



# Public Sector Procurement in Greater Manchester

Small business perspectives on delivering public sector contracts

**fsb**<sup>08</sup>

Federation of  
Small Businesses

## Introduction

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Public sector procurement (PSP) could be an essential lever through which to support small business growth and innovation, to enhance the productivity and the wider competitiveness of local and regional economies.

Much good work has been done in recent years to make public contracts more accessible to smaller businesses, but there is still more to be done in this area, particularly to encourage the smallest firms who have traditionally viewed this type of procurement work as too difficult and out of their reach.

To take a temperature check around current thinking, and to gauge whether opinions have hardened or softened, FSB Greater Manchester commissioned a new survey of small businesses in \*Autumn 2022 to explore the subject of public sector procurement. This effectively asked: why do some businesses see it as an opportunity, while others actively avoid bidding for public sector contracts?

The aim was to explore other areas too, namely: why does public sector procurement have the image it has? Are small firms even aware of the opportunity, and if not, why not? And what can be done to encourage more small businesses to 'have a go'?

The survey was designed in such a way that firms of all sizes could feed in, and regardless of whether they had attempted to procure work in the public sector before, or not. This was deliberate to ensure not just those with real, lived experiences of the process fed in to the data, but those who have opinions based on something else, such as word of mouth or peer experience. This format has allowed us to understand real world perception of business attitude and understanding of PSP as a process.

The following report has drawn extensively on the results of the survey \*\*responses with further 'drill down' data taken from several 1-1 interviews with businesses to go deeper into their thinking and experiences. The results of the survey are as follows.

\*Survey carried out between Oct 19 – Nov 18

\*\*76 responses in total



## Survey headline stats

# 68%

of small businesses have negative perception of PSP; only **8%** see it in a positive light.

# 67%

of respondents were unaware low value contracts (under as much as £25k in some GM authorities) do NOT need a full tender process and can be signed off by an officer.

# 98%

f respondents said feedback as to why they didn't win a contract was very important (**80%**) or important (**18%**).

# 71%

of respondents said they'd like to deliver contracts for the public sector because it would be regular work.

# 44%

of respondents believe the public sector would pay on time.

# 18%

of respondents think public sector contracts would be lucrative or highly profitable.

# 56%

of respondents said they'd like to deliver work for the public sector to help their local area.

# 11%

Only one in 10 of respondents felt they knew how and where to apply for public sector work and would need no help to do so.

# 62%

said they thought the tendering process would be longwinded and they lacked either the time or resources to have a go.

# 56%

of respondents said they thought the public sector tendering processes would be complicated.

# 47%

Nearly half of respondents thought it would take longer than one day to write a successful bid for public sector work; **13%** thought less than two hours.

## Key issues identified

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While the results of the survey offer only a ‘snapshot’ of perspectives, they likely represent the prevailing sentiment among smaller firms, which is that PSP is not widely viewed as an easy, viable or profitable opportunity for many of them. However, there are examples where businesses have a positive experience to tell, and these businesses should be utilised as case studies to ‘beat the drum’ for PSP by the public sector where possible. However, the overriding feedback was clear: PSP has a major PR problem.

### Perceptions – positive v negative

One of the more glaring stats from the survey is that just eight per cent of survey respondents see PSP, and the wider processes involved, positively. So what underpins this? The survey responses have some common themes around too much red tape, needless form filling, bureaucracy, and a lack of faith in the system being open, fair and transparent, nor easy to access for the smallest firms. One of the common themes running through the survey response is the widely held belief the procurement process – in general – is tailored for larger firms.

### Sample survey responses...

#### What is your general perception of public sector procurement?

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“Get rid of the red tape, and the point system that a lot of tender processes use. Look at the business who is tendering and what value they can bring to the table, instead of using bigger companies.”

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“A review of the defensible decisions mindset where public sector staff would always choose a big brand supplier to protect their decision from criticism.”

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“Use more SME’s instead of the ‘big boys’ all the time.”

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“I imagine the mantra, "Go Big Or Go Home" is emblazoned on every wall, noticeboard, mug and mouse mat in the procurement office.”

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“All contracts I have looked at tendering for require to know unnecessary in-depth knowledge of my profits/ margins etc, and also require significant resources just to complete the tendering process. I suspect local authorities are losing out and can only choose from larger organisations who are prepared to commit the time to the process.”

## Poor comms/feedback

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Another recurring theme around the negative perceptions expressed in the survey towards PSP is around poor communication. Headlining this is criticism that many smaller firms don't know how or where to access contracts. Secondly, unsuccessful businesses who do tender, are rarely provided with genuine feedback around failed bids.

The survey data shows this failure to provide feedback for such businesses is regarded as a systemic failure of the current system, and not only deters future attempts, but sows distrust in the system and process, and leads to – rightly or wrongly – perceptions that the bidding process is neither fair nor transparent.

In total 98% of respondents said feedback detailing why they didn't win a particular contract was very important (80%) or important (18%).

When a business tries and fails to win a contract they need to know what went wrong, for a number of reasons. Chief among them relates to learning from their mistakes, and being able to improve and go on to produce a successful bid in future. We know from previous FSB research in GM around procurement most businesses will attempt to procure public work only two or three times without success before giving up. Public sector procurement teams may well say this is impossible due to time/manpower constraints, but it would have a positive impact.

The lack of transparency was evident throughout the survey responses. Survey responders questioned the ethics of 'fairness' in the process, fuelling accusations that the system is rigged in favour of bigger businesses. A real world example of this is around time-frames. A complicated IT project is advertised on the Chest with a two-week turnaround time frame for bids. To submit a winning bid, the micro-business does not have the time or resources with such a short window of opportunity to organise, and thus excludes them from doing so. A large business with a team of professional bid writers stand a far better chance of success – and often do so.

### Sample survey responses...

#### What is your general perception of public sector procurement?

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“Overly cumbersome and bureaucratic process.”

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“I perceive it to be a costly process in terms of procedure and legal hoops to be gone through before becoming an accredited supplier.”

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“It is a very complicated process (we have tried twice) and it does seem that it is not the most worthwhile business that gets the contract, anyway...”

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“Complex, and if you have no experience, it's daunting. I've also heard it's who you know and that local government drive down the prices.”

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“Smaller businesses are often overlooked, with too many complicated procurement forms to fill in. A lot of questions and requirements from local authorities are not aimed at smaller businesses and are aimed at their present suppliers. It is as though they are not prepared to consider smaller businesses.”

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“Most opportunities are only here because they have to be and they already have a supplier that they want to work with.”

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“To many onerous requirements based on large company procurement.”

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“I never hear anything good about public sector procurement from others who've previously had a stab.”

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“It's generally a complicated process, especially if a larger value contract. You need a lot of policies, procedures and certification to prove you can do the work.”

## Accessibility

The survey identifies a number of issues around accessibility to public sector contracts. A significant number (89%) of respondents said they would require external help to apply for public sector contracts, with just 11% saying they would be able to go it alone. If the public sector wants more smaller firms to deliver contracts this is another area that needs addressing.

If you wanted to start delivering public sector contracts, would you know where to start?			Response Percent
1	I have no idea and would need to seek help		31.43%
2	I have a vague understanding, but would still need help		57.14%
3	Yes I am fully up to speed with public sector procurement processes		11.43%

The survey data suggests a deep lack of understanding around the mechanisms and processes involved in tendering for public sector work. Two thirds of respondents were unaware contracts under \*£25k would not need to go through a full tender process, eliminating the need for bid writing, financial data, and complex form filling, instead only being subject to officer sign-off only within a budget setting. These types of ‘low value’ contracts would make an excellent feeder route for many small firms, who may likely (with success) move on to larger and more complex contracts.

At present in Greater Manchester, there is no prescribed way for businesses to access this sub-£25k work stream, unlike the Chest where all other, larger contracts are advertised. How then do small firms access this ‘low hanging fruit’ work? Evidence suggests this would be by word of mouth; an introduction from a friend (or friend-of-a-friend); being in the right place at the right time; or having a previous relationship with a budget holding officer within the contracting authority.

None of these are reliable ways for most small businesses to pick up work, and while no formal or regulated process exists in GM the scope to do so will remain restricted and pose an unfair barrier for the vast majority of smaller firms who could deliver the work given the opportunity, but simply can’t access/find it.

To observers, this system – or lack thereof – could be regarded as ethically questionable, and an inappropriate way to spend tax-payers money, ungoverned, unregulated, and a process that likely does not always deliver good value for the public sector.

Other authorities do have a formal system in place to farm out low level contracts. Cheshire East was named in the course of this research, and GM could benefit from looking outwards to see best practice elsewhere rather than reinventing the wheel.

\*this figure varies between contracting authorities and is much lower in some organisations

## Other barriers

In March 2022, GMCA published details of major reform to the public sector procurement process and how such work will be offered up to the private sector as the authority embarks on a process to deliver greater social value within the city region.

The Driving Social Value in Greater Manchester Public Procurement paper outlined three specific areas where changes would be introduced in 2023 affecting all GMCA and LA contracts – although no exact date has been stipulated.

### These are:

1. GMCA will only contract with organisations who agree, themselves and for their 1st line sub-contractors, to pay Real Living Wage at date of contract or within one year of contracting.
2. To only contract with organisations who have signed up to be supporters of the Good Employment Charter (or equivalent indicators) at date of contract or within one year of contracting.
3. To only contract with organisations who have a credible plan to become carbon neutral by 2050 in place at date of contract or within one year of contracting.

Public contracts are seen by some businesses as a safe harbour during periods of economic decline and recession. For those firms looking to ‘pivot’ their businesses towards delivery of public sector work as a means to sustain their business during leaner economic times, these new measures will create further difficulty. While these new measures are laudable in their scope and ambition, is 2023 the right time to push forward with them?

### Survey responses...

**Q. If you had to pay the Real Living Wage (currently £10.90 outside of London) to ALL your staff in order to bid for public sector contract, how would this impact your business?**

**“The cost would be passed straight on to the Client (the public sector in this case) so it would not affect my business directly. It may mean that the contract would be awarded to a cheaper supplier, although I am not sure how they could do it. Working with miniature margins will not be good for any business.”**

**“We do that anyway, so no impact.”**

**“it wouldn't we pay our staff well. They are our best asset”**

**“No impact at the moment as I consider myself to be a fair employer and pay above the minimum wage for work well done., and also in order to keep my staff and not have to constantly advertise and re-train.”**

**“It wouldn't as I already pay this.”**

**“I would allow for this in my pricing so don't think it would affect my business negatively.”**

Asking firms to pay the Real Living Wage (RLW), not just to all staff working on the ‘contract’ but all employees in the wider company, could be an impossible ask for some smaller businesses, particularly with the worsening economic outlook. The care sector, particularly those funded from the public purse, may well struggle to achieve those types of wage demands in the timeframe currently proposed.

The survey responses do however, suggest many smaller businesses don't see RLW ‘pay’ as a barrier, and in many cases simply state they would pass the costs on to the contract – a common response in the survey. This would have an inflationary impact with a knock-on effect to public sector budgets which could be significant, and could even directly impact service provision elsewhere if funds need to be diverted.

However, what is also not clear for small firms (and what needs to be communicated) is that none of the three aims (paying RLW, signing Good Employment Charter, carbon reduction action plan) above apply to the sub-£25k contracts.

**Why firms would like to deliver for the public sector?**

I would like to deliver public sector contracts because... (pick any of the following you agree with)			Response Percent
1	The contract would be lucrative/highly profitable		17.65%
2	I would like to support my local area		55.88%
3	It would be regular work for my business		70.59%
4	I would be paid on time and in full		44.12%
5	I can trust the public sector		23.53%
6	Something else, please state		19.12%

Survey responses indicate some encouraging attitudes in this area, with the regular work choice scoring the highest – over 70% citing this as a valid reason. A further 56% believe it would support their local area. These are positive perceptions and should be seen as encouraging, and a good starting point to promote PSP.

Interestingly, 44% believed they would be paid on time and in full. It’s worth noting that invoice settlement is currently being deployed by five of the 10 GM councils (Oldham, Rochdale, Tameside, Stockport and Trafford). This is paying suppliers faster in return for shaving a small percentage from the agreed invoice – a practice more typically employed by big, corporate business/ supermarket chains unconcerned this sharp practice may squeeze their smaller suppliers.






Invoice settlement is widely seen as unfair and unethical. That this has found a way into the public sector procurement in GM is perhaps indicative of the challenges austerity imposed on the public purse, but there should be no place for it post implementation of the ‘Driving Social Value in Greater Manchester Public Procurement’ project. Deliberately holding payment for businesses that decline the ‘offer’ to a maximum of 30 days raises many questions if allowed to continue. Wider public knowledge of this practice being used in the public sector would almost certainly create more negativity in the private sector around PSP.

With a looming recession when cash flow will be even more important for small firms this practice should be rejected in Greater Manchester at the earliest opportunity by all in the public sector, and a commitment to pay instantly adopted in its place. Instant payment – or near instant – would be a respected USP on which to market to PSP work to the private sector, and would hold genuine news value on which to launch a wider marketing project courting small firms.





Why firms wouldn't want to deliver for the public sector

I wouldn't want to deliver public sector contacts because... (pick any of the following you agree with)			Response Percent
1	I imagine the tendering process is complicated		55.93%
2	I imagine the tendering process is long winded and I don't have the time/resources		62.71%
3	The profit margins would be tiny and not worth the effort		28.81%
4	Working for the public sector would be overly bureaucratic		42.37%
5	Something else, please state		22.03%

Sample survey responses...

“The process they do put in place for tender is extremely lengthy, time consuming and much of the information requested inappropriate to the nature of the real life requirements.”

“The system is confusing and can be long winded. Each organisation has its own individual requirements and payment terms are not great for small businesses.”

“Public sector pay on their own terms regardless of yours.”

“We work with schools who send their invoice off to the council to be actioned. Schools often do this quickly and promptly at their end but the council can take anywhere between 30-60 days. Our policy is 21.”

“It takes too long, it's too complex and often there are things that as a sole trader I just can't complete.”

“In the past, we have explored and followed up the process to register to do business with the public sector, spending a great deal of time (and some extra expense) only to find that we are still ignored and the business goes to existing providers that they are already familiar with.”

“Its length, very very time consuming from a small business perspective and it's often challenging to make headway on landing a project.”

This section of the survey identifies areas where public sector procurement teams could concentrate their efforts to encourage more businesses to give PSP a try, and also suggests a ‘myth-busting’ exercise might have value.

Time – or lack of – unsurprisingly tops the list here. Small business owners often take on the role of ‘chief cook and bottle washer’ and many experience time management challenges. Given nearly half (47%) of survey respondents believe writing a tender would take more than a day (20% believe it would take a day), is it surprising there's little appetite to try something that they perceive as being so time consuming when they are already time poor?

For many business owners the phrase: ‘time equals money’, rings truer than its effective opposite: ‘speculate to accumulate’. For such busy people, engaging in a process they believe is likely to consume more than a quarter of their working week (and realistically much more) is a huge disincentive.

A number of survey respondents made the point that each bid requires duplicate information, and therefore requires the same amount of work each time. This is an area that could be streamlined, particularly if certain parts of the bid process could be stored and used repeatedly, reducing time required to apply for each bid.



How much time do you think is realistic for you and your business in terms of time needed to prepare and submit a tender?			Response Percent
1	Up to two hours		12.86%
2	Half a day		20.00%
3	A day		20.00%
4	More than a day		47.14%

## Conclusion

Delivering work for the public sector can be richly rewarding for small businesses. Whether that’s those seeking the safety net of regular work on which to underpin their growth plans, firms looking to broaden their customer base outside the private sector – or for a myriad of other reasons – delivering public contracts should be something more businesses consider, but simply don’t entertain.

There are many reasons for this: some justified, others not, and much of it is based on peer group discussions where negative perceptions are reinforced and become self-perpetuating. However, our research suggests some of the negative perceptions that businesses have around PSP are well founded, and much needs to be done by procurement teams to change this narrative. The public sector will drive this change and is in a position to do so just by making some small changes, although longer term ‘culture change’ will take time and effort on both sides.

By diversifying supply chains the public sector can be more resilient, save money, and help local economies prosper by working in partnership with much smaller firms and distributing wealth more evening through the private sector, benefitting all communities.

There is no quick fix for this, but with recessionary headwinds blowing, and big change to public sector procurement in 2023 in GM on the cards, now is the time to act. The recommendations below should be considered a steer in the right direction.

## Key recommendations

### 1. Introduce mandatory feedback on failed bids.

Help businesses understand where they have gone wrong. This is a common issue cited by small firms as to why they stopped bidding for public sector contracts.

### 2. Play fair – and be seen to do so.

Feedback from the survey shows the perception among many small firms is that the system is rigged in favour of bigger businesses. This perception of unfairness must be tackled to encourage more small firms that they stand a chance. See 'key recommendation 1' as a starting point.

### 3. Advertise all contracts.

Even the smallest contracts (sub-£25k) should be advertised, especially those where full tenders are not required. This would help to 'succession plan' businesses: i.e. starting small but on the back of success eventually tendering for the larger contracts. The current system of officers awarding smaller contracts is not fit for purpose and is unlikely to offer good value for the public sector over the long term if contracts are routinely re-awarded, nor is it fair. A fairer system/portal should be introduced.

### 4. Simplify the PSP process where possible.

Businesses who've been through any PSP 'machine' have common feedback: this is it's overly complicated, longwinded, and asks for far too much information many small firms can't/don't want to provide. A streamlined service would attract many more firms to 'have a go'.

### 5. Launch a campaign to encourage small businesses to have a go at winning public sector contracts.

PSP as a process has a colossal image problem and would benefit by not only a myth-busting project, but by introducing help and support before and during the application process for small firms. The process would conclude with feedback for all bidders.

### 6. Pause the recommendations in the Driving Social Value in Greater Manchester Public Procurement paper.

In the current climate introducing these measures will raise the bar still higher for the smallest of firms in the middle of a recession and deter many of the smallest who might have considered PSP as a safe haven opportunity. Delaying the proposed measures by a year (ideally two) would also give the public sector chance to communicate the proposals to the private sector who are currently oblivious.

### 7. Beacons of best practice.

All councils in GM should be encouraged to adopt faster payment times and move away from supply chain abuse, such as invoice settlement discounting. If councils become leaders in prompt payment and agree to end supply chain abuse, this would be a powerful USP on which to promote public work to the private sector, give reason for the small members of the private sector to 'have a go', and show large corporate firms there is another way.

## Survey respondents suggestions

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In this section of the report (all sic) we list some of the suggestions from survey respondents as to what would make public sector procurement better for smaller firms. We have removed posts making the same suggestion/point to avoid repetition.

- Make the accreditation and bidding processes easier.
- The portals are difficult to navigate if you aren't familiar.
- Create a database of approved contractors that can be accessed by all authority procurement teams to avoid repetition for the process of qualification and streamline the application method.
- Making the process more accessible to ALL businesses. There are now too many rules/regulations that need to be adhered to, even if they do not concern the potential supplier (this includes insurance). Blanket applications forms do not work.
- Virtual meetings with the decision makers. Maybe an interview process followed up by documentation.
- Reduce the waffle required specifically for lower values, perhaps less the £250k. Do it as a tick box i.e. insurance, H&S, etc.
- Get rid of the red tape, and the point system that a lot of tender processes use. Look at the business who is tendering and what value they can bring to the table, instead of using bigger companies.
- Remove the framework companies. Reduce the amount of questions they ask you to evidence. Stop the deal reg battles on public sector opportunities otherwise incumbent or preferred suppliers will always win.
- Offer advice and guidance through the process.
- Probably advertise it better. Most firms don't know these jobs exist; or think it's out of their scope/reach. There's a feeling that bigger firms are more likely to win over the small fry.
- To be made aware of any contracts that we can tender for.
- General support/guidance for how to improve the social value element of their submission (e.g. actions to consider, how to communicate it, etc)
- The procurer should provide a template with tick boxes rather than the tenderer having to provide lengthy responses.
- Use of organisations to contact local businesses and inform them of such that may be of interest to the business.
- Realistic expectations and personal communication – the majority of tender questions are unrealistic for small companies and without an answer to them all there's no point answering any.
- Clarity in the ITQ or ITT on whether work is suitable for a micro-business.
- A limited number of questions to answer as part of the bid.
- Greater promotion of help and support to meet Information Governance and/or Information Technology compliance for those ITT or ITQs where this is applicable.
- It's too easy (and I do understand why) to advertise the opportunity as 'World class system that...!', or 'Complete solution for...!' or 'End to end service to...!' Yes, it's easier to contract for, and the public sector organisation may well end up with a better solution but not every small business can do 'everything', meaning that only the 'big boys' have a shot. Often the opportunities are just 'too big' to consider, 'too big' to deliver and, therefore, 'too big' to spend otherwise productive time spending the 'many days' effort completing the process.
- Being on an invited list with local government and national government places that are local to us.
- Not having to resubmit details for each tender; councils tend to be grouped on a number of different procurement sites, so you have to search all, rather than one.
- Smaller projects for smaller business.
- Less red tape
- More free training and feedback on unsuccessful tenders. Tenders all in one place why do you have to sign up to different sites?
- Make it simpler, and less time consuming
- Better understanding the procurement process.
- Allow us to be able to quote and bill as we would a general everyday member of the public job.

- Some public sector bodies have too low a threshold on where tenders are required (e.g. £5,000). Preparing tenders for such low value procedures is not cost effective.
- If they have a job that needs doing e.g. for us it would be providing training, they should contact us for a quotation for the individual job.
- Draft documents in plain English.
- More information, clearer guidelines, forms and timelines.
- A simple process, if it's on the same portal, things to be auto populated from the last / generic info on my business.
- Encourage local public buyers to actually look for local companies to tender
- Enable us to talk directly to the people procuring - preferably before the spec is finalised.  
This could be a webinar (but many small businesses cannot have someone available at the correct time - or miss the notification )
- Be better to allow each organisation tendering to have a 20 min Q & A discussion with the purchaser to properly explore if there is a potential fit between what we could offer and what they need. Would be quicker for us than filling in long tender pointlessly - and quicker for them - assuming they read the tender!
- A review of the requests for information. This being the descriptive methodology they always request, which if not written in a style they want (which is not known by the tenderer) goes against the potential supplier.
- A specific product specification and quality indicator which is not generally provided and therefore prevents the supplier from offering appropriate product, fit for purpose and at the commercial level the authority is wanting.
- For the public sector to reach out to small firms in their area to ask if they are interested in bidding.
- Exclude the big boys and create a marketplace and a framework of vetted SMEs only just for SMEs like G-Cloud but just for smaller companies.
- Make it illegal for a client to exclude on not having any experience of you delivering for them previously.
- Monitor how much is getting awarded to who and see if a monopoly is happening.
- Make awareness of the contracts available better.
- Clear list of manufacturers required.
- Use more SME's instead of the 'big boys' all the time.
- If the public sector could speak in normal English, and be a bit more understanding of the pressures facing business owners.
- Clear guidance and standardised across organisations.  
Key contact of someone to help with process.
- All opportunities in one place.
- By using existing local business networks such as FSB, you could have a measure of sorts for trust and reliability.
- Small business innovation forums.
- Publicise how to bid, make it easier to find out where to get information.
- For the RFI/ questionnaire to be more targeted towards the goods/ services being procured rather than a general set of questions.
- Simplify the form - fewer questions and more explanation of what they are looking for, less box-ticking exercises which aren't really applicable to sole traders.  
A more transparent service which is not just based on price. Some larger companies know what to say to win, but their offering is poor and leads to further problems.
- transparent processes proportional to spend
- Simplify the registration/tendering process to encourage smaller businesses to bid.
- Creating smaller packages of work to get diversity in their supply chain. This would help smaller firms understand the process, showcase their capabilities and fundamentally would mean the public sector get a better / more diverse service and offering with more room for innovation.

## Contact Details

If you would like to discuss the contents of this document please **call FSB Development Manager Robert Downes on 0791 762 8905;** or **email [robert.downes@fsb.org.uk](mailto:robert.downes@fsb.org.uk)**


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