

Small Business Manifesto

Prosperity and fairness for all

We are asking the government to back loyal small British businesses.

Adopting the six recommendations in this Manifesto will deliver a more productive economy and fairer society. The recommendations don't come with a big price tag attached, but they will mean better value for money, better policy decisions, and better support for small business.

It is small firms that are best placed to build an economy that works for everyone, in all places of the UK. They need the support of the winning government to achieve this.

Produced by the Small Business Taskforce

The Taskforce is made up of 14 organisations that collectively represent over 2 million small businesses. Together we are working to ensure the UK is the best place to start and grow a business.



Small Business Manifesto

We make the following six recommendations and look forward to working with civil servants and Ministers and MPs selected, to build a positive and progressive business case for Britain.

If you are a small business owner, please share this Manifesto with your local candidates.

1. Provide an environment which champions the role of small businesses

- a. Recognise the positive and powerful role played by SMEs in the UK
- b. Ensure Ministerial commitment with appointment of a Small Business Minister

2. Provide a taxation system supportive of all businesses, large and small

- a. Commit to a stable and certain tax system that encourages business investment and growth
- b. Ensure that a digital tax system puts the need of businesses first
- c. The tax system is far too complicated and needs radical simplification

3. Provide business support which is collaborative and adds value

- a. Champion public/private partnerships in business support
- b. Launch Export Vouchers
- c. Re-instate Spaces for Growth programme
- d. Support the creation of a single site for SMEs

4. Provide a pensions and benefits system that supports when needed

- a. Consider viability of pension enrolment for self-employed
- b. Review impact of Universal Credit on start-up success

5. Provide procurement opportunities which work for all

- a. Change government SME procurement target
- b. Expand remit of the Small Business Commissioner

6. Provide a workforce that's equipped for enterprise

- a. Expand provision of digital skills and basic skills in numeracy and literacy
- b. Build entrepreneurship into the school curriculum

1

Provide an environment which champions the role of small businesses

- a. Recognise the positive and powerful role played by SMEs in the UK;** we recommend the creation of a rapid data unit, delivering data to government departments and MPs on the economic and social contribution of SMEs. With data in hand, we feel this would reframe the narrative to recognise where business and entrepreneurship can be a force for good.
- b. Ensure Ministerial commitment;** to demonstrate government's recognition of the role of small businesses it should appoint a dedicated Minister with responsibility for small businesses (not just scale ups); preferably as per the American Small Business Administration with a seat at the Cabinet table.

2

Provide a taxation system supportive of all businesses, large and small

- a. Commit to a stable and certain tax system that encourages business investment and growth;** businesses need a simple and certain tax system so that they can plan properly to grow their businesses and investors have the confidence to invest for the long term. This is all the more important following the uncertainty triggered by Brexit. The Chancellor therefore needs to set a long term business tax and investment strategy and commit to a 'no surprises' approach on tax rates and changes.
- b. Ensure that a digital tax system puts the needs of businesses first;** currently the digital tax proposals are being rushed with insufficient consideration being given to the needs of businesses and the associated admin burdens and costs. Businesses should be at the heart of the design and implementation of the new systems, sufficient time needs to be given for piloting with a review of the appropriate level for any exemption from quarterly reporting, which we recommend should be set at the VAT threshold.
- c. The tax system is far too complicated and needs radical simplification;** the UK tax system has become far too complicated to understand and tax legislation gets longer every year, increasing compliance costs and not serving the needs of businesses. This is not satisfactory in a post Brexit UK where the UK will need to attract overseas investment and trade. The Chancellor should commit over the life of the next Parliament to a radical review of the UK tax system aimed at cutting the length and complexity of the tax system and setting a target for reducing compliance costs.

3

Provide business support which is collaborative and adds value

- a. Champion public/private partnerships in business support;** evidence from government backed programmes such as Growth Vouchers and Growth Accelerator show businesses that take advice grow faster than those that don't, leading the Taskforce to conclude that access to support is essential for start-ups and growing ventures. The main route through which government and EU funded support is currently delivered is Growth Hubs and Local Enterprise Partnerships, yet there are few connections between public support and the private sector. Advantages of improving such connections include the Growth Hubs meeting their target of becoming financially self-sustaining and offering a smooth experience for the SME wanting to access the best advice. We estimate the annual cost of Growth Hubs is £55-£60m with a significant portion currently financed by European funding up to 2018. We believe this cost could be reduced by at least £20m per annum through introducing a single SME data base, standard business support, and delivering this in conjunction with the private sector. This will deliver a better quality of support at a reduced cost to the taxpayer.
- b. Launch Export Vouchers;** the government has a target of £1 trillion in exports by 2020 and looks unlikely to meet this target on its current trajectory. To boost exports for the smallest of firms, we recommend the introduction of Export Vouchers; an idea raised by taskforce member, Enterprise Nation, with then Trade Minister, Lord Maude in 2015, to offer small companies match funding to spend on advice and services to enter international markets. This is based on the success of Growth Vouchers and would see export support delivered by the private sector as voucher recipients spend their own funds and the match funds with an accredited adviser. We note another success in Voucher programmes in the form of Broadband Connection Vouchers which have had an impact in ensuring budding entrepreneurs are not left behind in the digital race.

c. Re-instate Spaces for Growth

programme; one of the critical elements small businesses need to grow is space and the public sector owns lots of it, being the UK's largest landowner. In 2013 the Spaces for Growth programme was launched to open up under-utilised government spaces including office buildings and high street space to small businesses, at no or low cost. The programme had a dedicated online presence enabling businesses to search available space in their area. This has since closed and the Spaces for Growth programme subsumed in the Government Property Unit <https://www.gov.uk/government/groups/government-property-unit-gpu> pointing businesses to a Property Finder search, without reference to spaces that have been identified as available for SME occupation. We would like to see this programme re-introduced, and expanded to include space owned by local authorities and Universities. This will open up areas for entrepreneurs to meet, exchange ideas, co-develop projects and get work done.

d. Support the creation of a single site

for SMEs; over the years we've heard small firms repeatedly call for a single platform for all engagement between government and the SME; where you can register a company, open a bank account, file accounts and gain access to business support, finance and contract opportunities. We recommend this be built by the private sector, with support from government so the system can link to government data sources and systems. It will enable future governments to make data driven decisions about grant schemes and support programmes, and speed up processes leading to increased productivity and a friction-free relationship between SME and government.

4

Provide a pensions and benefits system that supports when needed

- a. **Consider viability of pension enrolment for self-employed;** the roll-out of auto-enrolment for pensions is considered to have been a significant success with thousands more people now saving for their retirement. The auto-enrolment programme for employers is coming to an end with final staging dates in October 2017 so we believe this is an opportune time for the DWP, to consider how the self-employed could be incentivised to save for their retirement. A form of auto-enrolment could lead to an increase in pension adoption amongst this community, especially if there is a contribution from government beyond the current tax relief already available.
- b. **Review Universal Credit as it affects the self-employed;** this would be to assess whether this welfare programme with its 'minimum income floor' will provide sufficient support for the self-employed. We also recommend a review of how Universal Credit and New Enterprise Allowance recipients access StartUp Loans as we believe there is potential to better connect these early stage start-ups with business support.

5

Provide procurement opportunities which work for all

- a. **Change government SME procurement target;** the government has a target to spend £1 in every £3 with SMEs by 2020. This relates to direct and indirect spend from central government and leads to considerable time spent measuring spend data from central government departments and their tier one ie larger suppliers. We suggest a more effective approach would be to mandate that 1 in every 3 contracts be awarded to SMEs as a route to more easily measure success and influence departmental buying behaviour towards smaller firms.
- b. **Expand remit of the Small Business Commissioner;** a Small Business Commissioner is expected to be appointed in 2017. The current remit of the role is to tackle late payment but we feel this role should be expanded to include the government's Mystery Shopper service which investigates complaints around procurement. This would mirror the success of the Small Business Commissioner in New South Wales which includes a role of investigating claims in unfair contracts.

6

Provide a workforce that's equipped for enterprise

- a. Expand provision of digital skills and basic skills in numeracy and literacy;** through increasing the number of software development apprenticeships. Many current funded university routes have poor employment outcomes, while courses that are highly successful in the market cannot attract Government funding. This is a clear distortion of employer and consumer preferences, and the apprenticeship system could be used to change this. Move to a system where all 16-19 year-olds are expected to study mathematics, usually to a level above GCSE, as is the norm in many other countries. Make basic levels of literacy and numeracy (GCSE level) a requirement for all further and higher education.
- b. Build entrepreneurship into the school curriculum;** to build the next generation of entrepreneurs, we recommend BEIS work with the Department for Education to introduce entrepreneurship and social entrepreneurship into careers guidance and the school curriculum so all young people have a taster experience (not just classroom teaching) whilst at school. The Careers and Enterprise Company would be an ideal vehicle to manage and monitor this recommendation.