



A manifesto for small businesses

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Since 2010, the Coalition Government has strived to create a business friendly economy, realising the crucial role the private sector has to play in economic growth and job creation. Despite the tough challenges of the past few years, businesses have responded and surpassed expectations to dramatically increase employment.

However, there is still a lot of work to be done in order to address some of the underlying issues in the UK economy.

Hitting the government's target of doubling UK exports to £1tn a year by 2020 will be no mean feat, while addressing skills shortages will be vital for the future growth of key sectors in the UK economy.

The recovery continues to gather momentum, but much of this has been achieved to date without significant change in the banking sector, and while businesses continue to avoid bank finance.

Business costs and the cost of keeping up to speed with the ever-changing regulations involved in running a small firm continue to be a concern to many of our members, as well as areas that the Forum has lobbied on consistently.

The picture may be a lot brighter than it was in 2010, and business confidence may be starting to return, but our members want to see a future government support small firms, the "engine room" of the UK economy, by providing the right mix of freedom, intervention and support, so we can build on the recovery and ensure sustainable growth.

Our Manifesto sets out measures for the start, mid-term and end of a term in Parliament, that we believe would help a future government realise an even stronger, resilient private sector that will be well-placed to drive the economy forward to record rates by 2020.

Phil Orford MBE

Chief Executive
The Forum of Private Business



Chasing late payment costs businesses **£9.2bn** a year¹

65% say changes to banking network are harmful to business²

65% of small businesses send invoices electronically –
but just **5%** use “true e-invoicing”³

¹BACS, July 2014

²Forum of Private Business Cashflow and Finance Panel 2013

³ACCA 2012

Supporting better finance for business

In the first Queen's Speech

- **Announce plans to create a code or regulator to oversee the relationship between suppliers and retailers in the UK**

It is time for government to denounce the over-reliance of larger retailers on cash flow support from their supply chains, leading to damaging demands, lengthy payment terms and late payment to small businesses.

- **Amend current legislation to faithfully transpose the EU Directive on late payment**

With £46bn tied up in late payment, the EU has provided the tools to challenge poor practice but requires government to transpose 'grossly unfair' terms into UK law.

By mid term

- **Run a pilot of shared bank branches and Inter Bank Agency Agreements**

Bank branches continue to decline making them an increasing barrier to new banks starting up. Banks should have a universal obligation to provide counter services to customers that require it.

By the end of Parliament

- **Ensure that the provision in the *Small Business Act*, requiring the public sector to adopt e-invoicing, is implemented with an assurance that it remains free for small businesses.**

E-invoicing has the potential to save businesses and government billions of pounds, allowing it to subsidise the cost of implementing it.

In addition, a new government should:

- Implement the findings of the Competition and Markets Authority investigation into SME banking.
- Set up an advisory board for the Prompt Payment Code and put in place a more robust monitoring structure to ensure companies are worthy of signing it.

38% believe FFI scheme designed to increase HSE revenue⁴

78% worry HMRC will focus on small firms to meet targets⁵

Cost of compliance up **£713 per business** in 2013/14⁶

⁴Forum of Private Business Health & Safety Panel 2013

⁵Forum of Private Business Tax and Budget 2014

⁶Forum of Private Business Referendum 208

Cutting the cost of compliance

In the first Queen's Speech

- **Remove the Health and Safety Executive's Fee for Intervention policy**

The policy is damaging the relationship between businesses and HSE regulators, and there are fears other regulators could adopt a similar policies.

By mid term

- **Ensure HMRC is well resourced to carry out its functions fairly**

Small businesses feel that HMRC targets them as easier 'wins' whilst allowing much larger organisations to escape paying Corporation Tax in the UK, allowing them to be much more competitive.

By the end of Parliament

- **Commit to reviewing employment law legislation only once during the duration of a parliament**

The constant flux of employment law is damaging for small businesses, who often have to adapt to several changes in a short space of time. The next Government should set the precedent of only regulating once in any one area of employment law during the course of a fixed-term parliament

In addition, a new government should:

- Ensure HMRC is not allowed to directly debit bank accounts of small businesses.
- Review the level of personal contribution by individuals towards tribunals but maintain a principle of financial contribution, allowing justice but preventing spurious claims.
- Include EU regulations in all regulatory impact costs imposed by government.

42% say business rates affect ability to grow⁷

A litre of diesel in the UK costs **£1.32**, the highest in Europe –
60% of which is tax⁸

65% businesses seen increase in staff costs⁹

⁷Forum of Private Business Tax and Budget Panel 2014

⁸RAC, 2014

⁹Forum of Private Business Referendum 209, 2014

Reducing the cost of doing business

In the First Budget

- Freeze business rates in year one and cap at 2% for the remainder of the Parliament, make Small Business Rate Relief permanent and automatic, and carry out an immediate rating assessment with a promise not to increase rates as a consequence
- Remove the VAT element charged on fuel duty contribution to pump price

By mid term

- Ensure the Low Pay Commission gives a two year National Minimum Wage recommendation to government

With many small businesses entering auto-enrolment, government must be wary of further, sizeable regulations that increase costs on small businesses. Extending the future forecasts to two years allows some longer term planning for businesses.

By the end of Parliament

- Consider excluding small businesses from business rates altogether
- Review links between employer taxes and raising wages, and the taxation of employee benefits

Government can do a better job of incentivising businesses to raise wages if it acknowledges and returns the increase in NICs and other taxes such wage rises incur.

In addition, a new government should:

- Extend the law that covers protection of residential property owners against squatters to commercial properties.
- Consider a permanent relaxation of RTI for small businesses
- Introduce no new environment taxes that would raise bills for small businesses given the rollout of smart meters over the next parliament.

80% say broadband important for business¹⁰

76% of SMEs export to the EU vs **12%** to the Far East and Australasia¹¹

59% businesses think export incentives too complex¹²

¹⁰Forum of Private Business Referendum 202

¹¹Forum of Private Business/Globalreach 2012

¹²Forum of Private Business Tax and Budget panel 2010

Support sustainable business growth

The First Queen's Speech

- **Address how high speed broadband can be rolled out to ensure all businesses have access**

Many rural businesses are potential exporters but need the support tools.

By mid term

- **Implement the recommendations of the Airports Commission**

The UK can no longer put off controversial infrastructure decisions for political reasons.

By the end of Parliament

- **Establish an export tax credit that supports investment in new export markets**

Working along the lines of R&D investment this would support export investment by off-setting it against Corporation Tax.

In addition, a new government should:

- Ensure employer routed funding of apprenticeships is working and fair to small business.
- Reintroduce mandatory work experience in schools, removed in 2011.

Forum successes under the Coalition

“Apart from the Forum of Private Business, which has spoken out admirably about the pressure being applied to small businesses, no one is fighting the corner for suppliers or making an effort to set a standard for payment terms.” - Graham Ruddick, Retail Correspondent, The Telegraph

Our policy team has worked tirelessly to ensure Forum members' views and proposals are put forward, debated and implemented by government since 1977.

Supporting better finance for business

We continue to challenge large business over payment terms and times, using our 'Hall of Shame' to expose bad practice. Household names entered include Mars UK, Halfords, Diageo, Monsoon and Marks & Spencer.

We successfully lobbied for the government to address the issue of Deeds of Priority, a barrier to businesses accessing finance from outside their main bank.

Cutting the cost of compliance

We successfully changed the emphasis on health and safety law by removing the strict liability of employers who can demonstrate they took reasonable measure to protect staff.

We represented members' views to government on unfair dismissal and saw the extension from one to two years before an employee is able to claim for unfair dismissal.

We used our position on the Regulatory Review Group in Scotland to amend new Scottish regulations.

Reducing the cost of doing business

We helped secure a delay for micro businesses before they become eligible for auto-enrolment of staff into pensions.

We achieved an extension of consumer protection for all small businesses in the energy market and, as part of a Number 10 group, oversaw the capping of back-billing and the end of automatic rollover contracts.

In response to calls to reduce the costs of employment, the government introduced an Employment Allowance, giving up to £2,000 off national insurance contributions each year.

Support sustainable business growth

Direct funding to employers for skills and an extension to December 2015 for the Apprenticeship Grant for Employers (AGE) which provides up to £2,500 for small and medium-sized employers hiring apprentices aged 16-24 into their business, were both confirmed in the 2013 Autumn Statement following lobbying efforts.

Business Ethics Pledge

We're calling on responsible corporate businesses, politicians and policymakers to sign up to our **Business Ethics Pledge** by vowing to:

- 1.** Promote responsible business in the UK
- 2.** Treat suppliers as we wish to be treated
- 3.** Build long term relationships with local enterprises
- 4.** Challenge industry to operate openly and ethically
- 5.** Encourage partnership with SMEs to create jobs and boost local economies.

For more information visit:

www.fpb.org/your-voice/business-ethics-pledge