HOUSE OF COMMONS

Business and Trade Committee

Oral evidence: Small business strategy, HC 1057

Tuesday 25 November 2025

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Watch the meeting

Members present: Liam Byrne (Chair); Dan Aldridge; Antonia Bance; John Cooper; Alison Griffiths; Sonia Kumar; Justin Madders; Charlie Maynard; Mr Joshua Reynolds; Matt Western.

Questions 383 - 454

Witnesses

Blair McDougall MP, Minister for Small Business and Economic Transformation, Department for Business and Trade; Isobel Stephen, Director General, Domestic and International Markets and Exports, Department for Business and Trade; Ros Wall, Director of Small Business Strategy, Department for Business and Trade.

Examination of witnesses

Witnesses: Blair McDougall, Isobel Stephen and Ros Wall.

Q383 **Chair:** Welcome to this second panel in today's hearings as we wrap up the Business and Trade Committee's inquiry into small business. Minister, we are grateful for your time this afternoon. You have brought some officials with you. Thank you for that.

Minister, the evidence that we have received in this inquiry is pretty stark. Of the Government's procurement spend, about 20% of the £341 billion that the state spends goes to small business. If the target were 33%, as it was back in 2010, there would be an extra £44 billion going into the cash flow of small business. We have late payment to SMEs that is calculated at about £23 billion a year. We have a tax compliance bill that is estimated by the FSB at £25 billion a year. We have national insurance costs for the hospitality sector alone that have just gone up by £3.5 billion a year. We have energy costs that have doubled in the last three to four years. We have crime costs that cost the retail sector £2 billion a year.

We have a business rates reform that has been widely criticised for not being radical enough. We have a VAT regime that allows the undercutting of legitimate businesses on the high street. We have organised crime taking hold of our high streets in a way that nobody has really understood, given the evidence that we have received today, and it is nobody's day job to fix it, even though it is potentially thousands of businesses on the high street. We have businesses telling us they cannot get hold of the skills that they need. We have a Business Growth Service run by the Department that is now a website.

Tell us how anyone is still in business in this country. What are you now going to do, as a new Minister, to turn this parlous situation around?

Blair McDougall: Thank you for that introduction. For me, in many ways this is a dream job. I ran my own business for nearly a decade. There is an element of catharsis to working through so many of the challenges, including the ones that you have just expressed.

In addition to all the challenges that you have just outlined, in the stock of going on 6 million small businesses in this country, we have businesses that have been through an extraordinary amount over recent years, whether that is the financial crisis, austerity and stalled living standards, the pandemic or the war in Ukraine.

Q384 **Chair:** We have a great analysis of the problems. We want to zero in on your priorities for fixing them.

Blair McDougall: I was saying that as an introduction. As a result of that, we have a stock of businesses that are extraordinarily resilient and adaptable because they have been through so much. We now have an opportunity to work through systematically all the barriers that they are facing.

Q385 **Chair:** What are you going to get done in the next 12 months?

Blair McDougall: We have started with the small business strategy and the implementation of that. We have just finished our consultation on late payments, which you raise, which is an extraordinary cost on business not just in terms of the money it takes out of businesses but in terms of the time it takes. We are working to make sure more money is put into businesses through procurement, as you say, and things such as the British Business Bank.

Q386 **Chair:** Are you going to stick to the 20% target, or can that go up?

Blair McDougall: On procurement, we inherited a 33% target. As you say, that was not being met—it was down at 20%—and it was going backwards. We were spending less on SMEs than we were five years before. It is about trying to make a step change in the culture within Government and the ability of SMEs to take advantage of what for them is a £400 billion opportunity. We are doing an extraordinary amount to try to progress that.

We are cutting red tape. All Governments promise that they are going to cut the regulatory admin burden, but in the last few weeks you have already seen this Government take £0.25 billion away from the regulatory burden particularly on small businesses, with the changes to corporate reporting. We are working at pace to make sure we are delivering.

Q387 **Chair:** Those are the top three: late payments, procurement and red tape. Those are the three priorities at the top of your list.

Blair McDougall: Yes, those are the ones that I am most excited for and feel a sense of urgency around.

Q388 **Justin Madders:** Good afternoon. How is the Procurement Act going to support SMEs?

Blair McDougall: The Procurement Act seeks to deal with that historic failure to open up procurement to SMEs. It does many important things. It removes some of those particularly egregious barriers, such as having to have insurance before you bid, the pre-qualification questionnaire or the requirement for audited accounts. Those things will make an extraordinary difference.

Combining with that, the Government are making efforts to make sure Government Departments not only have targets for procurement but report on them and are held accountable for them.

In addition to that, when you are a large business, there is a feeling that procurement is something that you do. A particular Department is responsible for it. There is a sense, as the Secretary of State said a few days ago, that the big winners in the procurement system are setting the terms of the debate. Through things such as digitalisation, we need to ensure that more of the procurement process is pre-populated for small companies. The Cabinet Office is working on better education for small companies to make sure they know how to pursue the opportunities of procurement.

There are structural things going on, but we need to give advice and support to small businesses so that something that has felt closed to them in the past now feels more accessible.

Q389 **Justin Madders:** Can I just follow up on the departmental targets and spend on small business procurement? How will you, as a Department, hold other Departments to account if they are not meeting those targets?

Blair McDougall: We have the three-year target for spend by Departments and non-departmental public bodies. Alongside that, they have to set out SME action plans for how they are going to make it easier for them as well.

As Small Business Minister, I view my job as to be a constant advocate for small business across Government. I will be talking to colleagues and working with colleagues on that. I know you as a Committee will be rightly breathing down the neck of Government on this as well.

The other thing that I would say on procurement is that the job is not done. At the moment we are all consulting, as you know, on going further than the Procurement Act in terms of the responsibilities for the wider public sector as well.

Q390 **Justin Madders:** To follow up on that, I am sure you will be assiduous in in pursuing this on behalf of small businesses. If you get a Department that is not reaching the standards and hence comes up with lots of perfectly legitimate, on the face of it, reasons why they have not quite met the expectations, what levers do you have at your disposal? What influence can you use to address that?

Blair McDougall: I will take the example of colleagues in defence, which is a Department that historically was the largest buyer in Government but often had relationships with very large customers rather than small business.

They are aware that there is a particular historic issue with that. We work with them on their small business procurement centre. They are doing things such as reserving a certain amount of spend to focus on SMEs within their procurement. It is recognising where there are particular issues within the system. We have to investigate why that is. What is it about the world that those particular Government Departments are working in that makes it more challenging for SMEs to get a part of it?

Q391 **Chair:** It sounds like you are teaching them the error of their ways.

Blair McDougall: No, I do not think so. This is work that is led by the MOD. There is a genuine desire to get better at this running all the way across Government.

The other thing that I would say is that, if you read the national procurement policy statement, small business runs through that like writing in a stick of rock. It goes all the way through it. It is there at the very beginning and it runs all the way through it. This is an absolute focus right across Government at the moment.

Q392 **Justin Madders:** Defence is a really good example, because I imagine that it is going to be one of the most challenging ones. I am trying to get to what it is that you can do. What levers or powers do you have to force them to deliver on the standards that we are setting?

Blair McDougall: As I said, this is partly about publishing the targets and reporting on them every year, so there is an element of transparency here. Again, as with the defence example, it is being collaborative and working with them on this, and trying to change the understanding of procurement and what value for money looks like in procurement, away from just the pound number that is in a column and into that wider social benefit that you get from procuring and spending more with small and medium enterprises.

Q393 **Chair:** Is the target 33% of Government procurement to go to SMEs, or 20%?

Blair McDougall: We are asking Government Departments to set their targets.

Q394 **Chair:** What is the aspiration?

Blair McDougall: I would have to get back to you on that.

Q395 **Dan Aldridge:** Small businesses in Weston-super-Mare and Worle are telling me that they are struggling to maintain their reserve operating costs. They are trying to balance the need to save with the need to invest. It is really harming growth in places such as Weston-super-Mare. They do not know where or how to invest, or even if they have the capital to invest. One of the big things that is causing problems is late payments. We know that you are not planning to introduce late payments legislation until 2026. Are the voluntary code and the reporting requirements enough?

Blair McDougall: No, they are not, which is why we are consulting on this at the moment. As the Chair said, the enormous cost to the economy of about £11 billion from late payments is only part of the story. 133 million hours of staff time are spent chasing late payments. I mentioned this job being cathartic at times. I go back to roughly this time of year a few years ago, when I was owed tens of thousands of pounds from a supplier. I do not think that that was a deliberate strategy by them to try to keep their cash flow going. It was just the indifference of a large institution, but it was an excruciating experience.

Q396 **Chair:** You should name and shame them, Minister.

Blair McDougall: I will not abuse my position. What I would say in terms of the code is that we have replaced the prompt payment code with the fair payment code. That is more than just a name change. Under the new code, you have to get the gold standard, silver standard or bronze standard of payment practices. You have to give more evidence than you did before. Unlike before, you have to reapply for it. There is more of a sense of it being a more credible test of your payment practices.

Q397 **Dan Aldridge:** In the past month, we have seen in the *Financial Times* concern about late payment legislation being watered down. I just wondered if you could comment on that.

Blair McDougall: I saw that story too. Sometimes when you see stories in the press, you can work out what their provenance was. On that one, I simply could not. There is a real determination in Government, evidenced by the fact that the Prime Minister was there for the launch and was so enthusiastic around the proposals that we have for late payments. Aside from all the detail of the legislation when we bring it through, the aim is to try to change that power relationship between small companies and big suppliers, and that will not be done if there are loopholes within it.

Q398 **Mr Reynolds:** Minister, in the last decade, 83 million phone calls to HMRC have gone unanswered. Is that acceptable?

Blair McDougall: No, it is not. I have been the small business person on the phone, and it is incredibly frustrating when you simply do not have enough time in the day to run your business at the best of times. The FSB reckons that small businesses spend about 44 hours and £4,500 a year on dealing with HMRC. What I would say is that, if you look now, we are at 84% of calls to HMRC being answered.

Q399 **Mr Reynolds:** That is still millions of phone calls going unanswered. Last year, for example, over 6 million calls went unanswered.

Blair McDougall: That is still shy of the 85% target, but, when you consider that we inherited 66% of those calls being answered, it does show progress.

Q400 **Mr Reynolds:** The numbers from the House of Commons Library do not quite show those exact same percentages that you have mentioned. In 2023-24, 77% of phone calls were answered. In 2024-25, it was 80%. Those numbers do not quite add up properly. An 85% target is still going to mean 3 million or 4 million calls a year not being picked up. Are you comfortable with 3 million or 4 million people phoning HMRC each year and never getting a response?

Blair McDougall: No, of course not.

Q401 **Mr Reynolds:** Will you change the target?

Blair McDougall: This would be a matter for Treasury Ministers. What I would say is that £500 million is being put into HMRC at the moment to improve that. A huge and important part of that will be moving from about three-quarters of interactions with HMRC happening in the digital space at the moment to 90% in the future. That is happening at pace. In the last quarter, for example, there were 650,000 new sign-ups to the HMRC app, so we are seeing a pretty rapid move to a more efficient, quicker and accessible service from HMRC.

Q402 **Mr Reynolds:** There are millions of individuals and businesses across the country who will never be able to use an HMRC app. HMRC itself has said that, as an organisation, it is quick to investigate wrongdoing but difficult to contact for advice, and that undermines trust and confidence. That is in the HMRC transformation roadmap 2025. Having an app is all well and good, but, if between 3 million and 4 million people, using your target, cannot get through when they pick up the phone, you are undermining trust and confidence, are you not?

Blair McDougall: I would say that the vast majority of small businesses are desperately keen to pay what they owe, and it is, at times, far too difficult for them to do that. It is also bad news for Government, because about 60% of the tax gap relates to small businesses.

Q403 **Mr Reynolds:** In that case, if the majority of small businesses are keen to pay what they owe, and it is difficult for them to do that, are you going to change the 85% target? As a Government, you are not accepting 3 million or 4 million calls going unanswered each year as the Government's aim and ambition.

Blair McDougall: As I say, it is slightly an inevitable thing of being the Minister responsible for small business. We have to work with a lot of other Departments. The matter of targets that are set will be for Treasury Ministers. Again, I would just say that there is an extraordinary amount of investment going in to try to deal with the issues that you raise.

Q404 **Chair:** Let us put the question a different way. Would it be a great idea for you and the Exchequer Secretary to agree a pathway to getting closer to 100%? Would that be a good idea?

Blair McDougall: Yes, of course. Targets should always be a floor rather than a ceiling in terms of our ambitions.

Q405 **Dan Aldridge:** We are blessed in this country to be an island nation, with lots of coastal communities all over the place. I represent Weston-super-Mare. The hospitality and tourism industry are huge for us, but we know that they are struggling, and lots of the small businesses that speak to me talk about the VAT system inhibiting their ability to grow. Do you accept this, and have you discussed this with the Treasury?

Blair McDougall: The issue around VAT is one that is often discussed. I would say a couple of things on the idea that there is a company foregoing growth before that £90,000 threshold. First of all—again, I am slightly treading on Treasury Ministers' toes here—

Chair: Feel free.

Blair McDougall: The £90,000 threshold is among the highest, if not the highest, in the OECD. Treasury analysis suggests that that bunching effect, where people are just below the threshold, accounts for, at most, about 0.5% of all the companies that are not registered for VAT.

The final thing that I would say is that there are a variety of views on this from small businesses. You have some people arguing for the threshold to be higher. You have others arguing for it to be lower—for example, within the beauty sector, because they have a suspicion that people are using the chair system to avoid VAT. Again, it is a matter for Treasury Ministers, but there is not a clear consensus among business on this.

Q406 **Chair:** The other problem that is put to us is that, if you are operating a business with what is, in effect, disguised self-employment, that is radically undercutting a business that is employing everybody, because the disguised self-employment business is well under the VAT threshold and, therefore, has such a great competitive advantage that it is putting the good guys out of business. How are you going to fix that?

Blair McDougall: That would be a matter for Treasury.

Q407 **Chair:** What is your advice to Treasury about how to fix that?

Blair McDougall: Anything that Treasury does on VAT has the potential to be extraordinarily costly. It raises about £180 billion a year.

Q408 **Chair:** A different approach would be to drop the VAT threshold really low, so that you could have a level playing field.

Blair McDougall: Yes, absolutely, but then you are in a situation where you are potentially raising taxes on lots of other businesses that are not involved in avoidance.

Q409 **Chair:** You could have a tapered system.

Blair McDougall: Again, it is a matter for Treasury, but, if you have tapering, that adds to the complexity as well. My advice to Treasury would be behind closed doors, but it would be about making sure that, in seeking to deal with particular issues, we are not creating other problems.

Q410 **Chair:** Just for the purposes of our inquiry, is this something on which you are going to discuss with Treasury options for reform, or is this, basically, just in the "too difficult" bucket?

Blair McDougall: I do not think this is a live conversation at the moment.

Q411 **Justin Madders:** Just to follow up on the bogus self-employment issue, it is a far wider problem than VAT registration, as we know. We have had evidence from the hair and beauty sector in particular, but there are also other sectors where this is becoming more of an issue. It is about creating a level playing field. What is your assessment of the scale of the problem?

Blair McDougall: It is a significant problem. I have heard from beauticians in my own area who feel that they are a good employer and give their staff and their salon all the benefits and security of income that you would expect, but they feel that they are being undermined by people who are not doing that. It is a significant issue. There is a wider conversation going on in Government about employment status, which would be for Minister Dearden.

Q412 **Justin Madders:** We probably have the same conversations, because hair and beauty salons in my constituency certainly talk about this as unfair competition. They also say, "This is affecting our ability to recruit the stylists of the future, because we are just not going to be able to hire people on apprenticeships like we used to". Is there anything that the Department can do in respect of that?

Blair McDougall: It is certainly something that we can take away and look into.

Chair: Thank you very much. Let us go to Alison Griffiths and the vexed question of business rates.

Q413 **Alison Griffiths:** Yes, indeed. I also want to say that at a time when businesses are complaining that this Government are adding more and more cost and regulation, including the Employment Rights Bill, it is really disappointing to hear that reducing those costs is not part of your top three. When we add to that the plans for business rates reform, which have so disappointed small businesses, community groups and larger firms, do you not think that it is time for a rethink?

Blair McDougall: Reducing regulatory costs was one of my top three.

Q414 **Alison Griffiths:** It was, but you are about to bring in the Employment Rights Bill, so how does that square with reducing regulation?

Blair McDougall: Through consultation, we are going to try to do that in a way that minimises that regulatory cost. At the beginning, we spoke about the challenges that small businesses face, one of which is that customers do not have enough money in their pockets. I do not think we can separate people's security of income and the money in people's pockets from the money that ends up in the tills of businesses.

Q415 **Alison Griffiths:** They need to have a job to have security of income. I hear my Chair, and I know that the question he really wants me to focus on here is about business rates and whether it is time for a rethink by this Government on your approach to business rates and reform.

Blair McDougall: I feel slightly like when I am telling my children the day before Christmas that they will have to wait. The Budget will come tomorrow, and there will be announcements on business rates within that, especially with regard to the permanently lower rate on retail and hospitality.

Q416 **Chair:** What will they say?

Blair McDougall: We will have to find out.

Q417 **Alison Griffiths:** Are you the only person who does not know?

Blair McDougall: What was that, sorry?

Antonia Bance: He did not read the *FT* this morning.

Blair McDougall: The Treasury has said that as well as setting those rates, it will be talking about the wider reforms that are within its consultation paper—for example, looking at slab and slice, or improving small business rates relief.

Q418 **Alison Griffiths:** For the benefit of everyone watching this, what do you mean by slab and slice?

Blair McDougall: Instead of having a marginal, banded rate, slab and slice is having it in just one block. These are issues that the Treasury has said that it is going to continue to work on. I would not take the fact that business rate reform is being done in stages as being an end of the story.

Chair: We will wait and see.

Q419 **Mr Reynolds:** Minister, economic output from British hospitality in 2023 was about £62.6 billion, just shy of 3% of UK economic output, but hospitality accounts for 7% of all UK jobs. Food and beverage inflation is still high. There are 22.7% fewer independent restaurants today than there were pre-pandemic. In the Budget, hospitality had to contend with the NI increase and the cut in retail, hospitality and leisure relief. On the Floor of the House, literally in the last 45 minutes, a Minister has just announced that mayors will be able to raise new tourist taxes. Can you understand why hospitality thinks that the Government hate them?

Blair McDougall: This time tomorrow, we will all either be in the Chamber or having just left the Chamber, where we will be talking about permanently lower business rates for retail and hospitality.

Alison Griffiths: So you do know.

Q420 **Mr Reynolds:** That is if they have been able to survive the last year, when their rate relief went from 75% down to 40%. Hospitality UK has said that the measures in last year's Budget added £3.4 billion to the cost of the hospitality sector. Some 53% of all jobs that have been lost since the Budget have been in hospitality. Not long ago, a café owner sat where you are sat now and said that they would have to sell an additional 400 croissants a year just to stay in the same place, and that that was never going to happen. They cannot pass these costs on to consumers any more. How are you going to fix the damage that was done to hospitality in last year's Budget?

Blair McDougall: It is not just about those lower business rates for retail and hospitality. The cutting of regulatory administrative costs is significant for those businesses as well.

Q421 **Chair:** Such as what?

Blair McDougall: The Secretary of State, at the Committee the other day, gave the example of the £250 million that we cut in the last few weeks from the costs of directors' reports for hundreds of thousands of small businesses. The example that he gave was of coffee shops having to do directors' reports. It is not just about business rates relief. It is also about access to finance. It is about skills.

Q422 **Mr Reynolds:** Access to finance might be one thing, but if I am selling a pint of beer and the pub is making only a few pence off a £6 or £7 pint in London, it is great that I do not have to do a directors' report any more, but I am not making any money. It is great that I might have access to finance, but I do not want access to finance. I am not growing. Why would a hospitality business grow at the moment when we are seeing that, in 2025, hospitality has grown by half of what it did in 2024?

Blair McDougall: Again, it is not only about those measures. It is also about putting more money into consumers' pockets. I have a frustration at times that those two debates take place slightly separately from each other. The only conversation is about what we are doing on insecure work and increasing people's wages and standard of living. The business conversation being spoken about is in terms of the cost of it, not in terms of the opportunity or of the fact that part of the reason why hospitality and high streets have been in such crisis in recent years is because people have insecure work and low pay. They do not have money in their pockets and cannot go out and spend in their communities, in their cafés, in their cinemas or in their restaurants. We are not going to turn that around off the back of lower pay and insecure work.

Q423 **Mr Reynolds:** Hospitality is also in crisis, you will agree, because we are paying the most expensive energy bills in Europe. Businesses are having to front that cost, because the cost of employing people was put up massively in the last Budget, and people do not want to go out spending their money. That is hitting hospitality immensely. Do you understand, though, why hospitality does not have confidence in the Government? Can you look at these pub owners and understand why they are angry?

Blair McDougall: We absolutely understand that things are incredibly tough for lots of small businesses, but, again, hospitality workers deserve security of income as well. We cannot separate issues of standards of living and people's security of income from the wider health of the economy. Part of the reason why hospitality, high streets and retail have had such a difficult few years is because incomes have been stagnant. We have to break that logjam.

Chair: Let us move on to a different category of costs.

Q424 **Alison Griffiths:** I have to admit that I felt like I was living in a parallel universe listening to that answer. As you will realise, if someone does not have a job because the costs that you are piling on to hospitality businesses are causing 53% of the job losses that we have seen so far this year, there will not be more money in consumers' pockets. All of us in this room want to see a successful growth economy, but we are mystified at the approach.

Energy costs are a really important part of what we are hearing from every single business, including high streets and hospitality. The schemes announced so far on energy costs are going to do very little to help smaller firms. Is there anything that we can expect in terms of programmes being targeted at bringing down the costs for these companies?

Blair McDougall: I would challenge slightly what you say. The Government's whole drive towards net zero, and getting off the volatility of fossil fuels and the higher prices that they have left us with, is about lowering bills for all consumers, including small businesses.

Q425 **Alison Griffiths:** Does that include the workers in Mossmorran?

Blair McDougall: We are working very hard to help the workers in Mossmorran.

Q426 **Alison Griffiths:** You have heard from Paul Greenwood, the UK chair of ExxonMobil, that energy costs are driving the destruction of these businesses. We are talking about high street businesses, we are talking about hospitality, but we are also talking about businesses right at the top of the tree. Even ExxonMobil cannot keep a plant going with energy costs this high. As you have already identified, energy costs are a political choice.

Blair McDougall: Under the previous Government, we had occasional interventions to deal with the problem, but no attempt to deal with the cause.

Q427 **Chair:** What is the strategy for bringing energy costs for small businesses down now?

Blair McDougall: For larger businesses, we have the BIC scheme, which the Secretary of State spoke about yesterday. Across the piece, with smaller businesses, things such as the market review that Ofgem is undertaking are aimed at helping all bill payers. Through the UK Climate Hub, we have a whole suite of advice to help people make energy efficiency gains. There are things such as the boiler replacement scheme, which lots of small businesses do not know that they are eligible for. Within the £5 billion Pride in Place funding, one of the list of pre-approved interventions was about energy efficiency and measures to cut budgets for businesses. Ultimately, the answer to this, as it is with households, is to fix the long-term underinvestment in the energy market that has left us with unacceptably high energy costs.

Q428 **Chair:** If Sarah Edwards were here, she would also ask you a question about energy brokers and the lack of any plans to regulate them. Are you going to sort that out?

Blair McDougall: Again, that would be a matter for my colleagues in DESNZ, but I know that that is something that they intend to regulate. Energy brokers can be helpful to small businesses. They are another part of that professional service landscape that helps you do things that otherwise you would not have the time to do yourself.

Q429 **Chair:** Most are not, in our experience.

Blair McDougall: In many cases, it is leading to an absolute rip-off of businesses when they are already struggling with energy prices, but DESNZ intends to do something about it.

Q430 **Alison Griffiths:** What are Government planning to do in the meantime to protect businesses from mis-selling and aggressive sales tactics from these brokers?

Blair McDougall: As I say, DESNZ has said that it intends to act quite quickly to regulate those.

Q431 **Alison Griffiths:** What about in the meantime?

Blair McDougall: We have a whole suite of advice for small businesses, which is about helping them make the right choices to lower their energy costs. For example, in the west midlands at the moment, we are also piloting our energy advice service, which combines grants for energy efficiency and things that would reduce energy prices, along with that advice. We are taking action as well as doing that bigger structural and regulatory change.

Q432 **Alison Griffiths:** Just to clarify, for the record, the Pride in Place funding that you just referenced applies in one single ward in my constituency. It is not going to apply to the vast majority of businesses in my constituency.

Blair McDougall: It is £5 billion across hundreds of communities across the country, so it is sizable, notwithstanding that.

Q433 **Antonia Bance:** Staying on energy for a moment, the impact of RIIO-3 on non-domestic bills is estimated to be between 5% and 10% from April. What representations have you made to Ofgem and DESNZ ahead of their decision early next month about how this is going to work?

Blair McDougall: Again, this would be a matter for colleagues in DESNZ. It is the occupational hazard of being Small Business Minister that I do keep referring to other people.

Q434 **Chair:** That is okay. We just want to know what your demands are of them, really.

Blair McDougall: We will be having ongoing discussions on that, but I would be happy to keep the Committee updated on it.

Q435 **Antonia Bance:** I am working on the assumption that you do not believe that a 5% to 10% increase in non-domestic energy bills from April will be a good idea for our small businesses.

Blair McDougall: Again, I am going to be very careful not to stand on my DESNZ colleagues' toes. As with DESNZ, as with Treasury and as with all bits of Government, we are constantly making the case for small businesses.

Q436 **Justin Madders:** We have had quite a lot of evidence from the Association of Convenience Stores and the British Retail Consortium about the costs that they are facing, particularly in terms of crime prevention and protecting their staff. Is there anything that the Department is planning to do to assist with that?

Blair McDougall: I know that you have just had a session on higher-end crime. This is something that is primarily led by the Home Office. For our part, we are working in co-ordination with it on tackling retail crime. In addition to what the Home Office is doing on law enforcement by making the assault of a retail worker a specific crime and removing the £200 get-out clause for shoplifting—in terms of it being a summary offence—it is important to remember that it is about how people feel about their high streets, as well as about crime incidents themselves.

If people see their high streets with lots of empty shops, or with bogus shops springing up among them, that has as much of an effect on their feeling of insecurity and lack of safety in an area. I see the support that we are giving to high streets in terms of regeneration and working with colleagues at MHCLG as all being very much part of a piece about making high streets places that feel safer, more comfortable and more welcoming.

Q437 **Justin Madders:** Can I just follow up on a totally different type of crime, which is cyber-crime? We published the economic security report yesterday, which highlights the real threats that this brings. The JLR incident is very fresh in people's minds. One of the things that became quite apparent during the response to that was that the smaller businesses, the tier 2 and 3 suppliers, were not really on anyone's radar for support. Given that we know that cyber-threats are a continuing issue, if another large business is attacked in this way, what have you learned from the JLR experience that means that you will be able to ensure that those smaller businesses, which may well have a large bulk of their work with the main company, will be supported through that time?

Blair McDougall: My colleague Minister McDonald has been working to make sure that the support goes all the way through the supply chain.

On the point on cyber-security, I met with the digital adoption taskforce this morning to talk about this. If you are Jaguar Land Rover or Marks & Spencer, a cyber-attack can be extraordinarily costly. If you are a smaller supplier, it can be existential. We have recently written to small businesses, encouraging them to take up the support that is there, so that they can take advantage of the free help and advice that we provide on cyber-security.

The other thing to say is that, whether it is cyber-security, e-accountancy software or e-invoicing, we need to get small businesses into a place where they see engaging on these issues as a growth opportunity, rather than another obligation and something else on their to-do list. We know that companies that adopt these digital technologies can have a 22% growth bonus off the back of it. That is partly from protecting themselves from these challenges, but also from opportunities that they discover.

Q438 **Justin Madders:** There are some interesting recommendations in the Committee's report on this subject. Businesses absolutely do need to prepare for direct attacks, but one of the things that we picked up pretty clearly from the JLR experience was that the support did not get through to those further down the supply chain. As you quite rightly pointed out, they are less able to absorb that kind of risk. What is it that you can do in terms of departmental support to make sure that, in future, there is greater mapping, awareness and support for those smaller businesses that might be affected by a big attack on a large organisation?

Blair McDougall: That is a really important point. I know that you are very aware of the work that DBT does in terms of industries in distress. There is a strong argument that you are making about pre-empting that and having a proper mapping of supply chains and vulnerabilities there, which I am very happy to take away and work with Minister McDonald on.

Q439 **Chair:** Just before I bring in Sonia Kumar, let me just check one thing. You will have read, no doubt, the Home Office letter back to us, which arrived at the unseemly time of just before this meeting. The Home Office says that investment in security measures is not a Home Office lead, so it cannot comment. The challenge that we have here is that if a business invests in security measures, the risk is that that inflates the rateable value of the business, so the business rate bill will go up. This letter from the Home Office effectively washes its hands of that problem. How will you go about helping solve that problem with the Treasury?

Blair McDougall: I have not seen that correspondence. I am very happy to look at that.

Q440 **Chair:** I am sorry that your colleagues provided it so late. We did ask for it yesterday.

Blair McDougall: I am very happy to go away and look at that, but you make a good point, which is that we have to make sure that investing in these things is something that is seen as being on the right side of the column.

Q441 **Sonia Kumar:** I am going to do two lines of inquiry. Some 20% of businesses in the UK are run by females. There is no mention of women in the SME strategy. Why is that?

Blair McDougall: That is a good point well made, and perhaps something that we need to review. There may sometimes be an assumption that women are often better represented at the SME level than other levels of business. Maybe there was an assumption that it was in the share price. I know that you know, because I sat and listened to your ten-minute rule Bill on this subject, that across Government we are working to try to improve the support and the accessibility to advice for women entrepreneurs across the piece.

Q442 **Sonia Kumar:** Quite a lot of women have microbusinesses. How are you going to support women in expanding those? What support mechanisms are you putting in place to encourage more women to open businesses?

Blair McDougall: There is the £100 million investment in female-led funds through the invest in women committee, which was at one of the first meetings that I had after I was appointed. The British Business Bank is doing a lot of work to make sure that the finance that it underwrites and increases access to is more available not just to women, but to other people who are underrepresented within the entrepreneurship pool.

Q443 **Chair:** Given the unfortunate omission that Sonia Kumar has highlighted, maybe before we wrap up this inquiry, you might feel moved to write back to us, possibly in response to Ms Kumar's Bill.

Blair McDougall: Can I hand over to my official? I should say that I was not there during the writing of this, but Isobel was.

Isobel Stephen: There is a reference to this in the strategy, in the chapter on unlocking access to finance.

Q444 **Sonia Kumar:** Do you mean in the SME strategy?

Isobel Stephen: Yes, which is the reference that the Minister just made. It talks about underrepresented entrepreneurs, of which women are one category, as are disabled people and people from ethnic minorities. All of those are in that chapter.

Q445 **Chair:** You might reflect on just providing a fulsome answer to that point before we wrap up the inquiry. That would be terrific.

Blair McDougall: Yes, I would be very happy to.

Q446 **Dan Aldridge:** Considering the need to develop skilled workers across our country, SMEs must now engage with a number of organisations. There are local skills improvement plans, Get Britain Working plans, local growth plans, technical excellence colleges, the Construction Skills Mission Board and the clean energy jobs plan. In your view, is it clear where SMEs should go to meet their workforce needs?

Blair McDougall: No, it is not always as clear as it should be. Access to skills is consistently rated as one of the top barriers to growth. We are investing an additional £1.2 billion to try to deal with that. We are putting in place all sorts of new and more flexible training products for SMEs, but, if you do not know where to go to access them, that is no use. You will find that the business growth service, which is the new business advice service that we have launched, is so much clearer at signposting people where they should go to address particular skills needs.

I do not know if anyone on the Committee has spent much time with the new business growth service website, but, if you have given up on business support online from Government before, which many people would have good reason to have done, you enter in your business type, your turnover and your location, and you get really tailored signposting. Again, it is all about saving people time and getting them closer to that thing that will make the difference to their growth.

Q447 **Dan Aldridge:** A plea from the SMEs that I have spoken to most recently is to bring back some clarity to the system and then iterate from there. They have told us, "Rather than shiny new things, just do one thing, do it well and iterate it".

Blair McDougall: Skills England is working hard to try to simplify this, through, for example, the simplification around V-levels and things like that, where, instead of having hundreds of confusing options, we try to narrow it down so that people can find the assistance that they need.

Q448 **Antonia Bance:** SMEs tell me that the process for getting an apprentice in is too slow, too cumbersome and too bureaucratic, and they feel like giving up before they get to the end of it. What are you going to do with colleagues in the two other Departments that are now responsible for this to make sure that it is a reality for SMEs to get apprentices in?

Blair McDougall: I am glad that you said that it is the responsibility of two other Departments before I got to it. You are absolutely right about people reporting that they feel that it is a cumbersome process. I know that colleagues in those two Departments, for example, are ensuring that there is a single digital place to do that, and that information is pre-populated, and all the rest of it, so that it becomes a faster process.

Some of it is also acknowledging that it is not going to be about an apprenticeship every time. The short courses, for example, are incredibly important in terms of giving people other options to find the things that they want. As I say, I know that colleagues in DWP and DFE are working to try to achieve exactly what you are outlining.

Q449 **John Cooper:** You mentioned there the business growth service. The business support picture is quite a thicket of layers and levels. It is very difficult to navigate. You would think that that new website is very good as a one-stop shop, but we picked up on the roadshows that not a lot of people know about it. I wonder what assessment you have made of how successful it has been in terms of people picking it up, taking it and running with it. What plans, if any, do you have to go further? Is there anything else coming down the line? You have a shiny new website, which is fantastic. What else have you done for us lately?

Blair McDougall: It is a point well made. A lot of people will have, perfectly understandably, given up in the past when they have been searching for information in the Government space, because they end up jumping from website to website and it just feels exhausting. You do not have time, so you let the opportunity go by.

On Thursday last week, I was in Newcastle at the first of our roadshows about the business growth service, where we are working with local business networks and trying, through word of mouth, to get beyond that reluctance. We also have, coming up soon, a major marketing campaign on that to encourage people to take advantage of the advice that is there.

I should also say that the business growth service is an extraordinary leap forward in business advice, but it is far from the end of the story as far as we are concerned. We are looking for what else we can put under that umbrella.

Q450 **John Cooper:** Could you give us a clue as to what you might be thinking about? Are there any hints at this stage?

Blair McDougall: We are looking at how to improve the digital offer within it. We are looking at how we can incorporate AI tools into it so that people can find and get more tailored advice more quickly within it. I do not know if Ros or Isobel want to add anything about future plans for development of the business growth service.

Ros Wall: There are a number of services that are currently under the purview of other Departments that we think we can better connect to, such as exports and skills. We know that there is more that we can do to improve, hone and better join up, for exactly the reasons that you have described.

Q451 **John Cooper:** So you are looking at some cross-Government working, and you are going to move across these silos that we always hear about.

Ros Wall: Yes, absolutely.

Blair McDougall: You can see that running through it already, where you get signposted on skills, exports, tax advice and all sorts of things within that. As Ros was intimating, a lot of the advice that has been elsewhere and has been valuable to people has been built into it.

Q452 **John Cooper:** How are you going to mark your homework on this? Are you going to have metrics on how many people are taking this up? Are you getting feedback? How are you going to know whether it is a success?

Blair McDougall: The feedback so far has been extraordinarily positive. Again, I will turn to Ros on performance metrics.

Ros Wall: One of the ways in which it has been launched is to build in a process by which it is continually improved. There are going to be more business voices included, so that there is a panel of people who use it and can give feedback. It has that same approach of iterating as a commercial company that is building a service. When it was launched, we knew that that was the base level, but it is being continually improved.

We track users, but we are more interested in the point that you described about the quality of the experience and whether they felt that it gave them more confidence to access the services as opposed to simply giving them information. You can look at the number of users, but that is only one indicator. We are really interested in that depth of understanding the user, and the roadshows are a really good way of doing that, but there are other things that we are doing. The SME audience is so diverse, and they have very different needs, so we have to be conscious that one version might not work for someone else. It is a continuous iteration.

Q453 **Chair:** We are quite interested in that data as well, so perhaps we could have a think about how we exchange and scrutinise that data for you.

That brings us to the end of our time. Thank you very much indeed for your evidence today. How will we judge your success in 12 months' time?

Blair McDougall: There is what I view personally as success and then there is what we are measuring as a Department.

Q454 **Chair:** I am interested in how you are going to judge your success as the Minister for Small Business.

Blair McDougall: First of all, on the 200-odd commitments within the small business strategy, we are continuing to work at pace to deliver those. We are looking at outcomes as well, in terms of the impact on small businesses around the country. For me, it is about confidence. Within small businesses that I speak to, there is often a sense of them waiting for the right moment that may never come. It is about getting the message across to them that, through trade deals, the market is there. Through procurement, the market is there. The support is there in terms of financing. The support is there in terms of exporting. The increased business support and advice is there. More people having the confidence to take advantage of all of these things is the measure of success for me.

Chair: That is on the record now, so we look forward to holding you to account for the delivery of those three big deliverables that you have set out for the Committee. That concludes our session today.