

Programme for Government Team

Room 5.06
Castle Buildings
Stormont
Belfast
BT4 3SR

23rd December 2016

Dear PfG Team,

FSB Northern Ireland's Response to the Consultation on the draft Programme for Government

The Federation of Small Businesses (FSB) welcomes the publication of the draft Programme for Government and this opportunity to respond.

FSB is the UK's largest business organisation with around 170,000 members, including 6,000 here in Northern Ireland. Our members are business owners and self-employed people, many of whom own more than one business. Our members come from across all sectors and industries. FSB's aim is to promote and protect the interests of smaller businesses and, to that end, we work with decision-makers to create a better business environment.

FSB believes that the principal avenue to improving wellbeing in Northern Ireland is through supporting small businesses. Small business owners are at the centre of their communities, driving not only economic growth but community wellbeing, by providing jobs and key engagement with local schools, charities, and community groups. They make a substantial contribution to social cohesion, and create wealth for the local economy in the form of wages, rates, and the purchase and supply of goods and services. 99% of all businesses in Northern Ireland are SMEs, and together they employ more people than the rest of the private sector and the entire public sector combined, while also producing 75% of all private sector turnover.

It is essential that Northern Ireland's smaller businesses are fully able to realise their potential. In order to achieve this the Executive, in all of their actions, should **Think Small First**.

In preparation for the 2016 Northern Ireland Assembly elections, FSB commissioned Ulster University to carry out research on the small business sector in Northern Ireland, published as *The Contribution of Small Businesses to Northern Ireland* report.

The research shows that small businesses can significantly contribute to the aims of the Programme for Government; 80 per cent of respondents intend to grow, showing the enormous potential that the sector has if the right conditions are put in place.

By supporting our small business sector, helping to grow existing enterprises and encouraging the creation of new ones, we can increase wealth, employment, innovation and exports, creating prosperity, self-reliance and wellbeing. Our members have identified a number of different barriers to business that they wish the Executive to address, as set out on the *Contribution* report, and which we prioritise in our comments in the attached Appendix.

FSB is disappointed that the Economic and Investment Strategies had not been published during the consultation period for the draft Programme for Government. Many of the commitments included in this Programme require more detailed and specific Action Plans, and our comments, therefore, can only relate to the high level commitments made so far. We are concerned that associated or relevant indicators do not appear to have been included or identified for some of the action points set out under the "What will we do?" sections, and we look forward to contributing and commenting further at the earliest opportunity.

However, we welcome the inclusion of commitments to "support business growth locally and globally" in this draft Programme for Government, although we note that no relevant measurements are currently included amongst the indicators. In order to assess progress and measure business growth, FSB strongly recommends the use of available data such as the ONS Business Population Estimates¹, the Global Entrepreneurship Monitor² and the ERC's Local Growth Dashboard³.

In addition, as the Executive sets out its plans for the years ahead, against a backdrop of financial constraint, FSB would urge the Executive to regulate with restraint, and to use its powers to deregulate where possible, to send a signal that Northern Ireland is a benign place to do business.

Kind regards

Wilfred Mitchell OBE
FSB Northern Ireland Policy Chairman

¹ <https://www.gov.uk/government/statistics/business-population-estimates-2016>

² <http://www.gemconsortium.org/country-profile/121>

³ <http://www.enterpriseresearch.ac.uk/>

FSB Northern Ireland's Response to the Programme for Government Outcomes

Outcome #1 'We prosper through a strong, competitive regionally balanced economy'

Key Issues, Actions and Indicators

FSB welcomes the Executive's strong commitment to economic growth in this Programme for Government. We agree that the key issues identified are among the main drivers of economic growth in Northern Ireland, and we support the focus on encouraging overall growth, capital spending, regional balance, exports, innovation and securing the supply of energy.

Ulster University Economic Policy Centre's 'Competitiveness Scorecard for NI' (2016)⁴ identifies a series of components to economic competitiveness and growth, many of which are recognised in the Programme for Government. However, to develop a more comprehensive approach to growing the economy⁵, FSB would also recommend the monitoring and regular review of:

- Business demography
- Productivity
- Property Costs
- Utility Costs
- Regulation

Business Demography

In the actions listed under the "What will we do?" section of Outcomes #1 and #6, we welcome the inclusion of commitments to "support business growth locally and globally", to "Work with local councils on a new programme for Business Start-up Support", and to "Develop a new programme for Business Start-up Support".

Northern Ireland still lags behind our pre-recessionary performance in regard to net business registrations, business birth rates and 5-year survival rates, as well as having lower rates than other parts of the United Kingdom. We note that no relevant measurements are currently included amongst the PfG indicators. In order to assess progress and measure business growth, FSB recommends the use of available data such as the ONS Business Population Estimates⁶, the Global Entrepreneurship Monitor⁷ and the ERC's Local Growth Dashboard⁸.

⁴ Ulster University Economic Policy Centre, (2016), Competitiveness Scorecard for NI, March 2016, Available at: <http://eagni.com/wp-content/uploads/2016/08/UUEPC-Northern-Ireland-Competitiveness-Report-2016.pdf>

⁵ Ulster University Economic Policy Centre, (2016)

⁶ <https://www.gov.uk/government/statistics/business-population-estimates-2016>

⁷ <http://www.gemconsortium.org/country-profile/121>

Productivity

In 2015, FSB and the All Party Parliamentary Small Business Group published the report⁹ of "An Inquiry into Productivity and Small Firms," which identified seven drivers to boost UK productivity. We welcome that most of these factors are included in the Programme for Government. However, we recommend the inclusion of an improved public procurement policy, where small businesses are in a position to bid and win more public sector contracts, which will help drive competition and innovation.

Property costs

The biggest policy impact the Executive can have on property costs is via the non-domestic rating system. Our 2015 research¹⁰ found that 43% of small businesses cite business rates as a major barrier to growth and success. FSB urges the continuation of the current Small Business Rate Relief scheme until more is known about the UK's exit from the European Union and the outcome of the government's negotiations on Article 50. The current uncertainty around these issues appears to be affecting business confidence, as well as impacting on currency exchange rates.

Utility Costs

Businesses in Northern Ireland typically pay 10% more for electricity than the rest of Europe. While we respect the need to attend to the sustainability and security of our energy system, we believe it is important to monitor these costs and to evaluate the competitive impact of Northern Ireland energy costs on investment and growth.

Regulatory Reform

We welcome the inclusion of commitments to "Develop a modern regulatory regime for Northern Ireland which will support the growth of economic activity" under Outcome #6 and further action points under Outcome #12 to lessen the burden on businesses. FSB looks forward to the Executive moving forward with the Department for the Economy's *Better Regulation: An Action Plan for Reform (2016)*, as our research¹¹ revealed that 40% of small firms view regulation as a barrier to growth and success.

We also recommend that consideration be given to FSB's proposals for the introduction of a regulatory budget¹² as a key indicator. At present, the cost of regulation on business in Northern Ireland is not measured, although the collective cost is estimated to be more than Corporation Tax

⁸ <http://www.enterpriseresearch.ac.uk/>

⁹ <http://www.fsb.org.uk/docs/default-source/Publications/reports/appsbg.pdf?sfvrsn=0>

¹⁰ The Contribution of Small Business to Northern Ireland, 2015

¹¹ Ibid.

¹² FSB, (2016), Regulatory Reform in Northern Ireland, Available at:

<http://www.fsb.org.uk/docs/default-source/fsb-org-uk/regulatory-reform-in-northern-ireland67f105bb4fa86562a286ff0000dc48fe.pdf?sfvrsn=0>

and Value Added Tax combined.¹³ Measuring regulation is an essential first step in managing it.

We welcome commitments to business support in this draft Programme for Government, but given the profusion of sources of support available and the breadth of issues on which support is sought by small businesses¹⁴, we also urge consideration of our proposals for a Small Business Advocate and a network of Small Business Advice Centres included in FSB's Business Support In Northern Ireland paper¹⁵.

Outcome #6 'We have more people working in better jobs'

Key Issues and Actions

Creating high quality jobs is an essential element of moving Northern Ireland towards the high value economy that we need to drive economic, social and employee wellbeing.

In addition to measures aimed at reducing economic inactivity and underemployment, we believe that there should be greater recognition of the need to match the skills profile of the population with the skills needs of the economy. We welcome the commitment to increased engagement between businesses and further and higher education across Northern Ireland.

The Northern Ireland Skills Barometer¹⁶ identified that medium level skills are in greatest demand here. It also noted that there is a need for a correct mix of skills, based on demand, at each level. FSB recommends that measures ensure that the skills mix is optimised to prevent the over- or undersupply supply of certain skills. This will help avoid the growing trend where the majority of graduates end up in non-graduate jobs, particularly low skilled non-graduate jobs.¹⁷

However, improving employability skills and lifelong learning needs to focus on all, including those currently in employment. Raising standards is essential for improving employment, yet 46% of small firm employers do not believe that school sufficiently prepares young people for work.¹⁸ FSB is of the view that all young people should leave the compulsory education system with a good level of numeracy, literacy and IT literacy, as well as a broad range of employment skills, including teamwork,

¹³ FSB, (2016), Regulatory Reform in Northern Ireland,

¹⁴ The Contribution of Small Businesses to Northern Ireland, 2015

¹⁵ [http://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-ni-business-support-paper-\(march-2016\)3895bcba4fa86562a286ff0000dc48fe.pdf?sfvrsn=0](http://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-ni-business-support-paper-(march-2016)3895bcba4fa86562a286ff0000dc48fe.pdf?sfvrsn=0)

¹⁶ Department of Enterprise, Trade and Investment, (2015), NI Skills Barometer – Skills in Demand, Available at: <https://www.economy-ni.gov.uk/publications/ni-skills-barometer>

¹⁷ Garner, Richard, (2015), "Majority of UK graduates are being forced into non-graduate work, says study", *Independent*, (18 August 2015), Available at:

<http://www.independent.co.uk/news/education/education-news/the-majority-of-uk-graduates-are-being-forced-into-non-graduate-work-says-study-10461206.html>

¹⁸ FSB, (2013), *Reform of GCSEs - what small businesses want*, Available at:

<http://www.fsb.org.uk/docs/default-source/fsb-org-uk/frontpage/assets/fsb-gcse-paper.pdf>

problem solving, and the ability to show initiative and self-manage. We urge the Executive to embed this vision in its education proposals and in the curriculum.

FSB also recommends the provision and promotion of alternative employment pathways within the education system, with viable and desirable options for practical, vocational education. Currently only 23% of small firm employers have engaged with apprenticeship schemes. We seek assurances that *Securing our Success: NI Apprenticeship Strategy* will be implemented in full, including the provision of adequate resourcing to encourage small employers to participate.

FSB also welcomes the Executive's desire to build a better entrepreneurial culture, by embedding entrepreneurship in the education curriculum.

We also support proposals on leveraging private resource to help secure sustainable finance for businesses. 60% of FSB members feel that available finance options are unaffordable for small businesses, and so we strongly urge the Executive to support proposals to enhance competition in the lending market, as well as increasing access to alternative finance options.

Outcome #12 'We have created a place where people want to live and work, to visit and invest'

Key Issues and Actions

Northern Ireland possesses many assets, including our people, our natural heritage, our built heritage, and connections all over the world. With the right policy decisions, on areas including skills, regulation, and taxation, these assets will grow our economy, and create the employment, wealth, and opportunity that Northern Ireland needs to further economic and social wellbeing.

Delivering and projecting stability is essential if we are to maximise those assets. When asked about their biggest concerns for the future, small businesses identified political uncertainty as their biggest concern¹⁹. It is key for Northern Ireland that the Executive, the Assembly and general society project a peaceful, politically and economically stable Northern Ireland to the world.

FSB welcomes the Executive's commitment to lowering Corporation Tax and strengthening job creation through Foreign Direct Investment. Even though the majority of small businesses are not liable for this tax, FSB research²⁰ indicates that a reduction in Corporation Tax was the issue small businesses placed top of their priority list for FSB to seek. Such a reduction would significantly contribute to generating confidence and opportunity amongst small businesses.

¹⁹ The Contribution of Small Businesses to Northern Ireland, 2015

²⁰ Ibid.

We welcome the commitment to “Maximise the benefit of existing direct air access and grow direct air access with key overseas markets in collaboration with airports and airlines.” Air connectivity is vital to small business owners, both in terms of their own business and for the contribution it makes to the economy as a whole. Northern Ireland needs to see existing routes protected as well as new routes developed. In order to achieve this we are calling on the Executive to abolish short haul Air Passenger Duty immediately for customers flying from Belfast to Great Britain, and eventually for short haul international flights as well.

We need to build upon attractions such as Game of Thrones locations and one-off events such as the Giro D’Italia and the Irish Open, while ensuring that our tourism sector is supported and sustained throughout all the seasons of the year. Northern Ireland has rich offerings beyond the signature tourism projects. Many other parts include areas of outstanding natural beauty where significant numbers of unique small businesses contribute to the character of Northern Ireland’s tourism offering. FSB urges the Executive to expand initiatives beyond the key signature projects, to all parts of Northern Ireland.

FSB warmly welcomes the inclusion of support for new start-ups and scaling initiatives in the Programme for Government. As stated earlier, Northern Ireland falls behind other parts of the United Kingdom in relation to net business registrations, business birth rates and 5-year survival rates. Additionally, even though Northern Ireland has the highest proportion of start-ups reaching at least £1 million in revenues within three years (3.7% compared to a UK average of 1.8%), we have the lowest number of survivor firms reaching £3 million within six years (4.2% compared to a UK average of 6.2%). Addressing these problems is essential for growing the Northern Ireland economy and we are eager to assist the Executive when they are developing these initiatives.

Outcome #13 – ‘We connect people and opportunities through our infrastructure’

Key Issues and Actions

We welcome the commitment to “improve travel times, ease congestion and support economic growth”. However we call on the Executive to recognise the difference between commuter parking and customer parking, and to design programmes that manage the former without harming the latter. Doing so effectively will help alleviate the difficulties caused by congestion while still allowing shoppers to access high street retail. While we welcome initiatives aimed at improving public transport, we would urge the Executive to recognise that Northern Ireland’s population, especially in rural areas, is reliant on the car for transport, and to give full consideration to both the cost and availability of travel by public transport to better meet the need of businesses and local

economies. Policies should be aimed at helping public transport become more viable before travel by private transport can be reduced.

FSB supports the commitment to progressing and delivering the 'Flagship' projects, including major road dualling and the Belfast Transport Hub. Such investment is essential to stimulating growth.

FSB recommends that the Executive considers the regional balance of energy infrastructure within Northern Ireland. There is a current under investment in the transmission system in the western and northern parts of Northern Ireland, which places a barrier to new economic developments in those areas. Addressing this disparity is essential to achieving regionally balanced growth.

FSB also welcomes the commitment to improve digital infrastructure and water infrastructure. Universal broadband coverage is essential to delivering a regionally balanced economy, and there are still large areas of Northern Ireland, particularly in the west, where superfast broadband is almost non-existent. We welcome the commitment to continue investment and to deliver 100% superfast broadband coverage throughout Northern Ireland. We would also urge the Executive to act to secure an adequate share of the recently announced UK funds for further broadband and also 5G roll-out. Additionally, an efficient and modern water system is important to the wider economic development needs of Northern Ireland. To achieve this, there is a need to address the lack of investment in the past. FSB calls on the Executive to ensure that the costs of improving water infrastructure do not adversely impact upon non-domestic users.