House of Commons

Business and Trade Committee

Oral evidence: Small business strategy, HC 1057

Tuesday 1 July 2025

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Watch the meeting

Members present: Liam Byrne (Chair); Antonia Bance; John Cooper; Sarah Edwards; Alison Griffiths; Sonia Kumar; Charlie Maynard; Mr Joshua Reynolds; Matt Western; Rosie Wrighting.

Questions 1 to 36

Witnesses

I: Dominic Armstrong, Head of Policy & Communications, Community Trade Union; Andrew Goodacre, Chief Executive Officer, British Independent Retailers Association; Jonny Haseldine, Head of Corporate Governance & Business Environment Policy, British Chambers of Commerce; Paul Wilson, Policy Director, Federation of Small Businesses.

Examination of witnesses

Witnesses: Dominic Armstrong, Andrew Goodacre, Jonny Haseldine and Paul Wilson.

Q1 **Chair:** Welcome to today's session of the Business and Trade Select Committee as we commence our hearings into small business strategy. Thank you very much indeed to our witnesses for joining us.

Paul Wilson, perhaps I could start with you. We have heard from our tour of the country, talking to small businesses, that there is a real cost crisis confronting a lot of small businesses in our country. Do you think that is true?

Paul Wilson: I do. Cost pressures are severe at the moment. The Federation of Small Businesses has a quarterly confidence survey, the small business index. Confidence is currently at minus 40.7%, which means 40% more businesses think it is getting worse than getting better at the moment. Cost pressures are a key driver for that. Over 80% of small firms report rising costs. Some 23% of them have seen their costs rise by over 10% in the last year; 35% have seen their costs rise between 6% and 10%. If I were to go back over the 15 years that we have been asking these questions, that is a lot more than we normally see.

Q2 **Chair:** Are these the worst figures ever or is it not that bad?

Paul Wilson: I could not say that for sure. Things got pretty intense during the energy price crisis. I have not done the comparison, but since then none of the cost pressures has really let up. In particular, energy is not as high as it was, but it is still a really significant pressure. You also have labour costs. If you are an employer, that is your biggest cost pressure at the moment. Tax has risen substantially as a driver of cost increases. It is being cited as a pressure by 47% of our small firms.

Yes, cost pressures are severe. We are optimistic about the potential for the strategy to help with small business confidence and we are keen to talk about some of those things later on.

Q3 **Chair:** We will certainly get into that. Which cost pressures are causing the most problems?

Paul Wilson: If you are an employer, it is labour costs at the moment, undoubtedly. If you are a small or medium employer, by which I mean with 10 or more employees, that is being currently reported as your biggest barrier to growth of all, which I have not seen before.

Q4 **Chair:** Jonny, what is the perspective from the chambers?

Jonny Haseldine: It is very similar. As expected, since covid we saw the numbers go down a bit and then they continued to go down. They peaked up a bit again in 2022 and around the start of 2023, but over the last year or so they have gone down again.

We have been running our quarterly economics survey for the last 30 years and we have seen the lowest numbers over the last year. It ticked up again recently.

Q5 **Chair:** Can you just unpack that a bit for us? What do you mean by "the lowest numbers"?

Jonny Haseldine: The business sentiment survey, which we run as part of our quarterly economics survey, has been asking the same question every quarter for the last 30 years. At that point it was at its lowest.

Chair: As in, it was at its worst.

Jonny Haseldine: Yes, it was at its worst in a literal sense. I am not entirely surprised about that, but, positively, it has picked up a lot.

In terms of the cost pressures, I would make a similar point. When we asked our members recently, 73% cited labour costs and 53% cited utilities. Out of all those, hospitality firms, probably unsurprisingly, were the ones that were most likely to report cost pressures.

Q6 **Chair:** Do you get a sense of what is going on with those labour costs? Is it just the demand for higher wages? Is it NICs?

Jonny Haseldine: It is a mixture. The NICs undoubtedly had a massive impact. When you talk to members, that it is the number one thing that comes across on that one over the last six months.

Q7 **Chair:** Dominic, thank you very much indeed for joining us at what was quite short notice. We are really grateful to have you with us. From Community's point of view, what are some of the pressures that you pick up from your members?

Dominic Armstrong: Echoing the two points that were made before, there is a huge amount of pressure around energy prices at the moment. We see that not only for small businesses but across the wider economy as well. In comparison to European nations, we pay a lot more. We welcome the improvement of the supercharger scheme, which was announced in the industrial strategy recently, but there is still a lot of work to do to diversify our energy portfolio in order to ensure that we can bring those energy prices down and pass those benefits on to members and workers within the small business sector.

There is also an issue in terms of the pressures around Brexit and the cost of the bureaucratic processes to sell to the European Union, which remains the UK's largest market. It has become a lot harder for small businesses and light industries, et cetera, to sell into the continental market. There has been an increase in bureaucratic costs in order to achieve that. The UK Government's efforts to reset that relationship are very welcome. We would like a continuation of the process there to relieve those cost pressures through the bureaucratic process to sell into the European market.

Q8 **Chair:** Do you have a sense of the hierarchy of cost pressures?

Dominic Armstrong: We would not be able to speak as strongly to that, but, from what we hear from our members across every single sector, energy prices are one of the biggest pressures on businesses at the moment, from large-scale industries, such as the steel sector, all the way down to lighter industries and smaller businesses.

We will touch upon this, I am sure, later on in this session, but the buying power of people within the economy to buy from small businesses and these kinds of companies is restricted due to high utility costs and high energy prices. You have the pressures on businesses in terms of them paying the costs themselves, but you also have the pressure on their consumer base, with consumers unable to purchase from them easily because they have their own high utility costs. That is both individual consumers and other businesses buying business-to-business.

Q9 **Chair:** We have some cost push going on in the supply chains.

Dominic Armstrong: Yes, essentially.

Q10 **Chair:** Andrew, you are from the British Independent Retailers Association. What are your members telling you about costs?

Andrew Goodacre: It is the highest cost base. That translates into retailers working on the lowest profit margins that they have ever worked on, in their memory. We represent independent retailers across the UK, such as small pet shops or independent department stores.

The cost of energy is not so big for us. Some retailers use more energy than others, depending on what is in their premises. If you have a café, you are probably going to use more energy than a clothes shop. Their biggest concern has always been around business rates. Those went up 140% in April for businesses that lost the benefit of the previous retail hospitality leisure relief.

We will talk about business rates later, but, under the current proposals, for a medium-sized business that employs more than 10 people with a rateable value above £51,000, business rates will increase by more than 300% over two years. From 2024 to 2026, it will have increased 330%, based on the current proposals.

These are property businesses. They cannot avoid business rates. Most of them are above £15,000; they do not qualify for small business rates relief. They will employ people, so labour costs kick in. This year, it is not so much the increase in NIC contributions; it is the reduction of the threshold at which it is payable. The £5,000 threshold means that part-timers suddenly became a real issue. In the independent market, you are more likely to employ part-timers.

Local people who do not want to travel into work or work full time, but want to work part time in a local shop, suddenly qualify for national insurance payments by the employer because of that £5,000 threshold. You only need eight hours a week.

Q11 **Chair:** When we listen to the evidence across this panel, it sounds like everything.

Andrew Goodacre: It is hard. Part of it is about external factors. Energy went up because Russia invaded Ukraine.

Chair: Coffee prices have gone up.

Andrew Goodacre: Coffee prices have gone up. The supply chain comes in here. Unfortunately for businesses that are buying in stock for resale, the producers of that stock have seen the same increases that my members have seen, probably more so because they are producers with higher energy costs. They just pass it straight down the chain.

Q12 **Chair:** The net result is that, in your judgment, your members are operating on the tightest margins in living memory.

Andrew Goodacre: Yes. They are not able to pass it on. Consumer spending confidence is low. Consumer spending is fragile. An independent retailer already does not compete on price. We are not competing with Tesco, Aldi and the like, or Primark in the fashion world and so on. They do a great job of what they are doing. You are competing on service, locality and community loyalty. That is great, but people can afford only so much.

Q13 **Chair:** We have heard businesses tell us, "I just can't charge five quid for a flat white. I can't charge 10 quid for a pint. I am at the limit of what I can charge".

Andrew Goodacre: No matter what product you choose, whether it is hospitality or retail, people know what their known value is for that item. It used to be a pint of milk. You would not pay more than £2 for a pint of milk and you probably still would not. You do not like paying more than £7 a pint. You do not like paying more than £150 for a suit. It is really hard to get people to go above what they believe that they should be paying or can afford.

Q14 **Chair:** We have hit the maximum pain point for consumers now, and therefore margins just take the strain.

Andrew Goodacre: They have to take the hit on the margin. They are trying to save costs. They are not recruiting at the moment. They are trying to run more efficiently. They are changing their hours. The larger ones are looking at some element of automation or AI to help them administer the business more easily, but what they can do on that side is limited, in fairness.

Q15 **Rosie Wrighting:** We have heard from businesses—I have definitely heard this from businesses in my constituency, Kettering in Northamptonshire—that business rates are another barrier to growth. Do you hear from your members that business rates are a significant barrier?

Andrew Goodacre: Yes.

Q16 **Rosie Wrighting:** More specifically, the new reforms that were announced apply higher multipliers to larger properties. Do your businesses believe that this will start to level the playing field or is there still a way to go?

Andrew Goodacre: In principle, it is a start. The challenge is that not many of our members will be above £500,000. As I said, if you are above £51,000 next year, you have a sizable increase coming compared to what you were paying two years ago. It is another big increase on top of what just happened.

In a way, the Treasury is balancing the books by adding an extra on the larger sites, irrespective of what those sites are, to give a discount lower down, but that discount is less than what people were receiving two years ago. If you are running your own business, it looks like a failure. It is being called a transformation in business rates. You are paying more–a lot more.

My concern is that the small and micro-businesses get most of the support, but they are not necessarily the employers in the retail sector. It is those medium-sized businesses, the independent department stores and long-standing family businesses that have existed for many years, that are now being hammered with business rates. They will not invest; they cannot invest. They will probably look to find a way of exiting, if inheritance is not going to hurt them as well.

If you are a medium-sized business, it is a very challenging world because you feel as if you are being forgotten about. The large chains will survive. The micro-businesses have a chance of surviving. It is those medium-sized ones around £100,000, £120,000, £150,000 and probably a lot more that I really worry about.

Paul Wilson: Business rates are a major drag on growth. They really hold back investment decisions, so the choice to open a second café, a second premises and things like that.

In terms of what solutions we would like to see the Treasury implement in response to its "transforming business rates" call for evidence, I cannot really overstate how important small business rates relief is to our members. Around half of high street small businesses say they could not survive without it. We would like to see the threshold increase from £15,000, where it has been for a while, to £25,000. We would like to see small businesses allowed to open that second or maybe third premises without losing their rates relief.

We need to see permanently lower multipliers for the retail, hospitality and leisure sectors. At worst, they should certainly pay no more than they currently are under the discounts, and they should hopefully pay less.

The last type of business that I wanted to highlight is nurseries. In Scotland and Wales, nurseries get 100% discount on business rates. They have really seen their costs squeezed, particularly due to the part-time workers point that Andrew mentioned before. That needs to be looked at in England.

Q17 **Rosie Wrighting:** Jonny, is the BCC hearing the same?

Jonny Haseldine: Yes, and I would just add a couple of points to that. I agree with the point about having a permanently lower multiplier. It is going to keep creeping up, and that becomes a problem. We have already talked about costs. Business rates are a cost without opening the front door of a business, before you even start up. That is a problem to begin with.

Just going back quickly to the higher rate, there is a slight danger here. Yes, a lot of these larger multinational businesses can swallow the costs, but there is always a chance that they pass the cost increase that they are paying down to the smaller businesses in their supply chain. That is a potential problem on that one.

The other final point from us would be where that money is going. A few years ago, there were some pilots around 100% rates retention in local authorities. We need to see more business rates money staying with local authorities so that money can be spent locally to regenerate towns and high streets.

Q18 **Sarah Edwards:** This morning, I led a debate on the issue around commercial energy billing, particularly the problems that small businesses face. You have all cited energy as being a particular issue. Do you have any thoughts on what needs to change in that industry to support small businesses? Where would you start? I will start with Andrew and then work along the panel, and hopefully, between us, we will fix it by the end.

Andrew Goodacre: Good luck! As I was saying, in general independent retailers would not always be large users of energy. When we saw those large increases—it has dropped back a little bit, but not by a huge amount—it focused their minds because it is yet another doubling or tripling of cost that was occurring.

What could we do? We need greater transparency about contracts. You almost have to look at a small business owner as an individual consumer. If the supplier decides to increase the rates, they should have the right to shop around and be more competitive. You do not get that. You are locked into a contract.

We talk to Ofgem a lot about this. We work closely. Ofgem is trying and has tried to improve this. We have seen some improvements in terms of regulatory action around brokers, commissions and suchlike, but there is still too much opaqueness in what contracts really mean and, if it is not working for the business, how it can escape.

I would love to think we all have a huge amount of time to study these contracts in detail. I was talking to the owner of a long-standing department store in Newton Abbot. He got caught out with a contract that is costing him twice what it should be, but he cannot get out of it for two more years. There is nothing he can do. He can go to the ombudsman, but it will not make any difference. That is an astute businessman. He got caught out. I hate to think what is happening lower down the food chain.

It is about transparency. More of the balance of power needs to be placed on the business as opposed to the supplier.

Paul Wilson: Building on that, we have this stat, which I find incredible, that 19% of small businesses admitted that they signed up to their energy contract just so the broker or supplier would leave them alone. That shows the pressure selling that is going on.

It is clear what needs to be done. It is about better consumer protections, more akin to what households get. Ofgem needs to give small businesses a cooling-off period. If you had a 14-day cooling off period, there would be no incentive to pressure sell. You would simply cancel the contract when you realised you had been overcharged. That does not exist at the moment. Ofgem needs to do that.

DESNZ needs to regulate third-party intermediaries. There was a consultation on it last year, but this needs to be pushed through now because this protection is needed.

Lastly, energy costs would be less if there was more support for energy efficiency and businesses were using less energy. We would like to see that as a focus for DESNZ. That is a really important part of not only the decarbonisation picture but the competitiveness picture.

Sarah Edwards: Thank you. That is really helpful.

Dominic Armstrong: I would agree with all the points made there. Again building on what was said previously, as I mentioned before, one of the key areas is building the diversification of the energy portfolio in the UK. We welcome the move towards modular nuclear reactors. We welcome the announcements of new nuclear reactors being built in the UK.

We need to push forward the renewable energy side of things as well so we are not at the mercy of the international markets when it comes to natural gas and the fluctuations and shocks in the system. Businesses need to be able to plan into the future in terms of what their energy costs are going to look like, rather than having disruptions from this more uncertain world internationally, as we rely on imports of natural gas from elsewhere.

Jonny Haseldine: Unsurprisingly, I agree with all of what has been said. The only other one that I would flag is standing charges. They fluctuated massively around the time of the energy crisis. There are still various problems there. We have heard from one business whose standing charge increased 1,500%. That is not uncommon. That is just ridiculous. More needs to be done on that. Ofgem could be doing more in terms of guidance and helping support businesses through their user journey when it comes to energy.

Q19 **Chair:** Does anybody find Ofgem absolutely fantastic to deal with? Do it has all the powers it needs?

Andrew Goodacre: It has improved its communications. Certainly since the Ukraine war, which was the catalyst for that crisis, we have seen far more improved communication. I do not attend all the meetings. We do get invited to what feels like quarterly meetings on Teams with hospitality and other smaller business groups. The FSB may well be attending those as well.

There is a genuine attempt to listen. I think it is genuine. There is a genuine belief that there is more work to be done. From their perspective, not wanting to speak on their behalf, they have to balance.

Chair: They are coming before us in a couple of weeks.

Andrew Goodacre: They have to balance between businesses and suppliers. Most businesses think they are subsidising consumers somehow; they are the cash cows for the suppliers. That is something we need to break. We need the suppliers to be a little bit more transparent with us.

Q20 **Antonia Bance:** In particular, some small businesses in my constituency have raised with me prepayment meters as being a concern. They are very non-transparent in terms of the amount of money they take. I have had experiences where debts from previous customers have been added on to the bills of the new occupant of the premises. Do you have any experience of prepayment meters and poor behaviour around that?

Andrew Goodacre: I do not, no. I must admit that it has not been mentioned to me. The idea of inheriting debts has. That is often more to do with a landlord trying to pass it on than the supplier company. It is about understanding who the real culprit is there. Prepayment meters have not been mentioned to us as an issue so far. I will watch out for it, though.

Q21 **John Cooper:** Apprenticeships seem to be having a bit of a moment. Skills England has only just been fully stood up last month. The Government have changed the old apprenticeship levy; it is now the growth and skills levy. When most people think of apprenticeships, they probably think of the defence primes, shipbuilders and firms like those.

What is it like for SMEs? How are you finding apprenticeships? Are they working for you? If they are not, what could be done by Skills England to try to make them a little more accessible? Dominic, if we can start with you, is this a big issue for your potential members?

Dominic Armstrong: In terms of apprenticeships, we welcome the work being done by Skills England, the direction that it is moving and where the Government are going with this.

One big thing that has been highlighted by our members around apprenticeships and the direction that they are going in, particularly within the finance sector, is around AI training and support. We are keen to see AI training embedded within the apprenticeship programme to make sure that the workforce that is coming in understands AI and how to utilise it. It should be an augmenting rather than replacing programme within the workplace. We are keen to see businesses recognise that AI can deliver productivity, but it cannot replace workers in the long term because you will lose your pipelines and supply lines in terms of development coming through your business and long-term strategic focus.

We would also be keen—this runs a little further out from the apprenticeship aspect, but it relates to the Skills England bit—to ensure that any training on new tech that is coming in is extended beyond the people entering the workforce to the entire workforce. It should not just be for new entrants in the workforce in terms of apprenticeships.

Q22 **John Cooper:** This is life-long learning or career-long learning.

Dominic Armstrong: Exactly, yes. We have been doing some work with Google through an "AI works" case study. We have found that there is a real appetite across all the sectors that we represent and work in for that opportunity for learning. We need to ensure that Skills England is developing that, offering that to SMEs and advertising it to them so they know where to go in order to build up the skills and experience of their workforce within that area.

Q23 **John Cooper:** Paul, if I could come to you, how are apprenticeships working out?

Paul Wilson: Our members, SME employers, know that apprenticeships are a great way to meet their skills shortages. About 10% of our membership have apprentices. The Government have made a number of very sensible decisions in the last year that have helped small employers take on apprentices. Allowing shorter courses, making it flexible whether they need English and maths, and recommitting to the 95%/100% contribution that the Government make to apprenticeship training costs, have been absolutely key.

The other thing that we know works, based on experience, is incentive payments. I do not underestimate the difficulty of the fiscal situation. I am saying it in that context, but during covid, when employers received incentive payments to take on an apprentice, we saw a 21% increase. If you look at targeted employer types, targeted age groups or potentially targeted qualification types, that sort of thing could really help to uplift it further.

Jonny Haseldine: Our members are very supportive of apprenticeships. They are high-quality qualifications. I have two points on them. First, most of the apprenticeship standards are written or encouraged to be written by large businesses. Small businesses quite often struggle because those large business standards might have a particular piece of equipment that they need in that journey, but a small business just does not have it. Those need to be looked at again.

I am supportive of the point about more modular training. Often, apprenticeships can be quite long. I am currently going through an apprenticeship myself. It is a year and a half or two years. For a lot of small businesses, you do not have the time to do that. You might need the modular approach. You might need to take different bits from different apprenticeships to take that forward.

One of the ways in which it is working is through the local skills improvement plans in place across England. Chambers are running 32 out of 38 of them. They are about translating all these qualifications and trainings, and matching them with the local skills need in local areas, so that local communities and local businesses can get the training they need because no one size fits all.

Q24 **John Cooper:** Andrew, are apprenticeships a big issue in retail?

Andrew Goodacre: In independent retail, the smaller guys use a lot of apprentices. It has declined over the years. The feedback that we have had from members is that the skills of the people applying for jobs have been lacking. I am not just talking about maths and English.

In small retail, there is no automation in terms of service. It is people-on-people service. You need people who are confident and comfortable, who have stronger interpersonal skills. Our members are finding that those areas are lacking in the younger people coming forward. Whether that is a society issue or not I do not know. It is something that is often quoted by our members.

The time for an apprentice is a problem as well. It is 18 months or two years. A lot of the work is part time. It is really hard for them to commit to it. Some of the larger guys will look at it, but it is not their priority for recruiting.

Q25 **Antonia Bance:** Staying with skills and training, our economy is approaching a transition. In my area, there are many small businesses that repair motor vehicles. As we look to the imminent phase-out of internal combustion engines, a different set of skills will be required in those small businesses to ensure that they are able to continue to make a sustainable livelihood. I would very much appreciate comments from the panel, perhaps starting with Paul, on the support available to help existing members of the workforce gain new skills in order to keep their skills up to date.

Paul Wilson: In terms of the role that small businesses play as employers, 83% of small employers provide training days for their staff. That is seven training days on average, which is not insignificant and is in fact more than we measured a few years earlier. What could help further with that is helping small employers develop a training plan. Only 31% have a plan around that. If you have a plan, you are more likely to ensure that you help your staff do the training and you are more likely to make sure that there is funding allocated to it. Can Government think of ways to nudge, subsidise or support small employers to develop that plan?

On the self-employed side of things and the question of retraining in new areas, one thing that we have looked at a lot in the past is that self-employed tax deductibility is incredibly complicated and a bit of a deterrent to retraining. You cannot deduct training costs for tax purposes unless it is in an area that you already have skill and expertise in. If you are trying to expand your business into new areas, that may be precluded by HMRC rules.

About a year ago, the previous Government clarified the guidance in a helpful way, but the underlying case law and the rule there is preventing self-employed people from being able to retrain in new areas as easily as they should.

Jonny Haseldine: I would go back to my point about LSIPs being a good gateway there for joining everything up. Skills bootcamps have not been mentioned yet. They are another option.

Back to the more general point, as we know, in very small businesses, the training manager is often the chief executive or the finance manager. They do not have the time to navigate the journey. Very much to the point of skills plans, some help from the centre to say, "This is where you can go to look for this" would be really helpful.

Dominic Armstrong: I would just echo both those points. In terms of the self-employed tax deductibility, we represent self-employed members. That is a real challenge area for them.

I would agree with the point about plans. It would also be helpful for a lot of SMEs and the self-employed sector—we will see this through the various strategies coming out from the Government at the moment—to see the direction of travel in terms of the UK Government's intentions for the economy in five or 10 years' time. That will tell them where to target their training, development and skills, so they know there is a market for what they are going into in the future as well.

Q26 **Mr Reynolds:** Andrew, do you think UK high streets are sustainable in the long-term?

Andrew Goodacre: Yes.

Q27 **Mr Reynolds:** Why?

Andrew Goodacre: We have seen growth in online shopping. The latest figures that I have seen suggest that something like 36% of all retail sales are online. It has been that figure since the post-covid regulations halted in 2021. It is not grown since then. We are at this kind of 35/65 level, so 65% of all items are still bought in shop and most shops are still on high streets.

Consumer behaviours have changed, and we are seeing high streets and retail change. I look at this through the retail lens, and I still believe there is strength in retail, but the reality is that a good high street—there are plenty of them out there—is a combination of retail, hospitality, culture, leisure and accommodation. Many different things go into a good high street.

Retail is one factor. It is no longer the dominant factor. We have seen some of the large chains leave high streets in favour of retail parks, but high streets are still important to the general public; they are still important to communities. Some of those high streets will not be occupied by large retailers. They are not interested in the sites. They are not big enough for them, given their business model. They need a smaller guy who is willing to take that risk in order to fulfil their personal ambition of running a local shop.

We do not take it for granted, though. There are challenges within the high street model. We talked about some of them, such as business rates and costs. Those are really challenging.

I would mention one other thing on business rates. A nuanced approach in business rates is what is really needed. If the big stores see retail parks as the opportunity of the future for them, that is great. Occupancy is above 90%, but we have 14% vacancies on high streets. Balance it up. Do not give retail parks a retail discount. Do not give them any rates relief. If you want to be there, compete there, but use that money to support your high streets. Maybe encourage large chains to stay in high streets by doing so. We could take a nuanced approach that would help some of those anchor stores, as we call them, stay in there. We still need to see the mix of businesses change.

I am privileged in what I do. I get to see high streets. I get to talk to people who really care about their place. On Thursday, I am judging some high street awards that Visa is doing next week. I cannot believe the quality of the applications from all around the UK: from Ellesmere to

Banbridge in Northern Ireland, Wallsend in the north-east, down south, the midlands, all over the place.

There are some common themes, whether it is a large town, small town or community. If you really want to revive a high street and make it work longer term, you think about collaborations. Think about business-local government collaborations. Think about community collaborations. Think about public realm improvements. You do not necessarily need massive amounts of investment. Just make the place look nicer and friendlier. Make it safe. We will touch on crime later, but make it safe. Believe in safety and make it work.

Have a culture focus, with historical and heritage values. Wallsend is on Hadrian's Wall. They are making the best of the Hadrian's Wall heritage to create a reason to visit—I used to live in the north-east—what was a fairly unattractive area at times. They have created and transformed it. That takes vision. You need local empowerment to do that. The devolvement Bill going through Government can help, but the people with the money, the new mayors and local authorities, have to be mandated to have a business plan for high streets within their budgets. I do not think any of them has that.

Q28 **Mr Reynolds:** The FSB has put out a graphic that says that 57% of high street small businesses say that having a diverse range of independent businesses is important for the future of the high streets. What does the FSB think can be done to promote that?

Paul Wilson: I would agree with so many of the points that Andrew just made. Local authorities and local business leaders need to look at their high streets and work out what can make their high street an attractive destination. That will change from one high street to the next. For some, it will be experiential businesses. We did a bit of research and featured a really cool business in Edinburgh and Glasgow that offers fairground games tailored to adults. That brings people in. They do a bit of shopping; they go and get something to eat or drink. High streets that act as hubs for particular communities can often be very successful too.

High streets have never been fixed in time. The trick is to support them to rapidly evolve. What can you do to support local pop-ups? For example, that might be making sure there is certainty that, in a big space with lots of small businesses, they will not have their small business rates relief taken away from them or anything like that. It requires local leadership, having a clear vision as to what will attract you, and helping turn over vacant premises as quickly as you can.

Q29 **Mr Reynolds:** In a world where local authority budgets are quite pushed for both statutory and non-statutory services, high streets and place are non-statutory in reality. They do not need to be done. What role do business improvement districts have to play? The money for those comes from the businesses at the end of it.

Paul Wilson: They have an important role to play. We did feature them in our research. The budget point for local authorities is really challenging. It is not that they do not necessarily have powers, although there are ways that the powers could be expanded, but they have so many other funding pressures that it is very difficult to devote resource to this. I agree with Andrew on that. Yes, BIDs are an important part of the mix.

Q30 **Rosie Wrighting:** Thank you, Andrew, for your insights. What are your retailers telling you is the biggest competition for footfall at the moment? Is it retail parks? Is it changing consumer behaviour with online shopping? Secondly, you spoke about the value of in-store experiences and social experiences in bringing people into the high street. Are businesses diversifying into that at the moment? Are they financially able to diversify?

Andrew Goodacre: Footfall varies so much from place to place because some places are more accessible. Accessibility is one of the key issues in footfall. If you make a place difficult to get to, people will go where it is easy to get to. Retail parks always win on that. A retail park is on the outskirts of a town with a good road network. People still prefer the car to the bus. There is free parking.

If you look at a retail park and ask yourself why it is working, you have major brands trading in one space, with free parking, easily accessible. That is what a high street used to be in many ways. In some ways, you have to learn from that. Can we, once and for all, come up with a parking plan that enables people to get in, does not allow people to hog places, is affordable and is not too profitmaking for some people? Can we create a space and an environment that makes it easy for disabled people or older people to access places?

There is a real challenge about how you convert a place from night time to daytime or daytime to night time. There are two different needs there. Again, we have to understand that there is a natural transition from daytime to night time. Customers have different needs, and shops and businesses in those different areas need to understand what those needs are. Local authorities, the police and everyone else needs to build up a plan to make sure those transitions happen smoothly, carefully and beneficially to all parties.

The biggest challenge I hear is not so much whether there are as many people on the streets. That varies depending on weather. You might be asking the wrong people at the wrong time. If you have a run of wet weather, there is no footfall. If it has been too hot, there is no footfall. You can never please retailers in terms of weather. Trust me.

Even when we have footfall, consumer spending is not what it used to be. That comes down to confidence. It comes down to people still feeling, "My priority is to go on holiday" or, "My priority is to have an experience". It might be their tea or coffee, if it is below £5. That is good to see, but that discretionary spend is not there. That is still a relic from the cost of living crisis. When food prices hit double-digit inflation, people just gave up on discretionary spend. It takes a while to bring that back, I am afraid.

Footfall is important, but the intention to buy and the size of the basket of what people are buying is equally important. We have seen a drop-off in that.

Chair: I am going to stop you there just because we are running short of time.

Q31 **Charlie Maynard:** Heading towards crime, the numbers are really bad. There were 500,000 shoplifting offences reported in 2024. Based on the British Retail Consortium's crime survey, the incidence tripled between 2021 and 2023. Jonny, what is behind this? What do you think about the Government's activities to improve it?

Jonny Haseldine: We are surveying our members about this exact thing at the moment. I was looking at the data before I came here today, and 42% of them said that they had experienced crime in the last 12 months. That tracks with the figures you gave there, which is abhorrent.

Interestingly, the majority was cyber-crime and fraud. Clearly, the Government probably need to look at what it can do there. We very much welcome the measures in the Crime and Policing Bill, which is going through at the moment, around antisocial behaviour and shoplifting. That will not be a sudden fix for everything, but those measures should hopefully help.

Businesses tell us—it is common sense stuff—they feel safer when they see an active police presence in their area. They would prefer that crime was not happening full stop, as we all would, but it is about whether the police are going to be there and whether they will do something about it.

Dominic Armstrong: We represent firms in the justice sector as well. We are finding a need for investment in tagging within the system and better engagement between tagging teams and probation services, so that, when people come out of prisons, we know where they are. It is a measure that prevents people committing crime in retail areas.

In addition to that, more work needs to be done on rehabilitation within prison to ensure that when people come out of the prison system they are not committing crime again. We have seen good work within private sector prisons around rehabilitation programmes.

Finally, we would welcome the commitment for 3,000 more police officers in order to have that presence on the streets. That is something that we keenly welcome from the Government.

Paul Wilson: To build on that very quickly, I agree with Jonny's points. The other thing to say is that business owners need to believe that crimes will be investigated and followed up. A number of business owners who were victims of a crime did not report it. One of the key reasons is that they did not believe it would be followed up by the police or Action Fraud. That is borne out by those who did report it. Only 3% of reports resulted in arrests. It will rebuild confidence, if they can see that changing.

Andrew Goodacre: Just to add, there is a Retail Crime Forum. That has made a difference. The challenge is that you can talk to chief inspectors at that forum, but the police and crime commissioner needs to be aligned and have business crime as one of their priorities. They control the budgets. That is a conflict. Sometimes there is a lack of a cohesive approach, despite the fact that addressing this is recognised as a national need.

The other aspect is that we strongly believe that organised crime is really driving the increase we are seeing because it is easier to dispose of goods. Online outlets are very good ways of disposing of stolen goods. You do not have to sell it down the pub any more. You can put it online and people will buy it, in good faith, as pre-loved or pre-used.

We sit on the Retail Crime Forum. It is attended by large retailers, small retailers and other stakeholders, but not online businesses. Unless we get those guys involved, we cannot solve the distribution of the stolen goods.

Q32 **Antonia Bance:** The Government will shortly publish their small business strategy. What are your priorities for it?

Jonny Haseldine: We are seeing a lot of strategies at the moment, which we very much welcome. There need to be tangible results. At the start, we were talking about business sentiment and price expectations. If we see in our data that things are improving, that is a positive win there.

One specific thing from us would be access to finance and the British Business Bank having the funds to go out to all the regions. I know some stuff was announced previously, but that would be really good. A business growth service also sounds good. Hopefully, that will functionally work and can signpost businesses to the help that they need.

Dominic Armstrong: We welcome the fact that there is a strategy at all. Direction and strategic focus from the Government is incredibly welcome.

The tackling of late invoice payments is really key to our members, particularly within the self-employed sector and in the wider SME space. We welcome the sentiments around this that have come out of the recently published industrial strategy, but we would like to see that enforced.

Going forward—this may fall out of the scope of the strategy slightly—we need a joined-up approach across Government and engagement with the Department for Trade around the reset of talks and the closer relationship with the European Union in order to help facilitate that process.

Finally, we need reform of the procurement system within the UK so more British businesses have access to public sector and public service procurement contracts and can make use of those. We need to incentivise national Government and local government to use more UK-based companies in terms of large-scale firms, SMEs and the self-employed as we go forward.

Paul Wilson: It is exciting that Government have a small business strategy coming out. Jonathan Reynolds and Gareth Thomas deserve a great deal of credit for initiating that and pushing it through.

We would love to see a clampdown on late payment. We want to see legislation to make the audit committees of large corporates accountable for overseeing payment practices. We want Government to enforce procurement rules, which means poor payers should not get new government contracts.

There is a real opportunity on finance and the demand for finance. Too many small business owners are reluctant to borrow because lenders routinely ask them to provide a personal guarantee, potentially putting their house on the line every time they apply for finance. Our evidence suggests that this is putting as much as 60% of companies or actors off investing in their own growth. That is unregulated at the moment, yet it is a personal liability. We think that is a loophole. If that were to be closed, it would give people confidence to borrow.

Lastly, we hope that the strategy is truly cross-Whitehall. DBT can be really ambitious in what it does, but what can HMRC do to make tax admin easier and less scary? What can DfE do to make sure that enterprise education is a key part of it? Hopefully, we will see a really ambitious strategy, with commitments from all Departments, and it will be followed up with legislation, perhaps a small business Bill, to implement the change.

Andrew Goodacre: First of all, we need a clearer definition of what you mean by small business. My fear is that the focus will be on the 90% of businesses in the SME category that are micro-businesses. It is very easy to say, "We have developed a plan that helps 90% of small businesses". It does not help my members.

If you want to revitalise high streets, if you want to take important steps with communities, you have to have a more nuanced approach than saying "small business". An SME can have one to 249 employees. It is huge.

I am not asking for one for every increase of 10 employees, but there is a danger—it often happens with any Government—that we make these sweeping statements about having helped 90% of small businesses in the

UK, while missing off the 600,000 medium-sized businesses that are getting hammered. That is really important.

Q33 **Charlie Maynard:** Paul, you mentioned HMRC. If I think about Making Tax Digital for Income Tax, I have heard locally in Witney that businesses are really worried about this. It is going from 50 grand this year through to 20 grand or something like that in a couple of years. Quarterly reporting feels like an awfully big burden for a lot of people who are not used to doing that. How is that going down? What are your concerns there? Do you have any messages to HMRC?

Paul Wilson: There has been pretty mixed reception among the membership. There is a real risk with moving to quarterly reporting that you inadvertently add a lot of cost into the mix. You need to get that checked with accountants on a regular basis, for example. We would like to see Government looking carefully at how easy it is to switch between software providers and how rapidly prices are being increased in terms of MTD software.

Fundamentally, what HMRC can do is set a target for the reduction in small business admin burden. That could be one-third or something like that.

Q34 **Charlie Maynard:** Does that quarterly basis make sense for small businesses? It seems like a very big burden. It is great for HMRC, but it is not great for all these small business owners, who will have to do something every quarter that they did not have to do before.

Paul Wilson: It is not great if the result is that it quadruples the amount of time that you spend worrying and wrestling with what you are reporting to HMRC. It needs to be automatic. We need to be very conscious of that risk of increased cost and stress. It is four times the cost.

Andrew Goodacre: It is also about the other regulations that are coming through, not just on tax. If you look at the Employment Rights Bill, small businesses may not have HR departments or legal departments to address some of the issues that that Bill is trying to address. That Bill will hammer those smaller business owners, who will be burdened and scared off by regulations, and will say, "Well, enough is enough".

Q35 **Mr Reynolds:** I want to talk about payment terms very briefly. Paul, small businesses are often quite tight with their cash flow. How are small businesses impacted by 30 or 60-day payment terms? The reason I am asking is that a small business in my patch got in touch to say that the large company it supplies is insisting on 60-day payment terms, but, coincidentally, it could cut it to 30 days if the small business drops its price by 5%.

Paul Wilson: It is incredibly poor practice to try to get a reduction in prices by offering to pay money within 30 days, which is the absolute basic standard. That is why we welcome the Procurement Act, which says it has to be 30-day payment terms. That is why Government need to enforce against businesses that are not able to deliver quick average payment times. We want to see the Government's commitments in that space implemented.

The impact on a small business is devastating. People go out of business for cash-flow reasons. You are twice as likely to need to apply for finance if you have been subjected to late payment. That finance is not cheap. The application process is stressful. You may need to provide the aforementioned personal guarantee. You are paying interest on money that should rightfully be yours.

In fairness, we also need to credit the large businesses that are making efforts. That is why I like the carrots, the positive things such as the fair payment code, which people can use to show they are a gold-status fair payer. You need both carrot and stick.

Q36 **Antonia Bance:** One of the things that I am most worried about, in many of our high streets in particular, but not just, is the move to low-paid self-employment as a substitution for employed status in workplaces, particularly in small businesses. We are going to come on to the hair and beauty industry presently, where it is a really significant problem.

Paul, do you have any comments on whether we need to think about worker status, self-employed status and employed status? There is an upcoming review of it. All of us would rather see people have employed status rather than disguised employment for tax purposes.

Paul Wilson: We do not want people to have disguised employment for tax purposes. One thing we are concerned about is the incentive to become genuinely self-employed and genuinely to run your own business. Because of the way that margins have been squeezed, it is becoming increasingly an unattractive prospect set up in business as opposed to going into employment, where you have a guaranteed national living wage. We are worried about it from that perspective.

You asked whether we need to review the different statuses. I do not know the answer to that. I am conscious that there is an awful lot of change going on in employment law, so there is a lot already to wrestle with. I am not saying no, but I am not saying yes either.

Chair: We will get into that in a bit more detail on the next panel. Thank you very much indeed to the witnesses for your evidence. That was an excellent opening act. Thank you very much. That concludes this panel.