If you were to go further, we would suggest expanding this to other sectors of the economy, for example manufacturing as well as those businesses on the high street not currently covered, such as gyms. On the former, the international competitiveness of our manufacturing businesses is disadvantaged by our property tax system. On the latter, the current set-up means that a shop on a high street that sells fried chicken will qualify for the discount, while the small gym next door does not.

In terms of the existing system, if you are looking for additional immediate changes, we would suggest uprating the Small Business Rates Relief threshold, solving the disincentives in the system when opening a second property, so important in modern retail and hospitality, matching Scotland and Wales in England by exempting childcare businesses altogether, removing key business improvements from being rated under a business rates assessment, as well as the inflation link altogether given we are to have more frequent revaluations. We would want it to be clear that the retail discount should remain until at least completion of the fundamental review.

Clamping down on late payment

FSB firmly believes it is necessary to end the scourge of late payment once and for all. While the most urgent elements of planned government action are awaiting further steps from BEIS, we know that many small businesses follow the Budget closely and it is an opportunity to reassure small businesses of the seriousness with which this action is taken.

FSB is firmly of the view that it is necessary to hold boards accountable for poor payment by making the audit committee of every large business responsible for payment practices, and that it is necessary to further empower the office of the Small Business Commissioner, as well as ensuring they are adequately resourced.

We believe it is a matter of urgency to release the forthcoming consultation as quickly as possible in advance of the Budget. While traditionally an issue within BEIS, the progress made under the last administration was led by the Chancellor of the Exchequer,

climaxing at a roundtable in July 2019 in 11 Downing Street that he headed. We are very keen to see the Treasury and you as Chancellor play a similarly central role, as sorting out late payments will show leadership of the economy, boosting productivity, GDP and saving 50,000 businesses a year that go out of business due to not being paid promptly.

Help SMEs to become exporters

With the first phase of Brexit now done, FSB sees huge opportunities for UK SMEs in global trade. We now have a degree of certainty for the first time since the referendum result in 2016, and small businesses are ready to pursue their trading ambitions beyond these shores.

FSB is offering to partner with Government on a new campaign to engage small businesses to export, centred around understanding the opportunities created through the new wave of Free Trade Agreements that are now being prioritised. Currently 1 in 5 small businesses export overseas, and our research shows that we could double this number, with the correct support and encouragement.

FSB believes there is a strong case for supporting impacted small firms that trade internationally through the introduction of Export Vouchers, up to the value of up to £3,000.

These vouchers would enable firms to access support they need, which ranges from assistance with any extra costs of trading with EU markets to re-orienting to trade with new markets overseas.

Crucially, these vouchers would put decisions as to what support is most needed with those who know best what support is necessary – small businesses who are seeking to invest in expanding into overseas market.

These vouchers, which we would expect to be small amounts, would help small firms on a range of costs from investments in translation services, additional market research, and finding new clients through attending overseas trade fairs - not only helping to grow individual businesses, but the economy as a whole.

As the Government continues to examine the potential for FreePorts, especially in coastal communities, we would encourage that any plan taken forward should also include the adoption of extra targeted support for local business communities in these areas, such as reliefs on business rates, and help to reduce the costs of doing business. They could be considered as pilot areas to trial new ways to deregulate and boost businesses, to lead to a dramatic increase in entrepreneurship in some of our poorest communities.

Expanding start-up loans

We are pleased at the commitment to expand start-up loans, which we believe will particularly help expand entrepreneurship among potential women and BAME entrepreneurs.

We would ask that you commit to supporting both the Start-Up Loans scheme and the New Enterprise Allowance for the duration of this Parliament. Start-up Loans in particular is now a highly successful scheme, however putting its funding on a sustainable footing

(rather than extending it, yearly) would help it maintain corporate talent and longevity in its own plans.

If you are looking to take additional measures, we would suggest building on the British Business Bank's regional programmes with the ambition of supporting diverse small businesses across the UK. Alongside raising awareness of different forms of finance, we believe a dedicated scheme similar to The Aspire Fund would help more women access the finance they need to grow their businesses.

Broadband and mobile connectivity

We welcome the target to roll out gigabit broadband across the country by 2025, and in particular to connect every small business in the UK – alongside providing greater mobile coverage. This is the first government led by a Prime Minister that has made broadband a top priority on the steps of 10 Downing Street, and we would like to see that matched in the Budget – i.e. putting in place the necessary funding and effectively announcing this on the steps of 11 Downing Street.

Government, industry and regulators should work together to remove barriers to deployment and installation of full fibre, in order to deliver full fibre or gigabit connectivity to all premises by 2025.

We would also suggest that, as a minimum, no premise should receive download speeds of less than 10 Mbps by the end of December 2021, irrespective of whether they have proactively asked to be connected under the Universal Service Obligation (USO).

Where practicable within the USO installation timeframes, we believe these should be full fibre or gigabit connections. We are keen to play a constructive role in enabling the roll-out of full fibre or gigabit broadband to every business in the UK and welcome necessary support for industry in doing so.

The Government should commission a Connectivity Taskforce to advise it on unlocking demand for gigabit-capable connections, especially in the small business community. This could be co-led by groups such as ourselves, and Which? for a consumer angle, to ensure that the UK is ready to take advantage of gigabit-capable connections by 2025.

The biggest ever pothole filling programme

We strongly support the Government's proposals to tackle potholes with £500m a year from 2020. In summer 2019, FSB members across England took part in a huge local campaign to highlight the impact of potholes in each local community and region, on the small business community.

Local roads are critical for smaller businesses, who rely on them to access goods, materials, customers and for their employees to get to work. Our research shows 93 per cent of small business owners rate their car as crucial for their business.

We believe the Government should include local roads in the spend resulting from the hypothecation of VED. Doubling the funding for local roads would send a clear signal that the Government is focused on the everyday needs of businesses, communities and high streets up and down the country.

Self-employment review to access pensions and mortgages

We support the review to explore how Government can better support the self-employed. We would welcome the formal launch of this review at the Budget.

We would suggest access to mortgages and pensions as particular areas of early focus. It has long been a source of frustration – especially to those starting out in business, or considering it – that it can be hard to obtain a mortgage, even while taking pride in enabling employees to obtain one themselves.

Action could be, for instance, in the form of a 'Right to Buy for the Self-employed'. We believe there may be regulatory changes to enable the banks to act, and that in making clear the importance the Government attaches to this issue, solutions, including within existing regulation, can be found.

2) Areas where we are cautious of potential policy changes

Entrepreneurs' relief

We believe that maintaining a sensible system of entrepreneurs' relief is important. It is a clear declaration of support from the Government for the UK's entrepreneurs, an incentive to start a small business, and a recognition that for a huge number of small business owners, selling their business is the only way they have to fund a decent retirement.

Most small business owners have not paid into a private pension – many have foregone this in order to focus on pensions for their staff. This issue is something we have long engaged with government in joint efforts to address. Until we do, Entrepreneurs' Relief provides a way for a small business owner to look after themselves in retirement.

This is not to underestimate the value of Entrepreneurs' Relief to the UK economy in enabling serial entrepreneurship. It is often the case that somebody who sells a successful business will be encouraged, and well equipped, to start another. That should be supported. In addition, scrapping the Relief would impact on firms that want to move to an Employee Ownership model.

In looking at reform we would urge particular protection for those at the lower end. Entrepreneurs' Relief is expensive, and so we recommend focusing it on those it was intended to help – small business owners. The Relief should therefore be focused on the first £1 million – matching the level of the pensions lifetime allowance. It may well be that there is even a case for making the system more generous for those claiming entrepreneur's relief of less than £1 million, enabling restriction at the higher end, which may be less of a seemingly attainable incentive when somebody is considering going into business on their own. We do not believe the UK should have a system where building a successful small business is usually more financially disadvantageous than simply investing in your main home.

In considering any reform, we would ask that you consult fully, and that any reform is phased in over an appropriate time period. We are keen to engage constructively on the question of reform.

In terms of retirement planning, one particular suggestion we would urge you to consider is to ensure that the mid-life MOT works well for business owners and the self-employed, alongside the long-promised pensions dashboard.

IR35

FSB is concerned about the prospect of applying IR35 public sector rule changes to the private sector. This change is likely to impact the incentives of a highly mobile, highly skilled proportion of the working population.

We are concerned in particular that the danger of exit of skilled professionals – either from the UK, or to retirement, or reduced hours – has not been adequately taken into account thus far.

Further, we are concerned that this change will enable large firms to pressurise independent contractors into giving up their independence. While we understand why

there might be short term incentives for a larger firm to operate this way, we are concerned that the long term negative consequences for the UK economy have not been adequately assessed, especially in relation to transmission and availability of technical knowledge and innovation across different firms.

As such, we do not think that the changes in the public sector have, at least yet, enabled an accurate prediction to be made of the likely impact of extending these rules to the vastly more complicated private sector where different incentives operate. The current review into IR35 should be concluded as early as possible, and these issues should be properly assessed, either in this review or an additional review.

Until these issues are properly assessed, we believe that the planned roll-out of IR35 to the private sector in April 2020 should be delayed for at least a year.

The Apprenticeships Levy

Representing the UK's small businesses, we are sceptical of proposals to reform of the Apprenticeships Levy supported by larger businesses, and would be particularly concerned about any widening of the Apprenticeships Levy into a Skills Levy.

We believe in apprenticeships, particularly as a route for young people into good, skilled jobs. As it stands, the UK is well short of our target of achieving three million new apprentices, yet at the same time, the apprenticeship programme is set to overspend. We are concerned that spending on higher level apprenticeships – or more general skills training – can come at the expense of apprenticeship opportunities being available to those most in need of the training, or the small businesses where those people, trained, would be most likely to work.

92 per cent of apprenticeships offered by small businesses are held by 16-24 year olds, and the vast majority (87 per cent) of apprenticeships offered by small businesses are at level 2 and level 3. We believe these apprenticeships are important, that there should be further efforts to raise standards, but do not think higher level apprenticeships commonly used by large levy payers should be at the expense of the ability of prospective apprentices to work in smaller businesses.

It is clear that the immediate shortfall in funding does need remedying, but we are keen to ensure that reform does not come at the expense of those the scheme was originally intended to help, those who would most benefit from an apprenticeship – which will often be in a non-levy paying business. We are nowhere near society, young people or employers yet recognising the advantages of sustained but good apprenticeships and vocational training.

We are, however, strongly supportive of the new Skills Fund. We would suggest designing the new Skills Fund so as to ensure a proportionate amount is spent to help those working – or running – a small business, given that many small businesses would otherwise struggle to compete in a race for funding compared to larger businesses with large HR departments.

VAT

FSB welcomed the announcement of a VAT threshold freeze until 2020 at the Autumn Budget 2017 as it provided certainty for the medium-term. We particularly appreciated

being named in the Chancellor's Speech on this measure, as it followed discussions between FSB and the previous Chancellor. However, we do want to see the VAT threshold once again rise in line with inflation, and not fall over time to the low levels seen in EU27 countries. There are already moves to reduce and harmonise the threshold across the EU27, but this is where the UK should seek to diverge.

VAT is a burdensome and complex tax which sees, on average, small firms spending more than a working week a year complying with the obligations it brings. A long-term freeze that extends this complexity to even more small businesses, with lower turnover, would be a mistake, and prove a particular disincentive to starting a new business.

At the same time, we urge the Government to take action to help the small firms who are afraid of growing their businesses because they fear the extra paperwork brought about by going over the £85,000 threshold. As such, we urge the Government to take forward the ONS recommendation of tapering the VAT financial burden above the current threshold with the aim of resolving this cliff-edge anomaly. This will reduce the desire of these businesses to remain below the threshold, and is likely to encourage them to continue to grow past the £85,000 mark.

Insurance Premium Tax

In recent years, small firms have experienced a series of significant increases in the Insurance Premium Tax (IPT). The standard rate of IPT in the UK is now the sixth highest in Europe. IPT affects all motor, home, travel, and health insurance policies, whether personal or commercial. Unlike VAT, businesses cannot claim back the cost of IPT. FSB is deeply concerned that rises in IPT disproportionately affect those at the greatest risk of lacking appropriate insurance protection.

Therefore, we call on the Government to send the right signal to the business community by ensuring IPT remains frozen at the current level.

Dividend Allowance

We believe changes to dividend taxation have created a further disincentive for businesses to invest and grow. Many of our members, including those on modest incomes, are already struggling with rising business costs. There should be no further adverse changes to the current allowance threshold. We continue to believe that singling out small business owners or the self-employed for tax rises would be wrong.

Making Tax Digital

Making Tax Digital (MTD) has the potential to improve the experience of tax compliance for small businesses, as well as to facilitate the provision of business support, access to finance, and tax credits. If the Government wants to encourage voluntary take-up of MTD, we believe they should build on this potential and provide the smallest of firms with support to manage their cash flow and predict the levels of taxation.

However, it remains crucial that there is no compulsory requirement on non-VAT registered businesses as part of MTD, in light of the current challenges many micro and small businesses are facing. We ask for this commitment to be made clear for the rest of this Parliament, enabling the recent reforms to bed in before expanding them.

3) Further proposals to boost productivity, infrastructure and level up our economy, including for the self-employed

Design of the new Skills Fund

We are supportive of the new Skills Fund. 60 per cent of the private sector workforce works in a smaller business, so, in order to ensure this fund is spent where it is needed, we would ask for a commitment that a proportionate amount of this money is spent with smaller businesses. More granular commitments, to spend appropriate amounts with small businesses and the self-employed, would also be welcome.

We are keen to be involved in the design of the fund. Starting, running and growing a business is far from easy. We would like the new Skills Fund to have a major focus on providing sufficient training in leadership and management in small businesses to close the UK's productivity gap.

We also believe retraining is crucial. Any national retraining schemes should be designed with small business in mind. We ask that small businesses and the self-employed, as well as trade unions and larger businesses, be involved in the design of the schemes.

Tax treatment of training for the self-employed

Learning new skills can help increase business competitiveness, efficiency and longer-term effectiveness. However, the self-employed are less likely to have undertaken training than employees. Just under half of the self-employed have taken time off for training over the last 12 months. When they do choose to invest in training, not only do they have to pay for the cost of training, they also have to forgo the income for the time spent training instead of working.

Currently, the self-employed can claim tax relief for training relating to their existing skills, but not on new skills, even if there is a valid business need. As the economy changes, digital skills are becoming increasingly necessary for businesses to survive, grow and adapt to the changing economy. The self-employed should be encouraged to complete digital skills training, especially when this means developing new skills.

T-levels

FSB is particularly concerned about the ability of small businesses to host T-level students for a 45-day work placement. If T-levels are to work for both students and businesses, there should be clear incentives and guidance for small businesses when it comes to offering significant placements. Our research found only six per cent of small businesses in England would be able to offer work placements under current plans for T-levels.

Department for Education research found that employers were concerned about the administrative and time burdens of T-level industry placements. We welcomed the launch of the £7 million pilot to explore ways to help cover the costs accrued by employers associated with providing a work placement.

We now believe a permanent solution is to put in place a fund where money will be directly provided to small business employers providing work placements. This should

be similar in scope and size to the Capacity and Delivery Fund that has been set up for training providers.

Local Industrial Strategies and the Shared Prosperity Fund

We would ask the Government to prioritise high quality business support and a well-run Shared Prosperity Fund as part of efforts to boost regional growth.

On both business support and the Industrial Strategy, there is now the opportunity to take a long term view at what is, in practice, most beneficial to small and micro businesses.

We would suggest ensuring that local industrial strategies have a proper focus on helping the self-employed and micro businesses: addressing their skills needs through Skills Advisory Panels; delivering leadership and management training to small business owners and ensuring that Local Enterprise Partnerships adequately address the needs of small firms.

Infrastructure

We would ask that the Government focuses on the local transport system as much as national projects.

We believe spending on local roads should be double its current rate and all local transport spending should be ring-fenced. In addition, local roads should be included within the scope of the new roads fund.

We ask the Government to implement the Williams Review recommendations by supporting both passenger and rail freight enhancements and providing funding for better quality public bus services, particularly in our rural communities.

We believe it is important to give certainty to long-term infrastructure projects, committing to build the airport capacity, local, regional and high speed rail and the energy infrastructure we need.

We ask the Government to devolve Air Passenger Duty to Wales to support the development of new international trade and tourism routes; and reverse chronic underinvestment in rail infrastructure in Wales by committing to the electrification of the South Wales mainline to Swansea and investing in Growth Track 360 in North Wales.

Mobile connectivity

For many small businesses, good mobile connectivity is as important as good broadband connectivity. FSB wants to see both the 2020 (5G and 4G) spectrum band auctions take place as scheduled, without delays. We believe that funds raised from both of the 2020 band auctions should be ring-fenced to be spent on infrastructure improvements.

Fuel Duty

FSB has celebrated the 9-year fuel duty freeze as a considerable achievement of this and the previous Government, which has supported business communities across the UK. We urge the Government to continue to freeze fuel duty at its current level, thus providing

a significant boost to small business confidence and stability. At the same time, we would ask that the Government accelerates work to ensure that small businesses can access the new generation of electric vehicles, and that new electric vehicle infrastructure, such as charging points, is designed in the best possible way to support UK town centres and high streets.

Town Centres

We are strongly supportive of action to help town centres and high streets.

As well as action on business rates, we ask that the Government acts to increase car parking availability, making sure more spaces are offered free of charge, especially at key times of year, and increase buses and green modes of transport so more people can easily access the high street.

We also ask that the Government acts to ensure that the planning system, local banking services and the public realm are attracting people to our town centres. Considers introducing Enterprise Zones into areas that most need support. FSB assisted the Treasury on the 'High Streets Package' announced in Budget 2018, and we would like to be involved in a future package if you decided to make this a priority. We believe this will be a major political and business battleground for the medium-term, and would appreciate being involved in making positive changes for local business communities.

Outside of England, we believe it is important the Government commits to the Towns Fund providing investment for Scotland, Wales and Northern Ireland, and ask that this is made clear at the Budget, if not before.

National Disability Strategy

We are strongly supportive of efforts to tackle the disability employment gap and help more disabled people gain and maintain employment.

We have engaged extensively with Government, most particularly the work and health unit, and believe there are clear steps that can be taken to boost retention in work. Most particularly, we support the package of proposals put forward in the recent DWP consultation 'Health is Everyone's Business', which included a Sick Pay Rebate and financial support to help increase access to Occupational Health.

We are aware of numerous proposals for Government to help businesses who are taking active steps to help retention of people with disabilities. We believe strongly that the above measures, developed by Government working with businesses, the health sector and disability representative groups, will be the most effective.

Universal Credit - start-up period

The start-up period should ensure that newly self-employed people on Universal Credit get the time and space to focus on creating a growing business that provides them with a sufficient income. However, viable and ultimately successful businesses often take longer than a year to start up, with evidence pointing to the self-employed earning four times as much in their third year than the average for those who have been running a business for less than a year. For many, the application of the Minimum Income Floor after a year will prevent them from going on to lead successful businesses.

The Government should extend the start-up period from 12 months to at least 24 months. We estimate this would cost about £150 million a year by 2022/23 based on the number of self-employed people currently on working tax credits that have been in business. Extending the start-up period would not only support people into long-term successful work through business ownership, but also demonstrate the Government's commitment to entrepreneurship. We would see more businesses created, and more businesses surviving, as a result.

Universal Credit – Minimum Income Floor

The nature of self-employment is fundamentally different to employment. Some will miss out on support, not because of the level of their income, but because their income is volatile, month-to-month. We believe there are steps that must be taken to ensure the system adequately supports the self-employed and recognises the realities of their income generation.

Applying the Minimum Income Floor on a monthly basis hurts those who conduct seasonal or occasional work, are experiencing a downturn, a bad debt or the bankruptcy of a key customer, as well as businesses that incur large expenses in certain months, or those that have to purchase tools or machinery. To ensure that self-employed people whose incomes change from month to month get the social security support they need, the Minimum Income Floor should be applied on a quarterly or annual basis. Based on the number of self-employed people with variable incomes on working tax credit, we estimate that this would cost around £250 million a year.

Introduce adoption pay for the self-employed

Employees are entitled to Statutory Adoption Pay if they choose to adopt a child. However, those who are self-employed receive nothing at all. This represents an additional barrier for the self-employed to adopt, with many adopters having to demonstrate their ability to spend a year with a new child to strengthen their application.

Adoption can transform the lives of our most vulnerable children and give them a stable and happy home. There are 1,100 children waiting on the adoption register, unable to find permanent homes. We should be supporting and encouraging people, including the self-employed, who are interested in adoption, rather than maintaining additional barriers. It also makes financial sense for the taxpayer: the average cost for a year's foster care placement is £41,600.

We would ask, therefore, that the Government consider an Adoption Allowance for the self-employed. This could be based on the Maternity Allowance self-employed new mothers are currently entitled to. This would bring support for the self-employed in adoption in line with support for new mothers. We estimate that doing so would cost around £5 million a year based on the number of adoptions.

Policing

We would urge the Government to take steps at the Budget to combat business crime, which costs the small business community more than £15 billion a year, wrecks livelihoods and ruins lives. Our latest survey on this showed that fifty per cent of small businesses have been a victim of crime in the last two years. FSB is engaging with

candidates for Police and Crime Commissioners in their elections in May, to make sure that business crime is prioritised by all of them. Over the last term, only a handful of them have done so.

We would warmly welcome funding changes which ensured that crimes that affect businesses, those who run them and those who work in them, are tackled promptly, sensitively and effectively. This includes the growing threat of cybercrime.

Social Care

Small businesses are a crucial part of the delivery of adult social care, and the quality of adult social care is key to so many who work in and run small businesses.

These services must be properly funded and designed with small businesses in mind. We are keen to work with the Government constructively on how this could best be done.

Small house builders

Affordable housing is a must for firms looking to live and recruit in areas with high property values, and rural areas.

We would ask the Government to consider small businesses as a vital part of the solution, and commit to bringing forward a small house builders strategy to reverse the decline in the number of small house builders from 12,000 in 1998 to only 2,500 today.

Small house builders typically have very different business models to large house builders, and a different set of policy solutions is needed to help them build more homes.

We believe a distinct strategy to help small house builders would help enable these solutions.