



Realising the potential of small businesses

FSB Manifesto
Northern Ireland Assembly Election 2016

The Federation of Small Businesses (FSB)

FSB has grown since our founding in 1974 into the UK's leading business organisation. Our mission is to create the best environment for businesses to start up and thrive; our success will drive the economy and create jobs.

We are member-led, so that we authoritatively protect and champion the interests of our members and the entire small business sector. We represent every industry sector of the economy, with nearly 200,000 members across the UK. In Northern Ireland, our 7,000 members comprise owners of SMEs and micro businesses, as well as self-employed people, with many of them owning multiple enterprises.

Proud of our independence, we ensure the voice of small business is heard by decision-makers at every level of Government – from local council right through to Brussels.

We support our members directly through the provision of a range of market-leading benefits and advisory services including employment law, taxation and finance.

We also lobby to change policy to improve the operating environment for small businesses, resisting bureaucracy and proposing practical solutions to the problems they face.

FSB Northern Ireland Small Business Manifesto

This Manifesto is aimed at policymakers of all political parties. It has at its foundation the recently published report, commissioned by FSB from the Ulster University Business School's SME Centre, *The Contribution of Small Businesses to Northern Ireland* (hereinafter referred to as The UU Contribution Report)

That report provides the most authoritative evaluation to date of the role that small businesses play in both the economy and wider society in Northern Ireland. It clearly demonstrates that SMEs are absolutely central to employment and well-being – employing more people than large businesses and the entire public sector combined.

Given these findings, it is essential that the next *Programme for Government* prioritises small business in its policymaking, due to the proven ability of this sector to create the employment and wealth that is required to transform and rebalance the Northern Ireland economy.

The Northern Ireland Executive needs to place small business firmly at the heart of all of its plans, using its powers to remove barriers rather than adding to them.

This Manifesto sets out the key issues that FSB members in Northern Ireland have identified as concerns, together with a range of practical policy proposals to enable politicians to respond and improve the environment in which this vital sector of our economy operates.

Foreword

As experts in business, FSB offers our members a wide range of vital business services, including advice, financial expertise, support, and a powerful voice in government. Our sole aim is to help small businesses to achieve their ambitions.

This support is vital because the SME sector provides employment across the entire region; it makes a substantial contribution to social cohesion; and creates wealth for the local economy in the form of wages, business rates, and the purchase of goods and services from other indigenous suppliers.

We also survey our members regularly to identify the issues that are causing them concern, so we can develop policy solutions on which we then lobby to effect change. This Manifesto sets out the actions that FSB members want to see the next Northern Ireland Executive take to support the 120,000 small businesses that make up over 99 per cent of the local private sector.

The Northern Ireland Assembly and Executive can take positive steps to deliver economic growth and employment opportunities, rebalance the public and private sectors, and make Northern Ireland a better place to do business.

SMEs, micro businesses and the self-employed have never been more important to the Northern Ireland economy, as the focus on rebalancing continues to restrict expectations of public expenditure. Northern Ireland has the highest concentration of SMEs in the UK, and it is these businesses that make the greatest contribution to turnover, employment and GVA.

SMEs also play a major role in wider society, making a substantial contribution to the socio-cultural fabric of their local area by employing people who were previously long-term unemployed, engaging with schools, colleges and community groups, and donating time, services and money to local charities.

A dynamic economy is paramount to a vibrant society. There is no doubt that small businesses play their part - and are ready to do more. Our research indicates that 80 per cent intend to grow, so the potential of the sector to expand and flourish under the right conditions is enormous and must not be overlooked; but Northern Ireland needs a boost. We still have high levels of youth unemployment and economic inactivity exacerbated by low productivity; low GVA and export levels; weak levels of entrepreneurship; and a perceived reliance on the public sector for secure employment, and subvention from Westminster for our funding.

By supporting our small business sector – helping to grow existing enterprises and encouraging the creation of new ones – we can increase confidence, leading to more employment, innovation and exports. This will increase prosperity, self-reliance, and well-being. By growing the private sector we will be able to afford to fund those crucial public services we all want to maintain and improve.

Our members tell us that they want to see:-

- A reduction in business rates and corporation tax.
- Better broadband provision.
- More help with online/marketing activity.
- Better availability of skilled staff.
- A reduction in bureaucracy and regulation.
- A reduction in VAT.
- Action to address late payments.

Notably the most pressing concerns of the small business sector are around political uncertainty and economic stagnation. These issues must be addressed.

This Manifesto sets out evidence-based proposals to address the concerns expressed by our members, drawn from both commissioned research and our own policy development over the past five years. Most importantly, this Manifesto is based on robust consultation with our members, through surveys, interviews and discussions.

In the context of having achieved genuine political stability, if the next *Programme for Government* adopts and enacts the proposals contained in this Manifesto, it will transform the business environment, delivering massive benefits to the local economy. Thousands of small businesses will be assisted to grow and create jobs, leading to a more prosperous society. To ignore them will lead to increasing burdens on business, discouragement to entrepreneurs and an unbalanced and slower recovery.

Adopting our proposals will be an investment with tangible future returns, in the form of increased productivity, GVA, employment, and social cohesion. To implement them will require focus, coherence and long-term decision-making by those seeking to lead Northern Ireland, to provide the conditions for businesses to start-up, grow and deliver economic recovery.

FSB calls on the next Assembly and Executive to back small business and work with us to realise the potential of SMEs.

Wilfred Mitchell OBE

FSB NI Policy Chairman

Contents

Foreword

Executive Summary	7
The Political Context	12

Realising the Potential for Growth

The Economic Context	13
Business Support	15
Public Procurement and Prompt Payment	17
Access to Finance	20
Business Crime	21

Realising the Potential for Doing Business

Rates	24
Energy	27

Realising the Potential for Better Regulation

Regulation	30
Planning	32
Employment Law	34

Realising the Potential to Connect

Broadband and Telecommunications	37
Transport Infrastructure	38
Tourism	39

Realising the Potential for the Future

Education, Apprenticeships and Skills	42
Export and Innovation	44

Executive Summary

What the next *Programme for Government* should do for business to ensure robust, dynamic private sector growth

The next Northern Ireland Executive should:

- Deliver political stability, inspire confidence for investors, and build a global reputation for Northern Ireland as *the* place to do business with a new low rate of corporation tax.
- Put small businesses at the heart of their economic planning and develop a culture that recognises the need for small business to generate the wealth that will create jobs and support communities.
- Ensure businesses and start-ups have easy access to advice and support to help them to survive, thrive and grow.
- Ensure public procurement is structured to give maximum opportunity to local, small businesses.
- Ensure that all public bodies pay their bills to small businesses within a maximum of 30 days.
- Ensure that businesses can access the capital they need to trade and to grow.
- Bring a greater focus on business crime, ensuring robust measurement so that it can be effectively managed and reduced.
- Overhaul the non domestic rates system to ensure account is taken of ability to pay.
- Act to reduce the cost of energy for small businesses and guarantee security of supply.
- Use the resources of the Northern Ireland Civil Service to cut red tape and reduce the cost of doing business.
- Improve the effectiveness of the Planning System.
- Make it simpler and less risky for small business owners to employ people.
- Ensure availability of a high quality, well-educated and well-trained workforce that continue to improve and learn new skills.
- Connect businesses better by telecommunications, broadband, road, rail and air.
- Enrich our small business economy by attracting revenues from tourism, exports and innovation.

It will do this by:

Corporation Tax

- ✓ Setting a **date and a rate** for the implementation of a lower rate of corporation tax.

Business support

- ✓ **Creating a Small Business Advocate** with statutory powers to test policy against the interests of small business and embed their needs at the heart of policy-making in Northern Ireland.
- ✓ Developing a network of **Small Business Advice Centres** to provide accessible 'one-stop-shops' for businesses to access help, support and advice.

Procurement and late payment

- ✓ Transforming the culture around procurement and prompt payment, demanding that all public bodies sign up to the **Prompt Payment Code**.
- ✓ Requiring fair treatment of sub contractors by main contractors and undertaking investigative and audit measures to ensure compliance.

Access to finance

- ✓ Demanding more detailed data from the banks, championing small businesses to get more equitable treatment, encourage greater competition and increase awareness of alternatives.

Business crime

- ✓ Recording business crime as a separate category; making sentences tougher on conviction; engaging better with the business community to improve reporting and deterrence.

Non-Domestic Rates

- ✓ Maintaining support for small businesses in the short term through the **Small Business Rate Relief (SBRR)** scheme until a fairer replacement system can be developed and introduced.
- ✓ Considering the permanent removal of the rates burden for small businesses, or introducing a rates allowance for all premises, similar to the Personal Allowance for Income Tax.

Energy

- ✓ Empowering small businesses to compare different electricity contracts and tariffs by compelling the suppliers to publish easy to understand and comparable information.
- ✓ Prioritising the construction of the North-South interconnector.

Regulation

- ✓ Implementing the recommendations from the **Review of Business Red Tape** and the Innovation Lab on Regulatory Impact Assessments, especially the creation of the new **Independent Scrutiny Committee** to oversee Regulatory Impact Assessments.
- ✓ Publicising new regulations and standards in plain English
- ✓ Introducing a Regulatory Budget for Northern Ireland, published and debated in the same way as the fiscal budget, and based on the cost to business of the regulation and not on its wider benefits.
- ✓ All new regulations should hold sunset clauses to expire within a maximum of five years, allowing every new Assembly to update regulation.
- ✓ Creating a single **Business Regulation Hub** for all regulators in Northern Ireland.
- ✓ Placing a statutory obligation on all Northern Ireland public authorities to take account of the business impact of all of their functions and actions.

Planning

- ✓ Bringing **consistency** to the implementation of the planning process, demanding higher standards of performance from all of the public bodies associated with it.
- ✓ Developing an **online interactive tool** to guide small businesses through the planning process, similar to that currently available for householders.

Employment and skills

- ✓ Reducing the amount of regulations, simplifying them and cutting the associated paperwork.
- ✓ Introducing fees for claimants applying to the Industrial and Fair Employment Tribunals.
- ✓ Increasing interest in **STEM** subjects at schools and improving engagement and performance.
- ✓ Focusing on **business skills** and alternative routes to employment within the curriculum and career guidance classes at secondary level education.

-
- ✓ Protecting investment in post-secondary education and apprenticeships and ensuring that **practical, vocational education** is a viable option for students.
 - ✓ Ensuring that the *Youth Strategy* and *Apprenticeships Strategy* are managed together, regardless of departmental responsibilities, as they are interdependent.

Connecting business

- ✓ Delivering **100 per cent superfast broadband** coverage and mobile throughout Northern Ireland.
- ✓ Providing help to businesses to get online and trade online.
- ✓ Improving public transport provision and transport links around Northern Ireland.
- ✓ Reinstating the upgrade of the **A5** to improve transport links with the North-West.
- ✓ Establishing a **high-speed rail link** between the Belfast International Airport and the new transport hub in Belfast.
- ✓ Considering reversing current bus lane policy and halting the increasing hostility towards car users coming to Belfast.
- ✓ Striving to **decrease Air Passenger Duty** on short-haul flights to compete more effectively with the Republic of Ireland in attracting visitors, either by its own action or by successfully lobbying the Government at Westminster.

Bringing wealth to Northern Ireland

- ✓ Identifying long-term sustainable action to enable tourism businesses to operate year round, rather than simply during summer months.
- ✓ Ensuring that small businesses are not detrimentally impacted by **one-off global tourism** events but can be supported to benefit from them.
- ✓ Expanding tourism initiatives beyond the key signature projects to the whole of Northern Ireland.
- ✓ Reconsidering any proposed regulatory changes that are likely to require additional expenditure by owners or managers of tourist accommodation in Northern Ireland, many of whom are already experiencing financial challenges in the current economic environment.
- ✓ Promoting innovation through **Knowledge Transfer Networks and Partnerships**.
- ✓ Supporting small businesses by identifying international trading opportunities throughout the world for Northern Ireland firms.

The Political Context

Our 2015 research, *The UU Contribution Report*, undertaken in partnership with Ulster University Business School's Centre for SME Development, revealed that one of the largest concerns amongst SMEs is political and economic instability, with almost 25 per cent citing it as the primary restriction on their ambitions for growth.

If this were addressed, and each SME employer created just one additional post, the local economy would be transformed. That is why creating a political and economic environment in which small businesses have confidence is essential if we are to progress in rebalancing, rebuilding and growing our economy.

While FSB remains hopeful that such confidence can be developed, there has been significant uncertainty over the last year about the stability of the Stormont Executive. Particular concern amongst SMEs has been the huge cost to the local budget arising from the £8 million monthly levy being returned to HM Treasury in the absence of agreement on implementation of welfare reform. This undoubtedly contributes to the fears of small businesses who are concerned about economic stagnation, in the context of public sector cuts, limited access to finance and rising taxes.

The political and economic environment is, by some distance, the biggest source of concern for SMEs in Northern Ireland when considering their future prospects. The next Assembly and Executive must realise the potential of small business by prioritising the creation of the conditions for stability and growth to protect and promote the interests of small businesses across Northern Ireland.

By adopting the recommendations in this Manifesto within the next *Programme for Government*, small businesses will be enabled and encouraged to grow and thrive, contributing substantially to the much-vaunted rebalanced economy.

¹ Ulster University research commissioned by FSB NI. The Contribution of Small Businesses to Northern Ireland (November 2015)

The Economic Context

The majority of small businesses do *not* pay corporation tax; yet FSB research indicates that the number one priority for the SME sector within the next *Programme for Government* for Northern Ireland is a reduction in corporation tax.

FSB in Northern Ireland has been at the forefront of calling for the devolution of the power to set the rate of corporation tax, and believes that the rate should be reduced to encourage inward investment and enable indigenous businesses to reinvest in their companies.

UK Government figures reveal that if the current rate of 20 per cent was lowered, around 34,000 businesses in Northern Ireland would stand to directly benefit, including 26,500 small businesses.

We continue to urge our elected representatives to ensure the **'date and rate'** – the level to which it will be reduced, and the date from which that new, lower level will apply, and does not slip. This move, more than any other single economic measure, will serve to generate confidence amongst small businesses and in the capacity of local political institutions to demonstrate fiscal responsibility and a spirit of enterprise.

Recommendation:

- Guarantee the **'date and rate'** for the implementation of a lower rate of corporation tax using the powers that were devolved at the start of 2015.

Realising the Potential for **Growth**

Business Support

When FSB members were asked which barriers had impacted most on the success of their business in the past twelve months; a lack of suitable business support ranked highly. Perhaps unsurprisingly, SMEs wanted to see more support and investment for small businesses, rather than for large FDI companies.

In considering how best to provide effective business support, FSB has identified the need for a powerful, coordinating voice within the Executive which will ensure consideration of small business is kept to the fore in all Departments; both in all policy development and in implementation of regulation.

The small business 'champion' will also ensure consistency of policy across the Executive; and keep the focus on establishing and maintaining a vibrant business environment.

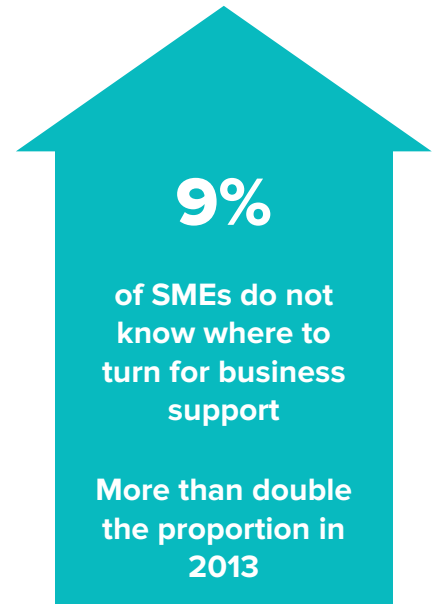
Separate and subordinate to the overarching administrative and regulatory environment, businesses also need to be able to have clear access to advice, funding and support services. Northern Ireland does not lack provision of a wide range of business support, however, the methods of reaching SMEs with the products available do not seem to be working effectively.

Independent surveys undertaken recently by both the Ulster University and Invest NI have shown that FSB tops the list of sources to which businesses turn for support and advice in Northern Ireland. Whilst this is a welcome endorsement of the reach that FSB enjoys, it is also concerning that so much of the support offered by other organisations, largely at a cost to the public purse, is less easily identified and accessed.

Increased use of business advice has been shown to lead to improved productivity in SMEs. A revamped business support environment, focused on accessibility and delivery, will help to unlock the potential of small businesses and drive growth in Northern Ireland's economy.

Areas identified by small businesses as priority for support include getting online, marketing, developing and training staff and managers, online trading, and access to public procurement. In addition, some of the top ranked obstacles and barriers confronting businesses were identified as: cash flow / late payment; business rates; burdensome regulation; and access to finance.

Currently, government-funded small business support is provided by a bewildering array of around 200 plus publicly funded organisations offering up to ten forms of support each, making around 2,000 separate forms of support in total.



It is evident that ‘enterprise support’ is a very crowded and complex space yet, in spite of the volume of providers and forms of assistance, the take-up of support for small business from local or regional government appears to be relatively low. Amongst respondents to an FSB survey, 11 per cent had approached Invest NI, whilst support from local councils and enterprise bodies was sought by only 4 per cent respectively. Of great concern is that 9 per cent of all respondents did not know where to turn to seek support, highlighting the complexity of the current support environment.

It is welcome that there are various streams of grant, loan and growth funding available to small businesses – they are vital sources of support and must be protected and developed - but we need to ensure that they are also easily identified and accessed.

Recommendations

- Create a **Small Business Advocate** - an independent voice for business at government level with statutory powers to test policy against the interests of small business.

The Small Business Advocate will link business and government, encouraging a sense of common purpose, and will inspire a culture of enterprise in Northern Ireland by acting as a champion for small business and embedding their needs at the heart of policy-making in Northern Ireland. Most importantly, the Advocate will assist the Executive in its key aim of delivering private sector growth, with all the benefits of a stable, prosperous society and high quality, sustainable jobs which that entails.

- Develop a network of **Small Business Advice Centres** to provide accessible, ‘one stop shops’ for businesses to access help and support. This network will be staffed by trained advisors, with business experience, allowing access to information and literature on services, and providing a sign-posting service to the full range of business support in Northern Ireland.

Prompt Payment and Access to Public Procurement

The single largest obstacle to survival and growth for small businesses in Northern Ireland is maintaining their cash flow and getting paid on time. The average cash flow cycle for a micro or small business is eight weeks, compared to months or years for large businesses, which have reserves to draw on if receipts are slow to come in. Unpaid invoices can result in a small firm finding itself unable to pay its own suppliers or settle essential service bills, such as utilities.

The public sector is a major source of demand and an important customer for many small businesses, and a potential customer for many more. By using local suppliers, government buyers can expect better value for money, better quality of service and more innovative and punctual completion of contracts; but the public procurement system does not fully enable small businesses to realise their potential for growth and job creation by selling to the public sector.

In Northern Ireland, public authorities spend around £3 billion a year on buying goods, services and expertise. However, evidence from FSB members suggests that SMEs encounter significant barriers in tendering for government contracts. Small businesses are not always given a fair chance to compete against larger businesses, and may not be aware of ways in which they can maximise their chances of winning public sector contracts.

In our UU Contribution Report, small businesses told us that they want government to enforce payment deadlines, protect supply chains and rebalance procurement towards SMEs.

In 2009, the Assembly's Committee for Finance and Personnel conducted an *Inquiry into Public Procurement Policy and Practice in Northern Ireland*, and made 52 recommendations to the Department of Finance and Personnel as a result. These included all of the recommendations which FSB made to the Inquiry. However, since the Inquiry and the development of the *Procurement Board's Action Plan*, FSB has continued to be contacted by businesses facing significant challenges when bidding for public sector contracts.

As a result, we commissioned further research² into members' experience of the public procurement system in Northern Ireland,



² The Realities of Public Procurement for SMEs in Northern Ireland, RSM McClure Watters / FSB, 2014

identifying a number of key issues, such as accessing tender opportunities, responding to tenders, and receiving feedback on submissions.

The following areas of concern have been raised by FSB members:

- Lack of information on future work.
- Clarity of tender documents, unfair qualifying criteria, restrictive experience requirements and third party accreditation requirement.
- High costs of tendering and experience requirements.
- Award criteria, poor feedback, scoring issues and legal challenges.
- Problems around late and disguised late payment.

Some good work is already underway in terms of increasing SME access to public procurement. Some guidance has been produced for SMEs, public sector purchasers and subcontractors working on government construction contracts. The publication of all CoPE contracts over £30,000 on the **eSourcingNI** portal is a step in the right direction, but a lower threshold would extend opportunities to more small businesses. Simplification and standardisation of processes and contracts are further positive developments, as is the inclusion of a prompt payment clause as a standard condition of contract.

However, the experience of FSB members indicates that there is significant room for improvement throughout the system.

Recommendations

- Continue to monitor all contractor payments, but also initiate an audit / unannounced inspection process that includes contacting the contractor for information on when invoices were submitted, if they had to be resubmitted, how many times, and when payment was received.
- Extended audit of payments to include primary contractors to sub-contractors.
- Determine contractor satisfaction by questionnaire or interview. Take action to address areas of dissatisfaction.
- Revise the SME Guidance to create a step-by-step guide to include tendering and invoicing.
- Publish all contracts on **eSourcingNI**, including small value contracts and local government contracts.
- Ensure there is oversight of all public sector contracts in NI, including those from NDPBs or other bodies not currently included in a CoPE.

-
- Ensure all staff who might be involved in procurement exercises are properly trained in the process and aware of CPD requirements and guidance.
 - Ensure that feedback to unsuccessful bidders is meaningful and includes information on how the winning bid was successful, or what improvements could be made to their tender submissions. A level of detail while maintaining commercial confidentiality will be necessary if perceptions of favouritism or bias are to be dispelled.
 - All public authorities in Northern Ireland should sign up to the **Prompt Payment Code**.

Access to finance

60%

of FSB members
feel that finance
options are
unaffordable.

Every business needs finance to survive, invest and grow. Businesses that are confident in their ability to access finance will seize opportunities for growth, resulting not only in a reduction in unemployment but also an increased tax return.

FSB research, published in 2012, revealed that almost two thirds of small businesses consider credit availability to be poor, with 60 per cent of respondents suggesting that the finance options available were unaffordable.

The Northern Ireland banking market is dominated by four major banks, which share 90 per cent of the available banking products. This limits competition, resulting in fewer financial packages being made for small businesses and less specialist advice and guidance than elsewhere in the UK. In fact, small businesses are often disadvantaged by having to pay the same fees as larger businesses without having access to the same benefits, such as buffer zones or grace periods for late fees and overdrafts.

This shows a disregard, or worse, by banks to the fact that 99 per cent of the private sector in Northern Ireland is comprised of small businesses, producing over three quarters of GVA in the private sector. This is further compounded by the lack of banking figures specific to Northern Ireland on the uptake of financial products and services amongst SMEs.

Recommendations

- Demand more detailed and robust data from the banks to ensure proper availability of competitive finance options and banking services, including information on the finance available to local start-up businesses.
- Champion small businesses to ensure more equitable treatment in fees, charges and services compared to larger firms.
- Encourage greater competition in the Northern Ireland banking market to deliver better interest rates and services for small businesses.
- Increase awareness of alternative financing options, which current research shows to be low.

Addressing Business Crime

Business crime is widely considered to remain under-reported and, additionally, reported crimes against businesses are grouped together with domestic figures. This means there is an inaccurate picture of the extent to which crime impacts on local businesses and the economy in Northern Ireland, and risks undermining confidence in the justice system.

Changes in policing provision, due in part to resource constraints, make it all the more important for an open relationship to be established between business owners and their local PSNI. **The Policing and Community Safety Partnerships (PCSPs)** provide a valuable platform to ensure that business crime is recognised, recorded and effectively targeted so that its impact can be recognised and reduced.

Business crime is often most apparent in retail crime figures, however, this does not provide a full picture of the extent to which crime impacts on all businesses throughout Northern Ireland. It is anything but victimless; not only affecting the business and its owner but undermining relations with staff and customers, and it very often takes an additional toll due to the time taken to recover from the crime.

With a disproportionately large rural economy in Northern Ireland, figures from the Ulster Farmers Union (UFU) revealed that in 2013 there had been a 15 per cent increase in rural crime, but the rapid development of online banking and trading has meant that criminals no longer need to be local to target businesses.

Research conducted in February 2014 by FSB showed that 41 per cent of FSB members had been the victim of cyber crime, leading to FSB publishing guidance for its members to help them stay safe online.

Recommendations

- Record Business crime figures separately from domestic figures to enable a more accurate picture of business crime to be produced; and more specific action, education and resources to be developed and deployed.
- Encourage local small business owners to participate in **Policing Community and Safety Partnerships (PCSPs)** in order that they may raise concerns around safety and crime in their local context.



15%
increase in
rural crime
in 2013



February
2014 FSB
research
reveals that
**41% of FSB
members
were victims
of cyber
crime.**

- Contribute to deterring business crime through the use of tougher sentences for perpetrators in recognition of the increased loss that a business owner suffers, including staff security, resources, time and customers.
- Continue engagement with business through the **Cyber Information Sharing Platform (CISP)**, to provide an anonymous platform for businesses, authorities and Government to detect cyber crime and threats and offer advice on tackling same.

Realising the
Potential for **Doing**
Business

Rates

UU Contribution Report (2015)

43% of SMEs say rates is a barrier to business growth and/or success.

SMEs pay

3X proportion of turnover

2X proportion of overheads

Non-Domestic Rates (or business rates) are a major concern for small businesses in Northern Ireland. They represent not only one of the highest overheads, but a fixed cost that ignores profitability, business cycles and the ability to pay.

Non-Domestic Rates (NDR) place a disproportionate burden on small business, accounting for a larger proportion of turnover, profit and outgoings than for large companies. Figures from the *GB Green Paper on Local Government Finance (2000)* confirmed that small businesses pay on average more than three times the proportion of their turnover and more than twice the proportion of their overheads than large businesses. In addition, rates are significantly greater for smaller trading companies with a turnover of less than £100,000, and are usually the third largest expenditure after wages and rent for a typical business.

From the small business perspective the NDR system is regressive, complex, expensive, and unresponsive to changes in economic conditions. Furthermore, it acts as a significant disincentive to invest and to grow, as these may result in significant increases in business rates liability for companies.

With so many businesses now able to operate without premises, through online trading and sale of services, the system for collecting business contributions towards local services is clearly in need of significant reform.

If the business rating system is to be retained as a means of collecting business taxes, policy measures to redistribute the burden and support small businesses are essential; however, we need a system that is fairer to small and micro businesses, doesn't discourage investment or improvement and doesn't unfairly advantage one part of the economy over another. Our members want to see a radical overhaul of business rates to reduce the burden on small firms, support our high streets and foster entrepreneurship in every community in Northern Ireland.

Small Business Rates Reliefs were introduced across the UK to redistribute the rate burden away from the small company and establish a fairer distribution of the burden. The premises to which the reliefs apply are occupied by some of the most vulnerable micro firms in the business community and the removal of this relief could result in considerable financial distress for many of them.

The current system, based on a notional value of commercial premises, imposes a high fixed cost on property usage which naturally encourages start-ups to avoid using property at all. For those start-ups with no choice but to operate from non-domestic premises, business rates present them with a high fixed cost which can present significant cash flow problems while revenue

streams are still being established. It can also delay or even cap business expansion, and make it more difficult for most business types to expand and take on staff once the business has established itself.

We need for a long-term solution that is more closely aligned to the economic activity of the business and its ability to meet its tax obligations. UK-wide, FSB is currently exploring options for such a solution based on turnover, which is a fairly transparent metric relating to the output of the business and is already recorded for compiling annual accounts for submission to Companies House and/or HMRC.

The majority of rateable value, and therefore revenue, is derived from high NAV properties. This brings into question the merit in continuing to include the lower end in the system at all. Therefore an option would be to retain a significantly reformed NDR system for the upper end of value and remove the lower end altogether. This would retain the vast proportion of rateable value within the system and significantly reduce the number of properties requiring resource for valuation, billing, appeals and enforcement.

If the current NDR system is to be retained it is essential that it be reformed to make it more closely reflective of wider economic conditions. The main option for achieving this is to increase significantly the frequency of revaluations and the aspiration should be towards annual revaluations.

If the Assembly opts to retain the current system of NDR System, then improvements are required.

Recommendations

- Maintain support for small businesses in the short term through the **Small Business Rate Relief (SBRR)** scheme until a replacement system can be brought in to provide a long-term solution.
- Maintain the industrial de-rating exemption at its current level to protect and support our manufacturing sector.
- Consider permanently removing the rates burden for start-up and small businesses, given the low proportion of the tax take collected from them, either by removing all low-value premises from the system, placing small business rates relief on a statutory basis, or introducing a rates allowance for all premises (similar to the Personal Allowance for Income Tax). FSB is currently exploring the options and implications of such a scheme.

**Highest
expenditure of
SMEs:**

1 Employment

2 Rent

3 Rates

- Remove the disincentive to invest in premises by delaying post-improvement revaluations for two years.
- Move to more frequent revaluations of properties.
- Research other systems of tax collection, such as a turnover or profit-based tax, land tax, or hybrids.
- Consider limiting or reducing the tax take from non domestic property usage, alternative sources of revenue, and the potential for taxing large businesses and small ones under different systems.

Energy

Northern Ireland has the sixth highest electricity prices in Europe for 'very small' (consuming less than 20MWh pa) industrial and commercial customers – our typical businesses. Amongst these users, energy is the second largest cost in Northern Ireland, accounting for approximately 9 per cent of turnover on average and it features high in the ranking of members' concerns over barriers to growth.

In a recent analysis, most business consumers in this category in Northern Ireland were found to be paying around 10 per cent more for electricity than their peers in other parts of Europe and the rest of the UK. In real terms, a business using 15MWh per year would be approximately £200 worse off.

Heavier consumers (20MWh-plus per annum) pay comparatively more. For instance, a business using 50MWh per year would pay £800 more than elsewhere in Europe, and £550 more than the UK average.

Competition is not as strong as it could be. The large majority of business customers in Northern Ireland have a sub-70kVA connection to the grid. Although there are six suppliers active in this section of the market, they have not eroded Power NI's dominance.

Supplier switching among industrial and commercial consumers - measured as net change of customer numbers - has wavered between 1.5 per cent and 4.2 per cent per quarter since the start of 2014. This equates to approximately 150 to 350 switches every month across all sizes of consumer in the business sector, a relatively low rate of change.

Price reductions can be expected in 2016 after the all-island market regulator, the **SEM Committee**, negotiated a reduction in 'capacity payments'. The move to **I-SEM** is welcome as an important step in reducing 'capacity payments' and in helping to reduce and stabilise wholesale power prices across the island of Ireland.

It is predicted that further reductions in charges could be achieved if the second **North-South Interconnector** is built. That second North-South interconnector is essential if the lights are to remain on in Northern Ireland after 2021 and for successful implementation of the planned upgrade of the Single Electricity Market in line with standards across the rest of Europe.

The North-South Interconnector will reduce 'constraint charges' and remove the need to pay generators to keep additional capacity on stand-by. It will also remove the need to build additional generating capacity in Northern Ireland. This modernisation promises to bring down wholesale prices but

Energy costs
account for **9%**
of turnover on
average

Business
consumers in NI
pay
10%
more for electricity
than rest of Europe.

Heavier use
customers pay
£800 more
than Europe,
£550 more
than UK average

there needs to be transparency on possible costs arising from its implementation.

A decision will also need to be made by the Northern Ireland Executive as to whether Northern Ireland applies to join the **Contracts-for-Difference (CfD)** mechanism feed-in tariff scheme from 2017 or devises a separate scheme. It is envisaged that CfD would increase electricity bills for small business in Northern Ireland but not guarantee any of the benefits that come with further development of wind and solar projects.

Recommendations

- Develop protections for those small businesses that have to buy power in the unregulated market (consumers of 50MWh-plus per year).
- Empower small businesses to compare different electricity contracts and tariffs by compelling the suppliers to publish easily understood and compared information
- Prioritise the construction of the **North-South interconnector**
- Address through the SEM Committee the potential of **I-SEM** to act as a barrier to market entry for smaller suppliers, and act to ensure its potential to increase the cost of participation will not be passed on to consumers.
- Avoid adopting the Contracts for Difference subsidy mechanism.
- Consider alternative means of meeting the **EU2020 carbon emissions reduction target**, including small business-focused energy efficiency schemes.

Realising the
Potential for **Better**
Regulations

Regulation

40 % of SMEs view regulation as a barrier to growth and/or success in the last 12 months.

The recent *Costs of Doing Business in Northern Ireland* report by DETI states that compliance with government regulations comes at a cost that must be borne by business in terms of money and time. It refers to research which found that businesses spent an average of 37 hours per month on compliance, equating to more than £3,000 per year for a small business.

In addition, the complexity of regulation and lack of adequate publicity then means many small business owners are unaware of which regulations apply to them, how to comply, or where to get advice. This, in itself, can be a hugely time-consuming process and leave businesses unnecessarily vulnerable.

A sound regulatory framework is essential to maintain a fair and competitive market place which both supports business and protects consumers, employees, and the environment. However, it is clearly imperative to balance the benefits that can accrue from business regulation with the costs that compliance will impose on the economy.

A recent study into the link between regulation and growth in OECD countries concluded that:

- Countries and industries where direct and indirect regulatory burdens are lighter have generally experienced the highest GDP per capita and productivity growth rates;
- Evidence at firm level suggests that where regulatory burdens are lighter the reallocation of resources towards the highest productivity firms is stronger.
- Inappropriate regulations have an adverse impact on productivity performance.

As part of the *Economic Pact in 2013*, the Northern Ireland Executive committed to undertaking a *Review of Business Regulation in Northern Ireland*, to find ways to reduce the unnecessary burdens currently placed on business.

In November 2014, the Department of Enterprise, Trade and Investment published *Making Life Simpler: Improving Business Regulation in NI*, a report on their review of business red tape that arose out of the Economic Pact. The Review made recommendations for improvement, including how Northern Ireland's regulatory regime could make an effective contribution to its economic competitiveness. A part of the review included the *Innovation Lab on Regulatory Impact Assessments*, which also produced a series of recommendations for improving regulation in Northern Ireland.

A massive improvement in the regulatory environment is vital to create the conditions that will allow businesses across the whole economy to flourish.

Recommendations

- Implement the recommendations from the *Review of Business Red Tape* and the *Innovation Lab on Regulatory Impact Assessments*, especially the creation of the new **Independent Scrutiny Committee** to oversee Regulatory Impact Assessments.
- Publicise new regulations and standards, in plain English, and make them available for scrutiny and comment
- Conduct regular reviews of the regulatory system and the regulatory reform agenda
- Allow for, and encourage, the robust challenging of regulatory actions through judicial review
- Introduce a **Regulatory Budget for Northern Ireland**, published and debated in the same way as the fiscal budget. This should be based on the regulatory costs and not the wider benefits of the regulation
- All new regulations should hold sunset clauses to expire within a maximum of five years, allowing for the need to update regulation by every new Assembly
- Create a single **Business Regulation Hub** for all regulators in Northern Ireland
- Place a statutory obligation on all Northern Ireland public authorities to take account of the business impact of all of their functions and actions

SMEs spend **37**
hours per
month (more
than one working
day per week) on
compliance.

Planning

Planning is integral to economic development and growth in Northern Ireland, a fact recognised by the NI Executive in its *Programme for Government for 2011 -15* and in the *NI Economic Strategy*, in which it promised to “deliver faster and more predictable processing of planning applications” and to “achieve new, more stretching performance targets”.

Planning powers have now been transferred to local government as part of the reform programme, and the single **Strategic Planning Policy Statement (SPPS)** has finally been published, bringing 20 separate planning statements into one document. However, targets on processing large-scale investment planning decisions within six months have slipped in 2014/15, despite improvements in previous years, which is a potential disincentive to both inward and indigenous investors alike.

Small businesses, which dominate the Northern Ireland economy, have endured many challenges during the recent economic downturn, particularly those in the construction industry. This was illustrated by the sharp fall in construction activity across all output areas as well as increased unemployment rates in recent times. Despite that, *The UU Contribution Report* showed that 80 per cent of small businesses intend and expect to grow. We must have the drivers in place to encourage and facilitate these growth ambitions in the years ahead.

Ironically, despite those firms aspiring to grow, and politicians willing them to do so, planning issues are consistently identified by our members as a major barrier to their development, in relation to the responsiveness of the system and the timescales for decision making. This is particularly so in relation to straightforward change of use and minor works applications which are most common for SMEs. When asked, small businesses indicate they encounter a slow decision-making process with little appreciation of the needs of enterprise.

Following the transfer of planning power to local government, the Executive must monitor the execution of those powers; it is imperative that the process is smooth, clear, timely, and efficient and offers good value for money. We need a robust business-friendly system which reflects the flexibility and speed-led decision making of small businesses.

The new SPPS is a welcome consolidation of previously separate policy publications into one simplified document as well as setting out new policies, such as on town centres and retailing but, clearly, further action is still needed.

Recommendations

- Local applications which are delegated to planning officers, such as those submitted by small businesses, must be expedited as quickly and efficiently as possible, preferably within a 10 week timeframe as opposed to 15 weeks.
- Ensure the eleven councils amend the protocols governing the operation of Planning Committees and Schemes of Delegation to give greater uniformity across areas such as speaking rights and referral mechanisms.
- Ensure that Environmental Impact Assessments (EIA) are justified, proportionate and affordable for small businesses.
- Councils should ensure their respective **Local Development Plans (LDPs)** support SMEs and do not favour larger businesses. Retail strategies within LDPs should reflect the need for balanced economic growth across all locations through retail planning policy.
- Ensure that the new **Performance Order for 2016** and beyond sets out how targets for local and major planning applications are to be reduced in line with the rest of the UK, with a timetable for doing so.
- Ensure that the **Planning Appeals Commission** meet or exceed the 80 per cent target for performance management as set out in their Business Plan.
- Develop an **online interactive tool** to guide small businesses through the planning process, similar to that currently available for householders.

Employment law in Northern Ireland

75% of employment in private sector in NI is in SMEs compared to **65%** UK average

29% of SMEs employ long-term unemployed

This is an important issue for small business owners, but a crucial one for Northern Ireland as a whole.

Employment costs, onerous regulations and the threat of disputes and legal challenges all deter business growth. This is all the more significant as, collectively, small businesses are the largest employer in Northern Ireland, employing more people than larger companies and the public sector combined.

Significantly, the local SME sector accounts for over 75 per cent of all private sector employment in Northern Ireland (compared to the UK average of 60 per cent) and, of the 22,000 new private sector jobs projected to be created between 2014 and 2018, 19,500 will be in SMEs.

FSB research shows that 29 per cent of SMEs have hired people who were previously long-term unemployed. In addition to this, 68 per cent of the SME workforce comprises people from the local area, thus significantly sustaining the rural and local economies.

These figures are all the more significant when considering that 95 per cent of SMEs have no intention to move from the local area in which they are located, unlike larger firms which frequently relocate in response to the availability of cheaper labour or resources.

Notwithstanding, the cost of employing people is an obstacle to over a third of SMEs – costs which include holiday and sick pay,



22,000 new jobs forecast for private sector 2014-2018

19,500 (85%) of these jobs will be through SMEs

coupled with recently introduced auto-enrolment pensions, the impending **National Living Wage** and the costs associated with complying with ever-complex parental leave entitlements.

Recent FSB research revealed that almost three quarters of small businesses were paying their staff the living wage or above. This reflects the fact that small businesses tend to recruit to meet skills or experience requirements, however, the requirement for a mandatory National Living Wage will severely impact those small business owners that cannot pass on the costs to customers and, in particular, those whose businesses are highly regulated, such as in the various care sectors.

Many small business owners and self employed individuals have no formal legal knowledge and, unlike larger companies, do not have the capacity to employ specialised legal personnel. FSB membership provides them with the support, advice and guidance that they need, but simplification of the employment landscape – which is within the authority of the Northern Ireland Assembly – could dramatically improve their ability to employ and create jobs, whilst helping them to avoid inadvertent breaches of regulations and the associated costs and time involved with tribunal action.

Recommendations

- Reduce the amount of employment regulations and reduced the paperwork required from employers.
- Make necessary regulation more accessible and present it in plain English
- Introduce fees for claimants to make application to **Industrial and Fair Employment Tribunals** which would be recoverable by the employer to cover legal costs if case is lost by the applicant.

68% employ
staff from local
area

95% of SMEs
in NI do not intend
to relocate their
businesses outside
local area.

Realising the Potential to **Connect**

Broadband and Telecommunications

Access to reliable broadband internet and mobile network coverage is essential to business survival in today's increasingly online market. It is also a crucial component for growth and expansion, including its role in achieving export sales.

Whilst the Government states that 94 per cent of UK has access to broadband, access to superfast broadband sits well below that figure, at 77 per cent. There are still large areas in Northern Ireland, particularly west of the River Bann, where superfast broadband is almost non-existent.

The Executive needs to continue to encourage and support increased investment in developing broadband coverage and higher broadband speeds.

Online connectivity is essential to all businesses but in particular to those that are located in rural areas for the purposes of growth and connecting to consumers and suppliers. Research shows that over 45 per cent of businesses will be reliant upon online services within the next five years. Northern Ireland currently falls well below the UK average of 77 per cent of businesses that promote their goods and services online, at only 57 per cent.

Research published in August 2015 by OfCom reveals that the smartphone is the most popular device with which to access the internet in Northern Ireland. This underscores the need for excellent 4G coverage throughout Northern Ireland, in addition to more conventional broadband and superfast, and more general mobile coverage.

Recommendations

- Intervene under the powers of the **Communications Act 2003** if there is market distortion, which is evident in poor mobile and broadband coverage in NI.
- Deliver 100 per cent superfast broadband coverage throughout Northern Ireland.
- Commission research to obtain a more accurate snapshot of broadband and mobile coverage in areas where there are claims that 100 per cent superfast broadband is not reaching speeds stated.
- Provide help to get online and trade online.

94% access to superfast broadband in UK on average

77% access to superfast broadband in NI
(Ofcom Figures)

77% of businesses in UK sell and promote services and goods online

57% of SMEs in Northern Ireland, sell and promote services and goods online

Transport Infrastructure

One quarter of SMEs identify transport as major barrier or obstacle to growth in their business.

Prosperous rural economies and societies have robust transport infrastructures at their heart. Northern Ireland is a predominately rural economy but one whose business, employment and growth is hampered by poor infrastructure that has suffered from decades of under-investment, short term decision-making and the absence of a visionary, economy-minded plan.

Research conducted by FSB in 2015 revealed that a quarter of SMEs in Northern Ireland, have identified transport issues as a major barrier or obstacle to growth or business success.

There is a lack of high quality road and rail links outside of Belfast, whilst current policy means that there will be an absence of dual-carriageway and motorway construction for the foreseeable future. This has a demonstrable and negative impact upon the economy. Furthermore there have recently been cuts to peak time bus services, restricting mobility even further.

To maximise access to airports and hospitals, make the movement of goods and services more efficient, and to support increased investment and visitor numbers, there needs to be more reliable road, rail and bus throughout Northern Ireland.

In particular, direct, high speed rail access between the Terminal Building at Belfast International Airport and the new transport hub at Great Victoria Street should be a high priority, along with capital investment in the A5; rail links between Londonderry/Derry and Belfast; and a focus on improving traffic movement in Belfast.

Executive policy should also recognise that Northern Ireland's rural population can best be served by car, so resist the calls from the state-owned monopoly bus company to make Belfast ever-more hostile to car owners. The relentless extension of bus lanes and the times they exclude cars is being reversed elsewhere in the UK. Serious consideration should be given to this policy area before the current policy adds more cost and does more damage to small businesses in the city.

Recommendations:

- Improve public transport provision and transport links around Northern Ireland
- Reinstate the upgrade of the **A5** to improve transport links with the North West
- Establish a **high speed rail link** between the Belfast International Airport and the new transport hub in Belfast
- Consider reversing current bus lane policy and halt the increasing hostility towards car users coming to Belfast

Tourism

Tourism is a key contributor to the economy; increased visitors boost demand for the supply of goods and services, increasing footfall to many businesses.

Over the last few years Northern Ireland has played host to a number of global events which have attracted visitor interest and increased overnight stays. The immediate impact of such events can sometimes have a temporary negative impact on local businesses, such as during the Giro D'Italia and The Irish Open 2015, where road closures and other special arrangements caused loss of trade. Expectations need to be managed to ensure such events are still sought, welcomed and staged to the standard that is becoming a Northern Ireland hallmark.

Northern Ireland needs to build upon these irregular one off global events and ensure that there is more sustainable action around supporting our tourism businesses throughout all seasons of the year, as well as extending stays to more than one night.

There are many opportunities for the small business hospitality sector, in partnership with the public sector, to grow the tourism industry in Northern Ireland. For these ambitions to be realised there must be bold thinking and political will to take decisions in areas such as planning and development. There is fierce competition, both within the UK and internationally, and only by developing its strengths will tourism deliver upon the potential that clearly exists.

Northern Ireland is at a disadvantage in attracting visitors, in relation to the level of Air Passenger Duty (APD) on short-haul flights, in addition to higher VAT on tourism services. Both costs are passed on to visitors to Northern Ireland but the benefits do not remain here. The Republic of Ireland therefore becomes the more attractive destination, encouraging visitors to stay at the most overnight within Northern Ireland and retaining any taxes generated.

FSB recognises the rich offering of tourism in Northern Ireland beyond the main signature tourism projects that are promoted by Tourism NI. These include areas of outstanding natural beauty in which there are large numbers of unique small businesses, contributing to the character of Northern Ireland's tourism offering.

Recommendations

- Executive policy should be responsive to local scenarios and be able to adapt to local circumstances, both in terms of the flexibility of the service it offers to tourism businesses, such as training courses and grants; and also in terms of the service offered to visitors, such as relevant local information
- Ensure that Northern Ireland is not hampered by inefficient planning or by prioritising the interests of public bodies.
- Decrease **APD** on short-haul flights to more effectively compete with Republic of Ireland in attracting visitors, either by its own action or by successfully lobbying the Government at Westminster.
- Identify long-term sustainable action to enable businesses in the tourism sector to operate year round, rather than simply during summer months.
- Ensure that small businesses are not detrimentally impacted by one-off global tourism events but can be supported to benefit from them.
- Expand tourism initiatives beyond the key signature projects to the whole of Northern Ireland
- Reconsider any proposed changes which are likely to require additional expenditure by owners or managers of tourist accommodation in Northern Ireland, many of whom are already experiencing financial challenges in the current economic environment.

Realising the
Potential of **The Future**

Education, Apprenticeships and Skills

61% of SME employers not confident they will find candidate for job with the right skills

46% of SMEs do not believe education provision in NI prepares young people for a sufficient standard of work

Only **23%** of SMEs have engaged in apprenticeship schemes

The lack of availability of skilled staff was highlighted by 35 per cent of SMEs as a concern for future growth and proposed as a priority issue for this Manifesto.

A lack of basic work skills, such as literacy, numeracy, IT and social skills, has been persistently highlighted by FSB members in surveys: 61 per cent of small employers are not confident that they will find a candidate with the right skills while 46 per cent do not believe local schools or colleges prepare young people to a sufficient standard for work. FSB research found that only 23 per cent of SMEs have engaged in apprenticeship schemes - meaning that over three quarters have never employed an apprentice. One third of these did not feel that apprenticeships were relevant to their businesses

Education and skills underlie all successful business prospects, and this lack of appropriate skills is one of the biggest barriers to growth. In order to realise the potential of Northern Ireland's economy, this must be addressed, and we are hopeful that a renewed *Youth Training Strategy* as well as the improved *Apprenticeships Strategy* will go some way to realising this potential. Developing the skills and expertise that businesses need to survive, thrive and grow will enable businesses to create employment opportunities that are sustainable and long-term. In tandem with this, there is a need to foster entrepreneurship at all levels of the education system.

During 2015, there were substantial cuts to further and higher education student places, and budget pressures continue to challenge the sector. This cannot continue if the Northern Ireland Executive is serious about growing our economy. The potential benefits of increased FDI cannot be overlooked, with opportunities for knowledge transfers, innovation and enhanced technical skills helping to create higher quality jobs to address the 'brain drain'.

Recommendations:

- Protect investment in further and higher education and apprenticeship schemes.
- Take long term action to increase levels of interest in STEM subjects at school and college levels.

-
- Ensure that practical, vocational education is a viable option for students.
 - Focus on business skills and alternative routes to employment within the curriculum and career advice classes at secondary level education.
 - Ensure appropriate pathway options are offered by liaising with SMEs to identify what skills are required in particular sectors, and identify any potential barriers to participation.
 - Implement the *Securing our Success: NI Apprenticeship Strategy* in full, with appropriate resource allocations to ensure the financial incentives for employers are adequately funded.
 - Ensure that the *Youth Strategy* and *Apprenticeships Strategy* are managed together, regardless of departmental responsibilities, as they are interdependent.

Over three quarters

of SMEs have never employed an apprentice. One third do not feel that apprentices are relevant to their businesses.

Export and Innovation

This is an important issue to small businesses in Northern Ireland as access to export will enable business growth.

Over a fifth of small businesses currently export, according to the *UU Contribution Report*, however, few businesses have a primary customer base outside of Northern Ireland. The main customer location for SMEs in NI is home-based, with 85 per cent of customers identified as from within Northern Ireland.

The recent economic slowdown in China has made Northern Ireland exporters understandably nervous about the stability and recovery of export markets. There is a real need for new export markets to be developed, underpinned by investment in innovation.

The Cole Commission Report, commissioned by the UK Government, makes a welcome contribution to the current debate about how to boost exports. It promotes some good ideas, including a streamlining of export support schemes, with a simplified portal, and the need for raising skills.

Within the policy mix, FSB sees targeting start-ups, younger businesses, and those wishing to export for the first time, as a priority. In addition, our research suggests older firms have less desire to start exporting. The key to further effort must be to inject an exporting international mindset into business thinking from the very start.

Innovation is often mistakenly considered to be another term for invention, and accordingly is regarded as only being applicable to digital or hi-tech companies; however FSB is keen to highlight that innovation is something that is integral to the survival and growth of all local small businesses.

Whilst SMEs account for nearly 40 per cent of all R&D expenditure in Northern Ireland, there has been a relatively low level of participation of SMEs in European R&D funding within FP7. Of concern, Northern Ireland firms continue to rank amongst the lowest levels of innovation activity globally according to a recent international comparison and secure the penultimate 11th place in a UK national comparison, only ahead of the South West. This is despite the fact that research conducted by FSB on a UK wide basis revealed that over half of small businesses resisted the worst of the recession by innovating and creating new products and services.

Small businesses in Northern Ireland clearly require increased support to develop their capacity to innovate. Innovation funding is a key area in which the Executive has and can continue to play a leading role, however, there is an evident lack of awareness

29% of SMEs
in NI currently
export

85% of SME
customers are in
Northern Ireland

53% of SMEs
in NI avoided
the worst of the
recession through
innovation.

of the Innovation and R&D opportunities and support available, especially amongst small businesses. Many organisations may be aware that opportunities may exist but have no understanding of their own eligibility, so more must be done in this regard.

Recommendations:

- Encourage SMEs to increase profit by innovation through KTNs (Knowledge Transfer Networks) and KTPs (Knowledge Transfer Partnerships) to establish transfer of capabilities.
- Meet the demands of new global markets through encouraging innovation and diversification amongst SMEs.
- Assist with increasing export of goods and services through sharing experience and expertise with new or young SMEs, from across Government and the private sector.
- Enable greater innovation within businesses by ensuring access to higher skills and knowledge
- Identify international trading opportunities throughout the world for Northern Ireland businesses

Produced by

FSB Northern Ireland
Cathedral Chambers
143 Royal Avenue
Belfast
BT1 1FH

 @fsb_ni

Website: www.fsb.org.uk/ni
Telephone: 028 9032 6035
Email: info.nireland@fsb.org.uk

Printed January 2016