



Federation of Small Businesses

The UK's Leading Business Organisation

Press & Parliamentary Office

2 Catherine Place, Westminster, London, SW1E 6HF

Tel: 020 7592 8100 Fax: 020 7233 7899 Web: www.fsb.org.uk

Jenny Jones AM
GLA
City Hall
The Queen's Walk
London
SE1 2AA

29 May 2015

Dear Ms Jones,

The FSB is the UK's leading business organisation. We exist to protect and promote the interests of the self-employed and those who run their own business. The FSB is non-party political and, with around 200,000 members, we are the largest organisation representing small and medium sized businesses in the UK.

Small firms make up over 99 per cent of all businesses in the UK, and they make a huge contribution to our economy. They account for a third of all private sector turnover and employ almost half of the private sector workforce. A large proportion of these small firms are micro businesses (fewer than 10 employees) and sole-traders.

Small businesses are driving the UK's economic recovery and it is in the national interest to ensure they are not placed at a competitive disadvantage by severe weather events. They require a holistic package of support and guidance to help combat the potential damaging impacts, both direct and indirect.

The needs of small businesses can sometimes be overlooked when it comes to long-term policy planning. They are often lumped in either with a domestic audience or with larger industry. Like household customers, they have a low level of expertise outside of their core business, they have limited available capital and purchasing power, and they often have similar levels of usage and expenditure on utilities like energy, water and telecommunications. However, small businesses are not covered by the same legal consumer protections afforded to household customers. This leaves them vulnerable across a range of consumer areas.

Small businesses, by their very nature, are well placed to avoid the risks associated with severe weather. They are flexible and have a small footprint, compared to bigger industry. However, they are also less able to absorb the costs of disruption when it is unavoidable. So severe weather resilience plans are a critical tool for reducing the impact and likelihood of this kind of disruption.

To what extent have small businesses in London taken the necessary steps to identify such risks and develop adaptation plans? Are you aware of any examples of good practice in this area?

Two thirds of UK small businesses say they have been negatively affected by severe weather in the last three years. The average financial cost of these severe weather events over this period runs to many thousands of pounds.

It is important to note that indirect impact of severe weather on business operations are as problematic, if not more so, than the direct damage caused to business premises. Disruption to people (customers and staff) and logistics (supply chain, utilities and transport) are the most frequently occurring problems for small businesses during severe weather events.

Only a quarter of micro businesses have a resilience plan in place that specifically includes severe weather, although there is some evidence to suggest that those with previous experience of severe weather are more motivated to prepare resilience plans. The FSB has some limited evidence to suggest that businesses in London are slightly better prepared than the national average, with a third saying they have a severe weather resilience plan in place.

Despite most not having a formal plan in place, two thirds of small businesses say they have begun to take some action to manage the risk of severe weather to some part of their business. One of the major themes that emerged from around a third of FSB members was of simply taking a reactive approach, to “struggle on” whatever the weather. These businesses described the need to “be flexible” and to “just do whatever it takes to keep the business going”. Many highlighted the importance of communicating with their customers and managing their expectations. Some businesses have sought protection against disruption through customer contract terms and conditions. Some simply rely on insurance to cover any losses.

Other businesses offered more pro-active solutions. Another theme that came out strongly amongst FSB members was the ability to work flexibly, either from alternative locations (including home) or in a way that isn't restricted to normal office hours (e.g. weekends, late nights, avoiding rush hour etc.). Many highlighted new technology and software that allowed staff and personnel to work wherever and whenever they needed.

Other themes that emerged often reflected the various priorities, pressures and ways of working of different businesses and sectors. Many highlighted a combination of stockpiling, resilient storage locations, and spreading delivery and supply risks thorough multiple suppliers. For others, it was about having the right equipment on site for clearing snow, preventing water from entering premises, or generating emergency power. Some had invested in resilient vehicles (4x4s and snow tyres). Many highlighted the importance of good maintenance of their premises. And a small number had gone further, investing in flood defence measures.

Only 19 per cent of small businesses surveyed said they had taken action to manage the impact of severe weather on their supply chain.

How could small businesses be better supported to identify the risks, and take necessary steps to address them, and is there a role for the Mayor/GLA to galvanise action?

There is plenty of advice available for small businesses if they know where to look and who to trust. For instance, the Environment Agency has provided some excellent guidance materials in this area and FSB plan to work with them to improve the understanding and preparedness of our own membership. However, it is sometimes difficult for small businesses to navigate the diverse advice, products and services available and understand what choices are most suitable for them.

The emphasis should be on organisations like the GLA working in a bipartisan way with central government and agencies, local authorities, utility and insurance companies and others to provide a consistent, reliable and trusted service so that small businesses are empowered to do the following:

- Produce a resilience plan that includes the potential impact of severe weather on different parts of their business, including their supply chain (imports and exports).
- Explore the potential benefits of flexible working for their staff, especially when advertising for new roles.
- Clarify and understand their flood risk and, where available, sign up to the Flood Warnings Direct service.
- Explore the benefits of business continuity insurance as well as property flood insurance.

What would you like to see the LEP do to help address an apparent shortage among the workforce of skills needed for climate adaptation?

Many small businesses see themselves as part of the solution when it comes to UK resilience to severe weather. Almost 15 per cent of small businesses believe they can provide a positive contribution to specifically addressing the impacts of severe weather, through their products, services and innovation. FSB members highlighted a number of areas of expertise, particularly around planning advice, flexible working, technology and engineering solutions, and communications. LEPs should explore the untapped potential for small business services and expertise in this area, and look for ways to promote them through supply chains.

It is important that London is able to monitor the take-up of adaptation measures among businesses, to inform future city-wide plans for interventions to support adaptation. Without creating more form filling, what steps do you think could be taken to enable this monitoring to take place?

Small business owners are a notoriously difficult audience to engage with. Any time spent answering survey questions is time spent away from running their business. Ideally, monitoring should be done in a way that does not require additional, burdensome reporting duties placed on businesses. FSB research has already provided evidence that there is a low level of preparedness across all small business sectors and so the GLA should prepare their strategy based on this assumption. The full FSB report will be published in July 2015.

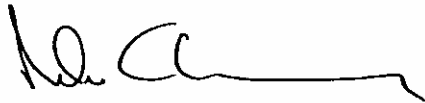
London firms could benefit from the growing adaptation sector which brings opportunities to sell goods, services and expertise to support climate change adaptation, including overseas. What are the main opportunities for London small businesses in this market? Should London and Partners specifically target this sector?

One of the themes that emerged out of the 2014 winter storms was the importance of the support network within local communities. This is true for both domestic residents and small businesses alike. During a severe weather emergency, such as a major flood, it is critical that the right supplies and equipment are in place to help manage the risk and to keep the local economy moving. Small businesses, often at the heart of their communities, are well placed to offer this service. This could include providing flexible space for evacuated people and businesses; providing storage for grit, sand, sandbags or snow shovels; providing pumps to combat flood water; or providing power generators and satellite phones if wind and rain have damaged utility networks. FSB research shows that there is a considerable willingness from local small businesses to offer this kind of 'resilience hub' service.

Over 40 per cent of small businesses would be happy to act as a community resilience hub for their local community (storing vital equipment in case of emergency).

LEPs should work with small businesses to identify strategic resilience issues and plan investment accordingly. Small businesses must also be given a greater voice in the strategic planning process, especially around sustainable development on or around the flood plain.

With best wishes,

A handwritten signature in black ink, appearing to read 'Mike Cherry', with a long horizontal flourish extending to the right.

Mike Cherry AIMMM FRSA
Policy Director