

Business and Trade Committee

Small business strategy

Fifteenth Report of Session 2024–26

HC 1057

Business and Trade Committee

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Publication

This Report, together with formal minutes relating to the Report, was Ordered by the House of Commons, on 3 February 2026, to be printed. It was published on 11 February 2026 by authority of the House of Commons. © Parliamentary Copyright House of Commons 2026.

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Contacts

All correspondence should be addressed to the Clerk of the Business and Trade Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 8586; the Committee's email address is commonsbtc@parliament.uk. You can follow the Committee on X (formerly Twitter) using [@CommonsBTC](https://twitter.com/CommonsBTC).

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Summary

1. Small and medium-sized enterprises (SMEs) are the backbone of the UK economy. But our evidence made clear that these firms are now operating under pressures as severe as the Covid-19 pandemic – and in many cases, worse.
2. Across key sectors of the SME base—in our cafes, pubs, shops and startups—confidence is at a historically low level. For many others, confidence is severely strained because costs are rising faster than revenues, while the space to pass new costs on to customers has vanished.
3. The Government has recognised that flourishing SMEs are central to achieving the highest rate of sustained growth in the G7. We welcome some of the steps it has taken to improve the business environment for smaller firms: tackling late payments, reducing the administrative burden of regulation, improving access to procurement, and reforming the skills system. But if the UK is to achieve its goals Government must tackle not one—but ten—key challenges:
 - At the heart of the problem is cashflow. Late payment alone is now closing 38 UK businesses every single day. SMEs are owed tens of billions of pounds in unpaid invoices, with nearly half of all invoices paid late. For many firms, especially in construction, payment delays of 60 to 90 days have become routine, turning small businesses into involuntary lenders for larger companies and triggering cash shortages right down the supply chain. Ministers must bring forward more ambitious measures to end this abuse.
 - Public procurement, meanwhile, is a missed opportunity on a vast scale. Government spent £341 billion buying goods and services in 2023/24 – yet only one fifth of that reaches small businesses. If SMEs accessed 30 per cent of the public pound, they would enjoy £22.7 billion a year in additional revenues, providing an immediate boost to sales, investment and resilience. Despite repeated promises, progress has stalled. Government spending must flow more reliably to small firms.
 - The tax system is compounding these pressures. The UK's European-high VAT threshold is actively discouraging firms from growing, particularly in labour-intensive service sectors. Recent tax and policy changes have added tens of thousands of pounds a year to costs in sectors like hair and beauty, while complexity and cliff edges punish firms that try to expand. Business rates are now one of the most urgent

failures in the system. Evidence to the Committee was unequivocal: rates bear little relation to firms' ability to pay. Because they are based on property values rather than turnover, smaller businesses are hit harder than larger competitors occupying similar premises. Trade bodies described the system as broken. Despite recent reforms, hospitality groups estimate that the average pub will see rates rise by around 15 per cent, with even the Treasury acknowledging that the overall bill for the sector will increase. The latest reform plan is welcome and will help some. But for many businesses, the best-case outcome is standing still. For others, it is closure. Tax reform must lower compliance costs and encourage growth.

- Rising employment costs mean that measures to improve labour productivity are now critical. Yet SMEs face a confusing skills system which is constraining hiring, productivity and long-term growth. The skills system must become easier to access for smaller firms.
- Energy costs are pushing otherwise viable firms over the edge. Small businesses often pay more per unit than large users, while facing weaker protections. Since 2022, for example, more than a quarter of sub-postmasters have seen energy bills rise by over 50 per cent, with individual firms reporting monthly costs doubling. This is the equivalent of losing one or two staff salaries overnight. For sectors like hair and beauty, nine in ten businesses say energy costs are now directly eroding their margins. SMEs are exposed to disproportionately high energy bills and weak protections. They need tailored relief and a transparent energy market.
- Crime has become a direct tax on trade. Retailers told us that shop theft, abuse and violence are now routine. In convenience stores alone, crime adds the equivalent of 10p to every transaction, while retailers spent a record £1.8 billion on crime prevention last year. Smaller firms are doubly penalised - first by having to fund their own security, and then by higher business rates when they install it. Illegal trading, vacant units and weak enforcement are hollowing out town centres just as communities need them most. Police are not prioritising the problem and Trading Standards teams are woefully under-resourced. Almost everywhere the clear leadership required to tackle business crime is missing in action. Agencies need stronger tools and clear leadership.
- High streets are paying the price. In the first half of last year, 38 stores closed every day across Great Britain. Yet, local councils lack the powers they need to deliver town centre regeneration, not least

because they struggle to identify who actually owns key parts of the high street. Revitalisation requires clearer ownership data, support for communities, and national expertise guiding local action.

- The business support landscape for SMEs is fragmented and inconsistent. SMEs need a new national support framework that delivers the services they need.
 - The data available to policymakers is inadequate and fragmented. As such, policy making is currently built on inaccurate understandings of what the UK's SMEs actually do. Effective policy requires better data and more effectively targeted policy.
 - Cross-Whitehall working does not serve SMEs effectively enough. SMEs face overlapping regulation, and lack any formal mechanisms for engaging with Whitehall. They need a clearing house to report conflicting regulation, and new structures to ensure their needs are adequately understood cross-Whitehall.
4. Despite these challenges, small business owners remain committed to their firms, their workers and their communities. They want to invest, hire and grow. But they cannot do so while so much is stacked so heavily against them.
 5. This report sets out a clear roadmap for reform – from fixing late payment and procurement, to replacing business rates with a fairer system, tackling energy costs and crime, and simplifying tax and skills support. These are not marginal issues. They are the difference between an economy where small businesses survive, and one where they thrive.
 6. This inquiry marks the start, not the end, of our scrutiny. Over the rest of this Parliament, the Committee will return to these failures repeatedly – because when small businesses fail, growth stalls, high streets decline, and confidence drains from the economy as a whole.

Introduction

7. At the Autumn Budget 2024, the Government announced its intention to publish a Small Business Strategy “setting out the government’s vision for support for small businesses”.¹ This was published on 31 July 2025 as *Backing your business: our plan for small and medium-sized businesses* (‘SME Plan’).
8. Our inquiry on small business strategy was launched on 16 June 2025. We invited submissions responding to questions under seven headings:
 - a. Strategy
 - b. Starting a business
 - c. Supporting growth
 - d. Costs
 - e. Business support
 - f. Improving productivity
 - g. Implementation
9. We received over 100 submissions to our call for written evidence and have held four oral evidence sessions. These panels explored: the tax system; energy prices; skills; crime; town centre regeneration; and the outlook for particular sectors such as construction, hospitality, and the hair and beauty industry. We also published an online survey to capture a diverse range of views from SMEs across the UK. This received 326 submissions, and a summary of its findings are set out in Chapter One.
10. We undertook a high street tour on 16–17 June 2025. We visited town centres and conducted roundtables with local small businesses in Littlehampton, Maidenhead, Tamworth, Dudley, and Witney. We are grateful to all those who contributed to our work.
11. This report sets out the challenges currently facing small businesses and the policy response required from the Government. We will use this report to guide our scrutiny of Government policy affecting small businesses over the course of the Parliament.

1 HM Treasury, [Autumn Budget 2024](#), 30 October 2024

1 Starting and growing a business

- 12.** Small and medium-sized enterprises (SMEs) are the backbone of the UK economy. 99.9% of all UK businesses are SMEs.² They generate 60.6% of private sector employment, and 48.4% of total private sector turnover.³ These firms also have significant social value. 40 to 50% of hairdressers, for instance, are in the most deprived areas of the UK.⁴ Toby Dicker, Chief Executive at the Salon Employers Association, told us that his sector not only generates employment opportunities, but also makes “people feel amazing”.⁵ SMEs are therefore essential to the Government’s goals of increasing living standards, and achieving the highest sustained growth in the G7.⁶
- 13.** Confidence amongst these firms, however, is low. Business owners told us that late payments, increased labour costs, a complex tax system, heightened energy prices, significant vacancy rates on the high street, difficulties accessing capital and the skills system, and the rising costs of crime had generated a perfect storm of cost pressures for smaller firms. We were told that many businesses could no longer pass on these pressures by raising prices. The ceiling of what consumers are willing to pay for everyday services—£5 for a coffee, £7 for a pint, £100 for a haircut—has been reached. This means that every new increase in operating costs directly erodes small business profit margins. Andrew Goodacre, CEO of the British Independent Retailers Association, told us that new cost pressures mean smaller firms are operating on “the lowest profit margins that they have ever worked on”.⁷
- 14.** Business owners stressed that they now face a stark set of choices: cut staff, reduce opening hours, take on additional debt, further increase the costs of their goods or services, or close altogether. British Business Improvement

2 Businesses with fewer than 250 employees. Department for Business and Trade, [Business population estimates 2025](#), 2 October 2025. In line with the Government’s SME Plan, this report considers the business environment for micro, small and medium-sized enterprises.

3 Dr ANANDADEEP MANDAL (Associate Professor at University of Birmingham) ([SBS0102](#))

4 [Q41](#)

5 [Q63](#)

6 Prime Minister’s Office, [Kickstarting Economic Growth](#) (accessed 22 January 2026)

7 [Q10](#)

Districts, a trade body, said that the current pressures facing small businesses match those faced during the Covid-19 pandemic, requiring “the same sort of help” from Government.⁸

Table 1: Business environment for SMEs

Environmental factor	Description of small business conditions
Public procurement spend with SMEs	£45.4 billion, 20% of total spending, according to the British Chambers of Commerce. ⁹
Late payments	Sage calculates that UK small businesses were owed £112 billion by the end of 2024. ¹⁰
Administrative burden of the tax system	The Federation of Small Businesses (FSB) estimated that tax compliance costs the small business community 242 million hours and nearly £25 billion each year. ¹¹
Impact of the Autumn Budget 2024	The National Hair and Beauty Federation told us that it increased the average cost burden for businesses in their sector by £25,000 annually. ¹²
	The British Retail Consortium estimate that it added “£7bn to the cumulative cost of policy and regulation impacting the UK retail industry”. ¹³
	UKHospitality told us that it caused 69,000 job losses in their sector “three times more than the wider economy”. ¹⁴

8 British BIDs ([SBS0067](#))

9 British Chambers of Commerce ([SBS0031](#))

10 Ben Robinson ([SBS0081](#))

11 FSB, [Taking a Toll: Small businesses and the cost of tax compliance](#), April 2025

12 National Hair & Beauty Federation ([SBS0034](#))

13 British Retail Consortium, [BRC responds to the Spring Statement](#), 26 March 2025; Boots UK ([SBS0127](#))

14 Mr Luke Cheadle (Public Affairs and Policy Manager at UKHospitality) ([SBS0091](#))

Environmental factor	Description of small business conditions
Energy costs	Average electricity costs in 2024 remained nearly double their rate three years ago. ¹⁵
Costs of retail crime	£4.2 billion, including crime prevention, according to the British Retail Consortium. ¹⁶
Vacancy rate on the high street	In the first half of 2024, 38 stores on high streets in Great Britain closed each day. ¹⁷

15. The Government published its plan for small and medium-sized enterprises ('SME Plan') on 31 July 2025. The plan sets out a series of measures which aim to "make life easier for every business to succeed with targeted support for those with the ambition to grow".¹⁸ The Government has described the SME Plan, the Trade Strategy and the Industrial Strategy as "interlocking strategies" which "work together to set out the government's offer to support growth".¹⁹ This means that many measures in the plan had already been announced, for example cutting the administrative burden of regulation by 25%.

Table 1: Findings from the online survey²⁰

Issue	Key themes
Cost pressures	- Increasing employment costs. - Business rates. - VAT.
Challenges for business on the high street	- Declining consumer spending. - Rise in online retail. - Inadequate infrastructure.

- 15 Office for National Statistics, [The impact of higher energy costs on UK businesses: 2021 to 2024](#), 19 May 2025
- 16 British Retail Consortium, [Crime Survey Report 2025](#) (PDF), 2025, p4
- 17 PwC, [High-streets suffer as 38 stores close across Great Britain each day in 2024 - but there's hope with convenience stores, coffee shops and value retailers showing net growth](#), 12 September 2024
- 18 Department for Business and Trade, [Backing your business: our plan for small and medium sized businesses](#), 31 July 2025, p16
- 19 Department for Business and Trade, [UK Trade Policy Review at the World Trade Organization \(WTO\)](#) (PDF), 28 October 2025, p4
- 20 We sought views on six questions. The responses to each of these was used to generate a word cloud, and the table summarises the prominent themes across all of the responses.

Issue	Key themes
Most pressing areas for reform	• Targeted direct support for SMEs. • The tax system. • Measures to reduce costs.

16. Some of the individual measures in the plan were welcomed by contributors. Small business owners, however, said that announced policies did little to tackle the increased costs of staying open.²¹ Likewise, submitters to our survey stressed the importance of further measures that would directly bring down their costs.

17. **CONCLUSION**

Business confidence amongst smaller firms is too low. The Government has released a short plan, but it does not address the significant cost pressures faced by SMEs. The Department of Business and Trade must do more to improve small business cash-flows, reduce costs, and thereby improve the return on investment for small businesses.

21 [Q317](#)

2 Sales and cash flow

18. Blair McDougall, Minister for Small Business and Economic Transformation, Department for Business and Trade, said that late payments and procurement were two of his top three priorities.²² Both issues have an enormous impact on SME cashflows. When spent with small business, public procurement can direct significant sales revenues to SMEs. Late payments, on the other hand, cause 38 UK businesses to close every day.²³ This chapter explores those barriers and considers where further Government action is needed.

Procurement

19. Public procurement by Government totalled £341 billion in 2023/24. This makes up around £1 in every £3 of Government spending.²⁴ These revenues can be transformational for small business. The SME plan sets out the Government's ambition to make it "easier for smaller businesses to win government contracts".²⁵
20. Successive governments have expressed similar ambitions to improve access to public sector procurement for SMEs. In 2010, for instance, the Coalition Government announced an aspiration for 25% of government spending to reach SMEs by 2015.²⁶ This aspiration was met by 2013–14 but as Table 2 sets out, much of this increase was in indirect rather than direct spending. For 2014–15, direct spending with SMEs totalled 10.9% (£4.9 billion) and 16.2% indirect spending (£7.3 billion).²⁷ The target was subsequently revised to a 33% target by 2020.²⁸

22 [Q387](#). The other was red tape.

23 Department for Business and Trade, [Late payments consultation: tackling poor payment practices](#), 30 July 2025

24 HM Treasury, [Whole of Government Accounts](#), 17 July 2025

25 Department for Business and Trade, [Backing your business: our plan for small and medium sized businesses](#), 31 July 2025, p13

26 This target included direct and indirect spending (spending with SMEs via another larger contractor to SMEs in their supply chain) with SMEs.

27 National Audit Office, [Government's spending with small and medium-sized enterprises](#) (PDF), 9 March 2016, p8

28 See previous reference

Table 2: SME procurement spend as a share of the total from 2010–2018

Year	Direct spending	Indirect spending
2010–11	6.8%	
2011–12	10.0%	6.5%
2012–13	10.5%	9.4%
2013–14	10.3%	15.7%
2014–15	10.9%	16.2%
2015–16	11.0%	13.0%
2016–17	10.5%	12.0%
2017–18	10.5%	13.2%

Source: Cabinet Office, [Central government spend with SMEs](#), 15 August 2023

21. Recent reforms, such as the Procurement Act 2023, continue to prioritise increasing SME participation in public sector contracts. Its measures include the introduction of a single digital platform for all tenders, and simplified bidding processes.²⁹ The new regime took effect in February 2025.
22. In the same month, the Government published a National Procurement Policy Statement. The Statement sets the “strategic priorities for public procurement in support of the Government’s missions”.³⁰ It sets out that contracting authorities can deliver value for money by: “driving economic growth and strengthening supply chains by giving small and medium-sized enterprises (SMEs) and voluntary, community and social enterprises (VCSEs) a fair chance”.³¹ It adds that contracting authorities should “maximise procurement spend with SMES and VCSEs”.³² All central government departments and their arm’s length bodies will set three-year targets for direct spend with SMEs from 1 April 2025. Progress against these targets will be published annually.³³ The Government has consulted on proposals to extend this requirement to all contracting authorities with spend over £100 million.³⁴
23. The British Chambers of Commerce, however, told us that while direct procurement spending with SMEs has grown, the proportion of total spending is in a “rut”, sitting at 20% in 2024: “It was a similar picture

29 [Procurement Act 2023](#)

30 Cabinet Office, [Procurement Policy Note 001 - SME and VCSE procurement spend targets](#), February 2025

31 Cabinet Office, [National Procurement Policy Statement](#) (PDF), 13 February 2025, p3

32 See previous reference

33 Cabinet Office, [Procurement Policy Note 001 - SME and VCSE procurement spend targets](#), February 2025

34 Cabinet Office, [Public Procurement: Growing British industry, jobs and skills - consultation on further reforms to public procurement](#), 26 June 2025

in 2023 (19%) and back in 2019 (20%)”.³⁵ Dr Robert James Crammond, University of the West of Scotland, told us that this trend indicated continued “access issues despite policy intentions”.³⁶ The persistence of these “legacy hurdles”,³⁷ has often been linked to the “practice-legislation gap”: procurement practices driven by institutional culture rather than legal necessity.³⁸ Re:state, a think tank, suggest that the practice-legislation gap embeds rigid and risk averse ways of working. This then leads to most tenders being won by the same set of large suppliers.³⁹

24. A policy paper published by the Labour Party in opposition recognised the importance of independent scrutiny in tackling these ingrained issues within the procurement system. The paper called for the creation of a ‘Procurement Council of Experts’ to review processes and advise on best practice.⁴⁰ Similar proposals for bodies were put forward in the evidence. Goldman Sachs 10,000 Small Businesses UK, a business support programme, suggested the creation of a taskforce to “improve the design and delivery of public contracts and help improve the transparency and consistency of procurement processes”.⁴¹
25. Stakeholders were also sceptical about whether departmental targets would be sufficient to drive meaningful change for small firms. When we raised these concerns with the Minister, he told that us that the shift towards individual targets “aims to increase departmental accountability in spending more directly with SMEs”.⁴² He said that departments would be held to account through the transparency of publishing their targets, and annual updates on their performance.⁴³

35 British Chambers of Commerce ([SBS0031](#))

36 University of the West of Scotland ([SBS0080](#))

37 Professor Suresh Renukappa (Professor of Sustainable Smart Innovation at University of Wolverhampton); Dr Sean Starr (Apprenticeship Lead at University of Wolverhampton); Professor Subashini Suresh (Professor of Knowledge Management at Faculty of Science and Engineering, University of Wolverhampton); Professor Tonny Veenith (Clinical Director of Research at University of Wolverhampton and the Royal Wolverhampton NHS Trust, Wolverhampton, UK) ([SBS0012](#))

38 Re:State, [Procure and simple: A proportionate approach to public procurement](#) (PDF), November 2025, p10

39 See previous reference

40 Labour Party, [Start-up, Scale-up: Making Britain the best place to start and grow a business](#) (PDF), 2022, pp10–11

41 Goldman Sachs 10,000 Small Businesses UK ([SBS0106](#))

42 [Letter from Minister for Small Business & Economic Transformation relating to the evidence session on 25 November on small business strategy](#) (PDF), 5 January 2026

43 [Q392](#)

Table 3: Proposed cross-government procurement targets

Witness	Proposed target
Dr Anandadeep Mandal	33% of direct spend by 2030. ⁴⁴
Goldman Sachs 10,000 Small Businesses UK	40%, direct and indirect spend, by 2030. ⁴⁵
Professor Suresh Renukappa et al.	35%, direct and indirect spend, by 2030. ⁴⁶

26. As Table 3 explains, no contributor to our inquiry recommended this decentralised approach. Enterprise Nation, a small business support platform and membership community, stressed that the objective should be to broaden the overall pipeline of SME suppliers cross-Government.⁴⁷ Dr Anandadeep Mandal told us that this requires a central target, and “clear ministerial accountability”.⁴⁸ Similarly, Professor Suresh Renukappa et al., University of Wolverhampton, said Departments should be more directly held to account through annual reports to Parliament and by publishing remedial action plans when milestones are missed.⁴⁹

27. **CONCLUSION**
Cashflow is king. One of the most important things the Government can do to transform the economic health of SMEs is to direct a greater share of government procurement towards SMEs.

44 Dr ANANDADEEP MANDAL (Associate Professor at University of Birmingham) ([SBS0102](#))

45 Goldman Sachs 10,000 Small Businesses UK ([SBS0106](#))

46 Professor Suresh Renukappa (Professor of Sustainable Smart Innovation at University of Wolverhampton); Dr Sean Starr (Apprenticeship Lead at University of Wolverhampton); Professor Subashini Suresh (Professor of Knowledge Management at Faculty of Science and Engineering, University of Wolverhampton); Professor Tonny Veenith (Clinical Director of Research at University of Wolverhampton and the Royal Wolverhampton NHS Trust, Wolverhampton, UK) ([SBS0012](#))

47 Enterprise Nation ([SBS0096](#))

48 Dr ANANDADEEP MANDAL (Associate Professor at University of Birmingham) ([SBS0102](#))

49 Professor Suresh Renukappa (Professor of Sustainable Smart Innovation at University of Wolverhampton); Dr Sean Starr (Apprenticeship Lead at University of Wolverhampton); Professor Subashini Suresh (Professor of Knowledge Management at Faculty of Science and Engineering, University of Wolverhampton); Professor Tonny Veenith (Clinical Director of Research at University of Wolverhampton and the Royal Wolverhampton NHS Trust, Wolverhampton, UK) ([SBS0012](#))

28. CONCLUSION

Procurement accounts for £1 in every £3 of Government spending. Today, just 20% of this—£45.4 billion—goes to SMEs. If the Government directed 30% to SMEs, there would be a £22.7 billion increased cashflow to SMEs every year. Government spending with SMEs is in a rut. The Government knows it must do more, but its solution of individual departmental targets is unlikely to step up SME cashflows. Given the potential prize of such a shift, Government action needs to step up.

29. RECOMMENDATION

The Government should set a 30% target for total direct spend with SMEs, to be achieved by 2028. Each department should set out its contribution towards this target, and the Department for Business and Trade should monitor departmental performance. This should be reported to Parliament annually, with departments setting out what steps they are taking to improve performance when targets are not met. These targets should include all public bodies within the department's remit.

30. RECOMMENDATION

The Government should appoint a Procurement Council of Experts. This should gather SME feedback on procurement processes and advise departments on best practice to affect a culture change throughout Government.

Late payment

- 31.** UK SMEs are currently owed a great deal in late payments. Estimates vary, between Intuit's estimate of £22.7 billion⁵⁰ and the £112 billion estimated by Sage; this implies an average of £42,000 per business, with 44% of invoices paid late.⁵¹
- 32.** The Late Payment of Commercial Debts (Interest) Act 1998 sets a maximum payment term of 60 days - but a longer payment period can be agreed provided it is not "grossly unfair".⁵² This operates as a 'backdoor', allowing parties to agree extended payment periods, or for larger suppliers to enforce these terms on smaller subcontractors.

50 Intuit ([SBS0104](#))

51 Ben Robinson ([SBS0081](#))

52 Late Payment of Commercial Debts (Interest) Act 1998, [s4](#)

- 33.** The Government’s late payments consultation, which ran from July to October 2025, put forward plans to remove this exemption. After five years, the maximum payment term would be reduced from 60 days to 45 days.⁵³ These changes will require primary legislation. It is likely that this legislation will not be introduced until 2027, at the earliest. The SME Plan sets out that in “2026 and beyond” the Government will still be working with small businesses on late payments legislation.⁵⁴
- 34.** In addition, the Government has replaced the previous Prompt Payments Code with a Fair Payments Code. This initiative is a tiered system of awards (gold, silver and bronze) aimed at improving payment performance. Gold awards are given to those firms paying at least 95% of all invoices within 30 days. The Minister told us that this was more than “just a name change”, as the evidential requirements have increased, and businesses have to reapply making it a more “credible test of your payment practices”.⁵⁵
- 35.** Stakeholders welcomed the Government’s focus on tackling late payments and called for the Government to go further. Paul Brain, Managing Director of Ashcroft Services, a roofing company, told us that a 60-day payment term was still “a long time for a small company to wait for its money”.⁵⁶ Professor Suresh Renukappa et al., argued that Government should enforce “30-day payment terms across supply chains”.⁵⁷ Other contributors suggested the percentage of SMEs paid within 30 days as a good metric for judging the Government’s success in tackling late payments.⁵⁸
- 36.** Furthermore, the Fair Payments Code is voluntary, and the Government has so far done little to promote its adoption. This is a matter of concern for sectors like construction, where damaging payments terms are common. Paul Brain told us that “not many contractors” had signed up.⁵⁹ Finishes and Interiors Sector (FIS), a trade association, said that the code was

53 Department for Business and Trade, [Late payments consultation: tackling poor payment practices](#), 30 July 2025

54 Department for Business and Trade, [Backing your business: our plan for small and medium sized businesses](#), 31 July 2025, p61

55 [Q396](#)

56 [Q84](#)

57 Professor Suresh Renukappa (Professor of Sustainable Smart Innovation at University of Wolverhampton); Dr Sean Starr (Apprenticeship Lead at University of Wolverhampton); Professor Subashini Suresh (Professor of Knowledge Management at Faculty of Science and Engineering, University of Wolverhampton); Professor Tonny Veenith (Clinical Director of Research at University of Wolverhampton and the Royal Wolverhampton NHS Trust, Wolverhampton, UK) ([SBS0012](#))

58 National Federation of Roofing Contractors ([SBS0056](#)); Electrical Contractors’ Association (ECA) ([SBS0117](#))

59 See previous reference

“useful, but limited in scope”.⁶⁰ The Association of Accounting Technicians, a professional body, argued that the Government should make the code compulsory for all firms employing over 250 staff.⁶¹

- 37.** Witnesses also asked for further measures to ensure information about a firm’s payment practices are more easily accessible to smaller firms. Prior to accepting work, SMEs often use the Companies House register to conduct due diligence on a large contractor’s financial health. Information about their payment practices, however, can only be accessed through the separate Fair Payment Award webpage. In order to expedite this process, Actuate UK, an umbrella body for UK engineering services, and the Electrical Contractors’ Association suggested that the Government integrate these different sources of intelligence.⁶²

38. CONCLUSION

The Government is right to recognise the risks to SMEs posed by late payments. Until there is new legislation, the Fair Payments Code should become the minimum expectation, rather than an optional extra, for all firms over 250 employees.

39. RECOMMENDATION

The Government should accelerate its late payments legislation and mandate 30-day payment terms by the end of this Parliament. In the meantime, procurement rules should be updated to require all large suppliers to have a Fair Payments Code Gold award.

40. RECOMMENDATION

Companies House should integrate Fair Payments Code information with the register, to provide small businesses with clearer intelligence about a firm’s payment practices.

Late payments and the construction sector

- 41.** Problems with late payments to SMEs are particularly acute in the construction sector. The Electrical Contractors’ Association described the widespread problem of late payment acting “as a free means of financing for large firms”.⁶³ Paul Brain said that it was common for firms to be paid

60 Finishes And Interiors Sector (FIS) ([SBS0110](#))

61 Association of Accounting Technicians ([SBS0025](#))

62 Actuate UK ([SBS0111](#)); Electrical Contractors’ Association (ECA) ([SBS0117](#))

63 Electrical Contractors’ Association (ECA) ([SBS0117](#))

90 days after they had submitted an invoice.⁶⁴ Brian Berry, Chief Executive, Federation of Master Builders, a trade association, told us that three quarters of his members had had problems with late payments.⁶⁵

42. Alongside extended payment terms, smaller construction firms are often subject to other unfair payment practices, such as uncapped liabilities and retentions. The National Federation of Roofing Contractors, a trade association, said that in many cases their members are subject to a two-year retention period. During this period, up to 5% of the contract's value is held back to serve as security for performance.⁶⁶ Paul Brain told us that it was not uncommon for individuals to be owed £500,000 in retentions alone. He added that if the principal contractor “goes bust and ceases to trade, all the money is gone.” This triggers cash shortages throughout the supply chain.⁶⁷ It is estimated, for instance, that 780 small firms entered into insolvency in the first quarter of 2018 as a direct result of major construction company Carillion's collapse.⁶⁸
43. The British Association of Landscape Industries told us that its members also “routinely face” uncapped liability clauses during contract negotiations with larger firms.⁶⁹ Uncapped liabilities remove any financial limit on the damages a business may be required to pay if it breaches a contract. As a result, many SMEs may feel compelled to decline work, because to accept uncapped liability poses serious threats to their long-term financial stability. Other jurisdictions, such as the Republic of Ireland, have introduced default caps on liability—in this case €1.5 million—for public construction contracts.⁷⁰
44. The Government's late payments consultation recognises the problems caused by retentions, and sets out plans to either prohibit them or protect retained funds from insolvency or non-payment.⁷¹ However, it does not address the problems associated with uncapped liability.

64 [Q83](#)

65 See previous reference

66 National Federation of Roofing Contractors ([SBS0056](#))

67 [Q84](#)

68 “[Insolvencies in UK building firms rise 20% after Carillion collapse](#)”, The Guardian, 1 October 2018. See also, Business, Energy and Industrial Strategy and Work and Pensions Committees, [Carillion](#) (PDF), HC 769, 16 May 2018

69 British Association of Landscape Industries ([SBS0084](#))

70 Finishes And Interiors Sector (FIS) ([SBS0110](#)); Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation, [Minister Donohoe introduces liability caps for those engaged in public works' contracts](#), 22 March 2023

71 Department for Business and Trade, [Late payments consultation: tackling poor payment practices](#), 30 July 2025

45. Government can also do more to model best practice in payment terms. Since 2012, the UK Government has used Project Bank Accounts (PBAs) to protect suppliers against late payment and contractor insolvencies for public sector construction contracts.⁷² The UK's construction playbook sets out that PBAs should be used “unless there are compelling reasons not to”.⁷³ This opt out has reportedly allowed some Government departments to avoid PBAs for large construction projects.⁷⁴ The playbook itself also only applies directly to central government agencies.

Table 3: Project Bank Account requirements

Welsh Government	PBAs are required for projects valued more than £2 million, or that last for longer than 6 months, or where the main contractor self-delivers less than 75% of the contract. ⁷⁵
Scottish Government	PBAs are mandatory for building projects that cost £2 million or more, and civil engineering projects valued at £5 million or more. ⁷⁶
Northern Ireland Executive	Part of the conditions for public contracts worth more than £2 million. ⁷⁷
UK Government	PBAs should be used “unless there are compelling reasons not to”. ⁷⁸

46. As Table 3 explains, the Welsh Government, the Scottish Government, and the Northern Ireland Executive are mandated to use PBAs for all contracts above a certain value. During the passage of the Procurement Act 2023, the previous Government rejected a new clause that proposed mandating PBAs for all jobs valued at over £2 million.⁷⁹ The Government withdrew its

72 PBAs are ring-fenced bank accounts from which payments are made simultaneously and directly to all parties in the supply chain.

73 Cabinet Office, [The Construction Playbook](#) (PDF), September 2022, p67

74 Finishes And Interiors Sector (FIS) (SBS0110); “[Exclusive: Government failing to follow project bank account rules](#)”, Construction News, 4 December 2023

75 Welsh Government, [Welsh Procurement Policy Note \(WPPN\) 010: Project bank accounts](#), 5 November 2025

76 Scottish Government, [CPN 1/2019: Project Bank Accounts - Revised Thresholds and Procedures](#), 19 February 2019

77 Northern Ireland Executive, [PGN 03/14: Construction Works Procurement - Project Bank Accounts](#) (PDF), 25 May 2018, p5

78 Cabinet Office, [The Construction Playbook](#) (PDF), September 2022, p67

79 HC Deb 13 June 2023, [c238](#)

PBA guidance in July 2025. The Cabinet Office says a replacement is in development, but the construction playbook—and its criteria for using PBAs—will remain the same.⁸⁰

47. CONCLUSION

Late payments pose a particularly acute threat to firms in the construction sector. The Government’s construction playbook sets out that Project Bank Accounts should “be used unless there are compelling reasons not to.” This loophole had permitted government departments to turn a blind eye to poor payment practices amongst their contractors. The Government should update its construction playbook to end this loophole and drive meaningful improvements in SME cashflow.

48. RECOMMENDATION

The Government should bring forward amendments to the Procurement Act 2023 that require the use of Project Bank Accounts for all construction projects that cost £2 million and above. In the meantime, it should reissue its construction playbook to reflect this requirement. The playbook should also introduce a liability cap, specifying this requirement as a contract condition for its supply chains. Government should explore ways of mandating the terms of the playbook for all large contracting authorities.

80 [Letter from Minister for Small Business & Economic Transformation relating to the evidence session on 25 November on small business strategy \(PDF\)](#), 5 January 2026

3 The tax system

49. The tax system for SMEs is complex, administratively burdensome, and marked by sharp cliff edges in rates that can distort behaviour and hinder growth. Many SMEs told us that navigating these obligations consumes disproportionate time and resources. In this chapter we explore the burden of complying with the tax system for SMEs, and HMRC’s support offer for these firms. We then consider how elements of the current tax system—VAT, Business Rates, and R&D tax relief—can be optimised for small business growth.

Administrative burden

50. Witnesses described a tax system that is too complex and burdensome for SMEs. The National Federation of Roofing Contractors told us that some businesses now report “spending more time on paperwork than on their trade”.⁸¹ In April 2025, the Federation of Small Businesses (FSB) estimated that tax compliance costs the small business community 242 million hours and nearly £25 billion each year.⁸²
51. SMEs are responsible for around 60% of the estimated overall tax gap.⁸³ The Confederation of British Industry (CBI) argued that this evidenced the complexity of the regime for these businesses.⁸⁴ Likewise, the Chartered Institute of Management Accountants (CIMA) stressed the importance of simplifying the tax administration system to “support compliance”.⁸⁵

Box 1: What is Making Tax Digital?

Making Tax Digital (MTD) requires business taxpayers to use third-party software to keep and submit quarterly digital tax records with the aim of: reducing the amount of tax lost from taxpayers; helping businesses better understand their tax position; and reducing the burden of submitting tax returns. HMRC completed the roll-out of

81 National Federation of Roofing Contractors ([SBS0056](#))

82 FSB, [Taking a Toll: Small businesses and the cost of tax compliance](#), April 2025

83 The tax gap is the difference between the amount of tax that should be paid to HMRC, and the amount that is actually paid. See also, National Audit Office, [Tackling tax evasion in high street and online retail](#) (PDF), 9 September 2024

84 Confederation of British Industry (CBI) ([SBS0105](#))

85 CIMA ([SBS0030](#))

MTD for VAT in 2022. MTD for income tax will be rolled out to sole traders and landlords with income over £50,000 from April 2026, over £30,000 from April 2027, and then over £20,000 from 2028.⁸⁶

- 52.** We were told that MTD was not designed to be easy for SMEs to use. Digitisation was welcomed for its potential to improve productivity and increase understanding of day-to-day cashflow,⁸⁷ but the design of the programme was roundly criticised. In 2023, the Public Accounts Committee concluded that HM Revenue & Customs (HMRC) had lost sight of MTD’s original aim of reducing the burden on taxpayers. It found that its quarterly reporting requirements and the need to purchase third-party software had increased the burden for businesses.⁸⁸
- 53.** Evidence received stated that HMRC has not applied these insights to the forthcoming roll out of MTD for income tax. Alice Jeffries, Tax Policy Manager, CBI, said that the three year roll out period was a “very fast turnaround to be bringing so many people into a quarterly reporting system”.⁸⁹ Paul Wilson, Policy Director, FSB, told us that there was a real risk that this could “inadvertently add a lot of cost into the mix” for smaller firms.⁹⁰ The British Beauty Council, a membership organisation for the beauty industry, stressed that the software requirements failed to account for “barriers in digital literacy for SMEs”.⁹¹ DEP Business Services, an accountancy firm, warned that older clients “will aim for retirement because of these requirements”.⁹²
- 54.** The Government has recognised the importance of reducing the regulatory burden for businesses. It has established a baseline assessment of these costs, and set out an ambitious target to reduce these costs by 25% by the end of the Parliament.⁹³ Witnesses suggested that the Government should take the same approach to the tax system. Paul Wilson said that HMRC should set a similar “one-third” target for the reduction in small businesses’ administrative burden in complying with the tax system.⁹⁴ Professor Suresh Renukappa et al., put forward a one-in, one-out policy.⁹⁵

86 HMRC, [Find out if and when you need to use Making Tax Digital for Income Tax](#), 17 December 2025

87 Electrical Contractors’ Association (ECA) ([SBS0117](#)); Actuate UK ([SBS0111](#)); Intuit ([SBS0104](#))

88 Public Accounts Committee, [Progress with Making Tax Digital](#) (PDF), HC 1333, 24 November 2023, p6

89 [Q120](#)

90 [Q33](#)

91 British Beauty Council ([SBS0042](#))

92 DEP Business Services Ltd ([SBS0066](#))

93 HM Treasury, [Regulation Action Plan - Progress Update and Next Steps](#), 22 October 2025

94 [Q33](#)

95 Professor Suresh Renukappa (Professor of Sustainable Smart Innovation at University of Wolverhampton); Dr Sean Starr (Apprenticeship Lead at University of Wolverhampton); Professor Subashini Suresh (Professor of Knowledge Management at Faculty of Science

55.

CONCLUSION

The tax system is becoming more complex. This is generating significant burdens for SMEs, distracting business owners from running their companies, and jeopardising collection of tax revenues. Initiatives such as Making Tax Digital suggest such costs are not adequately appreciated by HMRC and the Treasury. The Government has recognised the importance of reducing the regulatory burden for businesses. It must now do the same for the tax system.

56.

RECOMMENDATION

The Government should publish a baseline assessment of SME administrative costs of complying with the tax system. The Government should aim to reduce the costs of complying with the tax system by 25% by the end of the Parliament, in line with its target to cut regulation. As a first step, it should increase the roll out period for Making Tax Digital for income tax. It should also reduce the quarterly reporting requirements under Making Tax Digital.

HMRC

57.

Making Tax Digital is a significant transformation of the tax system. This change has coincided with a marked decline in the quality of HMRC's customer service. Throughout the Committee's high street tour, small business owners described HMRC as an organisation that was quick to investigate potential wrongdoing, but difficult to contact for advice.

58.

The SME Plan recognises that small firms have called for a "smooth customer experience with HMRC". The Government has made a commitment to modernise the "tax and customs experience" through HMRC's Transformation Roadmap.⁹⁶ The Roadmap sets out three objectives for the delivery of HMRC services by 2030:

- a. becoming a digital-first organisation;
- b. closing the tax gap; and
- c. reform and modernisation.

and Engineering, University of Wolverhampton); Professor Tonny Veenith (Clinical Director of Research at University of Wolverhampton and the Royal Wolverhampton NHS Trust, Wolverhampton, UK) ([SBS0012](#))

96 Department for Business and Trade, [Backing your business: our plan for small and medium sized businesses](#), 31 July 2025, p21

Under the first objective, its ambition is that at least 90% of customer interactions take place digitally.⁹⁷ According to the FSB’s April 2025 research, the phone is small businesses’ most popular form of communication when contacting HMRC, with 68% using it within the past two years.⁹⁸ CIMA told us that their members report “long wait times, unresolved cases, and inconsistent service”.⁹⁹

59. In January 2025, the Public Accounts Committee said that HMRC had been too willing “to let its telephone services fail in the hope this forces people to use its digital services”.¹⁰⁰ It recommended that HMRC ensure it understands what levels of telephone services it needs to retain to meet customers’ needs – including those of small businesses.¹⁰¹
60. The Government disputed the Committee’s assessment but accepted their recommendation. It highlighted HMRC’s recent improvements across all “its channels and for all types of customers”.¹⁰² Jonathan Athow, Director General Customer Strategy and Tax Design, HMRC, told us that their call answer rate was 83%, against an 85% target (compared to 50% 12–15 months ago).¹⁰³ However, Alice Jeffries cautioned that HMRC’s improved answer rate did not necessarily equate to an improved service. She told us that the complaints rate was up 10% “a sign that there are still problems there and people are not accessing the support they need at the moment”.¹⁰⁴
61. Jonathan Athow told us that if HMRC reaches its 85% target, three to four million calls would still go unanswered. When we asked why the ambition was not higher, he told us that HMRC is funded in line with the 85% target.¹⁰⁵ The Minister said that targets should “always be a floor rather than a ceiling”.¹⁰⁶ As Treasury funding for HMRC is in accordance with the 85% target, it is unclear how it should progress past this ‘floor’.

97 HMRC, [HMRC’s Transformation Roadmap](#), 21 July 2025

98 FSB, [Taking a Toll: Small businesses and the cost of tax compliance](#), April 2025

99 CIMA ([SBS0030](#))

100 Public Accounts Committee, [HMRC Customer Service and Accounts](#) (PDF), HC 347, 22 January 2025, p4

101 See previous reference

102 HM Treasury, [Treasury Minutes: Government Response to the Committee of Public Accounts on the First to the Fourth and the Sixth to the Ninth reports from Session 2024–25](#) (PDF), CP 1306, April 2025, p16

103 [Q121](#)

104 [Q120](#)

105 [Q125](#)

106 [Q404](#)

62. CONCLUSION

HM Treasury's current funding arrangements mean that HMRC can meet its call answering targets and still allow 3 to 4 million calls a year to go unanswered. As the small business tax gap grows, it is essential that HMRC gets back in touch with these customers and understands how to best support them.

63. RECOMMENDATION

Reiterating the recommendation of the Public Accounts Committee, HMRC should ensure it understands how far its digital services can replace telephone services and what level of telephone service it needs to retain to meet the needs of small businesses. Given the importance of telephone services to SMEs, the Government should reconsider whether the 85% target is adequate and fund an uplift.

VAT

- 64.** Firms are liable for the entire 20% VAT rate as soon as they hit the turnover threshold of £90,000. Contributors to our inquiry said that the threshold, which is higher than any EU member state,¹⁰⁷ operates as a “huge cliff edge” acting as a significant disincentive to growth.¹⁰⁸
- 65.** This approach to VAT creates significant incentives for firms to cap their turnover just below the threshold. If they do not, they face, in the words of the Nationwide Caterers Association, “a quarterly VAT bill that in most cases wipes out any meaningful profit.”¹⁰⁹ A 2023 analysis by Tax Policy Associates estimated that around 26,000 businesses were stalling their growth “for fear of hitting” the threshold. “It doesn’t seem fanciful”, they added, “to think that some of the 26,000 firms that are holding their growth below the VAT threshold might have thrived if they’d gone beyond it”.¹¹⁰
- 66.** The system has a particularly damaging impact on the labour-intensive firms which are the backbone of the modern high street. These businesses are unable to claim back reclaim VAT on their primary costs – wages. Analysis by the British Hair Consortium, which represents around 50,000 UK hairdressers, suggested that this leads to a salon paying double the VAT

107 VAT is charged on the supply of all goods and services made in the course of a business by a taxable person, unless they are specifically exempt. All businesses must register for VAT if their annual turnover of taxable goods and/or services is above a given threshold. It is charged at a standard rate of 20%.

108 Mrs Marguerite Marshall (Salon Owner at Stones Hair) ([SBS0072](#))

109 The Nationwide Caterers Association ([SBS0126](#))

110 Tax Policy Associates, [Is VAT stopping 26,000 businesses from growing? More on the VAT growth brake.](#), 30 January 2023

of a retailer with the same turnover.¹¹¹ The British Beauty Council noted that “half of hair and beauty services” sit in the £50,000 to £99,000 turnover band “more than double the economy average”.¹¹²

67. The majority of the evidence we received from the hair and beauty sector said that this threshold is significantly reducing direct employment in their industry. Toby Dicker, Chief Executive, Salon Employers Association, used the example of two identical salons, each of which turns over £400,000. One salon employs five people, and the other is five self-employed sole traders. He estimated that the salon of self-employed sole traders enjoys a VAT bill that is £67,000 lower.¹¹³ Self-employment is a legitimate and long-standing practice in the sector (known as ‘renting a chair’). But many contributors stressed that rising rates of self-employment are due to disguised employment.
68. There was no consensus in the evidence about the best way to reform VAT. Professor Suresh Renukappa et al. were among several witnesses who proposed a tapered rate for “turnover between the [current] threshold and around £110k”.¹¹⁴ The FSB has previously suggested a similar mechanism, combined with raising the threshold. Firms within £10,000 of the threshold would receive a 20% discount, and those within £20,000 would receive a 10% discount. Only firms with income above £110,000 would then be liable for the full rate. According to the FSB, this would ease businesses’ introduction into the system, and enable firms at the higher end of the taper to reinvest these savings into their companies.¹¹⁵
69. Other contributors called for the threshold to be lowered to around £30,000. The Resolution Foundation, a think tank, has said that this would raise around £2 billion a year. They contend that it would also encourage employment through removing some of the tax benefit of working for a company as a self-employed sole trader.¹¹⁶ Most of the contributors from the hair and beauty sector argued that a reduced threshold should be

111 The British Hair Consortium, Salon Employers Association, The Hair and Barber Council, Salon Owners United ([SBS0055](#))

112 British Beauty Council ([SBS0042](#))

113 [Qq48-49](#)

114 Professor Suresh Renukappa (Professor of Sustainable Smart Innovation at University of Wolverhampton); Dr Sean Starr (Apprenticeship Lead at University of Wolverhampton); Professor Subashini Suresh (Professor of Knowledge Management at Faculty of Science and Engineering, University of Wolverhampton); Professor Tonny Veenith (Clinical Director of Research at University of Wolverhampton and the Royal Wolverhampton NHS Trust, Wolverhampton, UK) ([SBS0012](#)). See also British Beauty Council ([SBS0042](#)), National Hair & Beauty Federation ([SBS0034](#))

115 FSB, [FSB call for ‘VAT to the future’ roadmap to help small business strivers](#), 16 January 2024

116 Resolution Foundation, [Tax planning: How to match higher taxes with better taxes](#) (PDF), June 2023, p29

combined with a reduced VAT rate of 10% for service-based businesses. This would reflect the more limited amount of their VAT bill they are able to claim back.¹¹⁷

70. When we put these options to Jonathan Athow, he told us that any proposed reforms would need to consider the potential increases in the overall complexity of the system. A tapered system might make it harder for businesses to understand how decisions to “increase sales or invest” might affect their tax liability.¹¹⁸ The Minister told us he did not think VAT reform was a “live conversation at the moment” for the Treasury.¹¹⁹ A call for evidence on Tax Support for Entrepreneurs was launched in November 2025, but this centres on the cliff-edges within the current system of tax reliefs for entrepreneurs, not the way the wider tax system influences business growth.¹²⁰

71. **CONCLUSION**

The UK’s high VAT threshold is acting as a significant brake on small business expansion. For service-based industries, like the hair and beauty sector, its impact is distortionary and disincentivises employment creation.

72. **RECOMMENDATION**

As part of its call for evidence on Tax Support for Entrepreneurs, the Government should set out to Parliament the impact on small business growth of the current VAT system, and present options for restructuring VAT in a way that optimises small business and employment growth.

Business rates

73. We were told that business rates have a significant impact on SME profit margins. Buckinghamshire Business First, a support hub for businesses, said that, “smaller businesses are disproportionately impacted by these costs than larger multinationals using the same units”. This is because rates are levied according to property value rather than business turnover.¹²¹ UK

117 The British Hair Consortium, Salon Employers Association, The Hair and Barber Council, Salon Owners United ([SBS0055](#)); Miss Emma Vicary (Salon Owner at Individuals Hair Design Ltd) ([SBS0014](#)); Body Image (Hampshire) Ltd ([SBS0022](#)); Aesthetics LTD ([SBS0046](#)); Mrs Allison Hudson (Director & Manager at Faces Hair & Beauty) ([SBS0044](#)); Mrs Brand (director at Oracle Hairdressing LTD) ([SBS0021](#)); Mrs Marguerite Marshall (Salon Owner at Stones Hair) ([SBS0072](#))

118 [Q106](#)

119 [Q410](#)

120 HM Treasury, [Tax Support for Entrepreneurs: Call for Evidence](#), 4 December 2025

121 Buckinghamshire Business First ([SBS0097](#))

Jewellery, Silverware, Allied Crafts sector described a “broken business rates system”.¹²² The British Beer and Pub Association (BBPA), and ABTA, a trade association for the travel industry, both told us that business rates were one of their members’ biggest concerns.¹²³

74. The Labour Party’s 2024 Manifesto contained a commitment to “replace the business rates system”, raising the same revenue but in a “fairer way”.¹²⁴ At the Autumn Budget 2025, the Government introduced changes that it says will fulfil this commitment. The Government will replace the Covid-related relief for retail, hospitality and leisure (RHL) properties¹²⁵ with permanently lower multipliers for small RHL properties, funded through higher multipliers for larger premises.¹²⁶ These changes will come into force in April 2026. Overall, it has estimated that over half of ratepayers will see no bill increases, with 23% expected to see their bills decrease.¹²⁷ The Government is also conducting a wider review of the system, and any further reforms will be phased over the course of the Parliament.¹²⁸ This aims to ensure that the regime supports investment and is “fit for the 21st century”.¹²⁹
75. Property revaluations in 2026 however render unclear the precise overall impact of the Government’s changes.¹³⁰ Morgan Schondelmeier, Policy Manager for Tax and Trade, BBPA, said that it was likely that “the best-case scenario” for most businesses was to be “standing still”.¹³¹ She told us that “not even [in] the worst-case scenario”, following revaluations, “business rates are probably still going to go up”.¹³² UKHospitality has since estimated that rates for the average pub will increase by 15% over the next year.¹³³ The Treasury has said that the “total bill” for the “pub sector” will increase by

122 UK Jewellery, Silverware, Allied Crafts (JSAC) sector ([SBS0063](#))

123 British Beer and Pub Association ([SBS0087](#)); ABTA - The Travel Association ([SBS0048](#))

124 Labour Party, [Change: Labour Party Manifesto 2024](#) (PDF), 2024, p31

125 House of Commons Library, [Business rates reliefs](#), 12 December 2025

126 HM Treasury, [Autumn Budget 2025](#), Box 3.H, 28 November 2025

127 See previous reference

128 [Letter from Minister for Small Business & Economic Transformation relating to the evidence session on 25 November on small business strategy](#) (PDF), 5 January 2026

129 HM Treasury, [Transforming Business Rates: Interim Report](#), 17 September 2025

130 Business rates bills are based on a property’s assigned ‘rateable value’. The Valuation Office Agency updates the rateable values of non-domestic properties in England and Wales every three years.

131 [Q313](#)

132 [See previous reference](#)

133 UK Hospitality, [Business rates rises to cost small hospitality businesses £318m](#), 6 December 2025

4% in 2026/27.¹³⁴ The Government has since announced that pubs in England will receive a 15% cut to their business rates bill, followed by a two-year real-terms freeze.¹³⁵

- 76.** Sector specific support does not assuage the wider disappointment at the overall ambition of the Government’s project. Alice Jeffries was among several witnesses who told us that these proposals “do not look like fundamental reform”.¹³⁶ Tony Vaughan MP was told by a participant in a round table that business rates need to “reflect real turnover, ensuring high street businesses are not penalised just for having premises”.¹³⁷ Other jurisdictions feature a local corporation tax on business profits, rather than property-based taxes. Germany for example has a ‘local business tax’, charged at a rate between 7.5% and 13.5% of business profits.¹³⁸ Such measures have not been considered in the consultations published by the Treasury.
- 77.** During the Committee’s priorities roadshow, participants said that the Government should also consider increasing business rates support for more deprived areas. We were told that these areas often have higher high street vacancy rates. Participants told us that business rates in these areas should therefore be lowered to encourage occupancy. Scotland has introduced a similar scheme. Under Fresh Start Relief, businesses occupying long-term empty properties are entitled to a 100% business rates discount for their first year.¹³⁹ No similar proposals have been put forward by the UK Government.
- 78.** Measures to address the “imbalance between online trading and bricks-and-mortar trading” have also been limited.¹⁴⁰ In February 2022, the previous Government launched a consultation considering the case for an Online Sales Tax (OST).¹⁴¹ It was announced at the Autumn Statement 2022 that it would not move forward with these proposals due, in part, to design complexities.¹⁴²

134 PQ 9726 [[Hospitality Industry and Leisure: Business Rates](#)], 10 December 2025

135 HM Treasury, [Government announces support package that backs British pubs](#), 27 January 2026

136 [Q114](#)

137 Tony Vaughan ([SBS0125](#))

138 firma.de, [What is trade tax in Germany? Basics for business](#) (accessed 28 January 2026)

139 UK Jewellery, Silverware, Allied Crafts (JSAC) sector ([SBS0063](#))

140 [Q285](#)

141 HM Treasury, [Online Sales Tax: Policy Consultation](#), 25 February 2022

142 HM Treasury, [Autumn Statement 2022](#), 17 November 2022

79. The Government has said its changes will help ‘level the playing field’, as the higher multipliers will likely apply to the large warehouses used by online retailers. Large high street businesses will not be exempt from these new rates, however, provoking some retailers to caution that the new regime will limit future investment in physical premises.¹⁴³

80. **CONCLUSION**

Property revaluations mean that the permanently lower multipliers announced in the Autumn Budget 2025 will likely do little to bring down business rates bills for small businesses. The Government is right to recognise that certain sectors will need support, but financial support will not address the wider unfairness of the business rates system. More fundamental changes to the business rates system are needed to truly level the playing field between online and bricks and mortar businesses.

81. **RECOMMENDATION**

The Government should complete its review of the business rates system and incorporate more ambitious options for reform. This review should include an evaluation of replacing today’s system with a turnover-based local tax, reconsider the feasibility of implementing an Online Sales Tax, and consider introducing relief for the new occupiers of properties that have previously been empty.

Innovation and digital adoption

82. The UK continues to lag behind its G7 peers in technology adoption, particularly amongst SMEs. The UK ranked 25th worldwide for future digital readiness in the IMD 2024 index.¹⁴⁴ Only 15% of SMEs actively use artificial intelligence (AI),¹⁴⁵ while 43% of SMEs surveyed by the British Chambers of Commerce in 2024 said that they had no plans to use the technology.¹⁴⁶ This contributes to the UK’s productivity crisis. The UK’s productivity growth has been consistently poor since the 2008 financial crisis. In 2024, the average American worker produced 40% more than their British equivalent.¹⁴⁷

143 Boots UK ([SBS0127](#)). The Government has also sought to create “fair competition” through the removal of the £135 customs duty-relief for low value imports. Although the threshold is likely to remain in place until 2029. HM Treasury, [Autumn Budget 2025](#), 28 November 2025

144 Enterprise Nation ([SBS0096](#))

145 Intuit ([SBS0104](#))

146 British Chambers of Commerce ([SBS0031](#))

147 British Private Equity and Venture Capital Association ([SBS0101](#))

- 83.** R&D investment is one of the other primary drivers of productivity growth. Every additional £1 of private R&D investment is associated with a productivity gain of just over £0.20.¹⁴⁸ The SME Plan contains a commitment to “boost greater adoption of the latest technologies amongst small businesses, guided by their needs”.¹⁴⁹ The Made Smarter Adoption programme for manufacturing SMEs will be expanded, and a new tech adoption scheme will be launched for high-growth potential Professional and Business Services sector SMEs. It has also committed to implementing the ten recommendations of the SME Digital Adoption Taskforce. This aims to make UK SMEs the most digitally capable and AI confident in the G7 by 2035.¹⁵⁰
- 84.** Contributors to our inquiry emphasised that national sector-specific programmes should be complemented by local initiatives tailored to business needs. Dr S. Asieh H. Tabaghdehi and Professor Ashley Braganza, Brunel University, argued for a “place-based approach” that accounts for regional differences in infrastructure, connectivity, and economic context. They highlighted the importance of local ecosystems—linking firms, support organisations, and policymakers—to deliver inclusive, adaptable support.¹⁵¹ David Hughes cited the Further Education Innovation Fund (FEIF) pilot as an effective example, where colleges partner with local SMEs to provide innovation support through training and access to facilities.¹⁵²
- 85.** Stakeholders also highlighted financial barriers to adopting new technologies and suggested that these schemes should be combined with targeted tax incentives or grants. Digital Boost Upskilling, a mentoring platform for small businesses, told us these financial incentives should be tied to accessing support, in order to link training to funding.¹⁵³ Likewise, Dr Narmin Nahidi, University of Exeter, said that “tailored diagnostics and grants significantly increase[s] adoption”.¹⁵⁴

148 National Institute of Economic and Social Research, [From ideas to growth: Understanding the drivers of innovation and productivity across firms, regions and industries in the UK](#) (PDF), October 2021, p7

149 Department for Business and Trade, [Backing your business: our plan for small and medium sized businesses](#), 31 July 2025, p12

150 Department for Business and Trade, [SME Digital Adoption Taskforce: final report](#), 31 July 2025

151 Dr S. Asieh H. Tabaghdehi (Senior Lecturer in Strategy and Business Economy at Brunel University of London); Professor Ashley Braganza (Professor in Business Transformation at Brunel University of London) ([SBS0052](#))

152 [Q236](#)

153 Digital Boost Upskilling ([SBS0115](#))

154 Dr. Narmin Nahidi (Assistant Professor in Finance and Management at University of Exeter) ([SBS0003](#))

- 86.** The administration of existing tax incentives is significantly limiting uptake. An August 2025 paper for the International Monetary Fund (IMF) that explores the widening US-UK productivity gap, notes that spending on R&D by UK firms has lagged behind the US, “despite generous tax policy incentives”.¹⁵⁵ UK Finance, a trade association, told us that the system is too complex to navigate and so many SMEs “don’t take advantage of them”.¹⁵⁶ Becky Lumsden, founder of the wellness and skincare business PURE Spa & Beauty, stressed that most SME owners find it particularly burdensome to fulfil HMRC’s substantial evidential requirements.¹⁵⁷ Evidence received highlighted HMRC’s significant processing times, lack of expertise, and narrowly drawn definitions of R&D as further barriers.
- 87.** Prior to June 2022, HMRC had a target of processing 95% of SME claims within 28 days, this was extended to 40 days to allow for additional checks to be carried out. The CBI told us that the headline average statistic of 92% of claims being met within this period did not “reflect the full picture”. “There’s no data on how long the remaining 8% took”, they added, “nor any on R&D credit repayment times”.¹⁵⁸ The British Private Equity & Venture Capital Association (BVCA) asserted that these delays are a result of a lack of resourcing and expertise to assess genuine innovative R&D in HMRC.¹⁵⁹ FIS told us that HMRC then takes a “very punitive approach” to raising reviews on disputed R&D tax claims.¹⁶⁰
- 88.** We were also told that R&D tax credit eligibility criteria are too narrow. Becky Lumsden, for instance, called for “greater latitude in their scope”.¹⁶¹ Creative UK, a membership body for the creative industries, said that the rules were “poorly aligned” with their members’ business models. Firms in their sector engage in experimental design but struggle to qualify “under narrow definitions of ‘scientific’ innovation”.¹⁶²
- 89.** A limited pilot of a new targeted R&D advanced assurance service will be launched in Spring 2026. Any SME planning to claim R&D relief will be able to take part and seek assurance as to whether the project meets the definition of R&D. HMRC has now established a Research and Development Expert Advisory Panel. This group does not assess individual claims, but it does provide insight into what constitutes cutting edge R&D across specific

155 Leonardo Indraccolo, IMF: Selected Issues Papers, [Bridging the Gap: Understanding the UK-US Productivity Decoupling](#), 12 August 2025

156 UK Finance ([SBS0061](#))

157 Mrs Becky Lumsden (CEO at PURE Spa) ([SBS0109](#))

158 Confederation of British Industry (CBI) ([SBS0105](#))

159 British Private Equity and Venture Capital Association ([SBS0101](#))

160 Finishes And Interiors Sector (FIS) ([SBS0110](#))

161 Mrs Becky Lumsden (CEO at PURE Spa) ([SBS0109](#))

162 Creative UK ([SBS0088](#))

sectors.¹⁶³ The Government will also undertake a “cross-departmental evidence gathering exercise on firm-level financial support for SME digital and AI adoption”.¹⁶⁴ It will report on its progress in Spring 2026.¹⁶⁵ This still leaves unaddressed the questions of turnaround times, and the adequacy of the current definition of ‘R&D’.

90. CONCLUSION

Limited diffusion of productivity enhancing technologies is one of the primary causes of the UK’s sluggish productivity growth. Investment in R&D significantly boosts productivity. However, the administration of the UK’s generous R&D tax credit system is limiting uptake amongst SMEs. The Government is right to recognise that the system requires reform, but larger-scale changes are needed to truly increase small business R&D investment. This should be combined with a clear strategy for encouraging firms to take up technology, led by local realities and designed around specific business need.

91. RECOMMENDATION

The Government should reintroduce the previous 28-day target for processing R&D tax claims. It should also widen the eligibility criteria so as to include Arts, Humanities, and Social Sciences research within its scope.

92. RECOMMENDATION

The Government should bring forward proposals for tax incentives to encourage increased intangible investment and the diffusion of productivity enhancing general purpose technologies, such as artificial intelligence.

93. RECOMMENDATION

The Government should, through Innovate UK, roll out the Further Education Innovation Fund nationwide.

163 HMRC, [Research and development tax relief advance clearances—Summary of responses](#), 26 November 2025

164 Department for Business and Trade, [SME Digital Adoption Taskforce: final report](#), 31 July 2025

165 PQ 76986 [[Small Businesses: Artificial Intelligence](#)], 15 September 2025

4 Labour costs and the skills system

94. Small firms continue to face rising labour costs alongside a skills system that many find difficult to navigate. This limits their ability to recruit, train, and retain the people they need to grow. These pressures have sharpened in the wake of the Autumn Budget 2024, and the planned changes in the Employment Rights Act 2025. This chapter examines how SMEs experience the current skills landscape and considers what changes could better support productivity and long-term growth.

The Autumn Budget 2024

95. At the Autumn Budget 2024, the Government announced changes to employer National Insurance contributions (NICs) alongside increases to the national minimum wage. Victoria Brownlie, Chief Policy and Sustainability Officer, British Beauty Council, told us that the “cumulative impact” of these changes on labour-intensive sectors had been devastating.¹⁶⁶ The National Hair and Beauty Federation (NHBF) estimated that these measures increased the average cost burden for hair and beauty businesses by £25,000 annually.¹⁶⁷ According to the British Retail Consortium, the budget added £7 billion to the cumulative cost of policy and regulation impacting the UK retail industry”.¹⁶⁸
96. The increased costs to businesses have had a significant impact on employment. UKHospitality told us that their sector had shed 69,000 jobs, “three times more than the wider economy”.¹⁶⁹ Lydia Papaphilippopoulos-Snape, owner of Warwick Street Kitchen & Saint Kitchen, said that, just to “stay in the same place”, a café would have to sell an additional 400 croissants.¹⁷⁰ This was against a backdrop where “300 croissants a month would be pretty good, so you are asking for a 133% increase in a particular product, in a climate where ... we have a 14% decrease in revenue and a 29% decrease in footfall.” She stressed that therefore her only option was to

166 [Q42](#)

167 National Hair & Beauty Federation ([SBS0034](#))

168 British Retail Consortium, BRC responds to the Spring Statement, 26 March 2025; Boots UK ([SBS0127](#))

169 Mr Luke Cheadle (Public Affairs and Policy Manager at UKHospitality) ([SBS0091](#))

170 [Q289](#)

“shed people”.¹⁷¹ The Vanilla Room, a hair salon, said that they had already reduced their staff numbers.¹⁷² We were told the same by businesses we visited on our high street tour. Numerous business owners told us that they had either cut their overall headcount or were considering doing so.

97. Evidence received also suggests that changes, such as the increase in the apprentice minimum wage, will further restrict firms’ ability to recruit young people and apprentices. The NHBF argued that their sector had “historically been a significant employer of young people putting them on a pathway to running their own business”. They told us that these changes had already resulted in their sector “cutting apprenticeship opportunities”.¹⁷³ Gareth Penn, Registrar at the Hair and Barber Council, contended that any further apprentice minimum wage increases would have a “really devastating impact” on the sector’s ability to take on trainees.¹⁷⁴
98. Small businesses told us that they were not adequately prepared for the changes made in the 2024 Autumn Budget. They criticised the Government for introducing them without a full understanding of their sector-specific impacts. Alison Kerrey, Chair of the Digitalisation and Agent Services Committee, Chartered Institute of Taxation, told us that inconsistency and uncertainty are particularly damaging for small firms. SMEs need to understand “what they need to do for the medium term and not [have] changes sprung on them all the time”.¹⁷⁵ Dr David Irwin, co-founder of the enterprise agency Project North East, warned that without more in-depth consultation, the Government is likely to not identify these “unintended consequences” of legislative and regulatory reforms.¹⁷⁶
99. Other jurisdictions have more thorough requirements for SME engagement throughout the policymaking process. In the US, departments are required to consult the US Small Business Administration’s Office of Advocacy, and publish feedback statements.¹⁷⁷ Dr Robert James Crammond called for the Government to publish “public-facing engagement summaries that evidence how SME input is used in strategy development”.¹⁷⁸ Likewise, Actuate UK suggested SME sector-specific impact assessments which should model

171 [Q289](#)

172 K Larcher Ltd ([SBS0004](#))

173 National Hair & Beauty Federation ([SBS0034](#))

174 [Q46](#)

175 [Q101](#)

176 Dr David Irwin ([SBS0005](#))

177 Dr ANANDADEEP MANDAL (Associate Professor at University of Birmingham) ([SBS0102](#))

178 University of the West of Scotland ([SBS0080](#))

their ability to implement proposed changes.¹⁷⁹ UKHospitality said that it was “vital” that future changes were subject to a “full economic and equality impact assessment”.¹⁸⁰

100. CONCLUSION

The decision to significantly increase labour costs at the Autumn Budget 2024 has had a significant impact on labour-intensive sectors. Future policy changes must both adequately model how small businesses will be affected by tax changes and seek feedback from smaller firms about potential impacts.

101. RECOMMENDATION

The Government should introduce SME impact assessments when considering future policy changes. These should model the specific cumulative impact of proposals on smaller firms. SME impact assessments should be published alongside any policy proposals.

Disguised employment

- 102.** Increasing labour costs and inadequate enforcement of UK labour laws are leading to increased levels of disguised employment. We were told that this rise in disguised employment is harming the hair and beauty sector. Self-employment is a legitimate and long-established model in the sector. It offers individuals greater flexibility and, due to the VAT threshold, is often “financially safer” than running an employment based business.¹⁸¹ However, Gareth Penn told us that many individuals are labelled as self-employed despite working under “identical terms and conditions” to employees: “They are told what to charge, where they are going to work and even what they are going to wear. These are employees.” He said that a “lack of enforcement or visible enforcement” of employment law meant that compliant businesses “cannot compete”.¹⁸² Toby Dicker went further and stressed that enforcement of existing law would not be enough to “level the playing field”. More stringent action was now needed “to narrow the gap between different business models ... Otherwise we will all go that way because enforcement has not worked”.¹⁸³

179 Actuate UK ([SBS0111](#))

180 Mr Luke Cheadle (Public Affairs and Policy Manager at UKHospitality) ([SBS0091](#))

181 National Hair & Beauty Federation ([SBS0034](#))

182 [Q38](#)

183 [Q54](#)

103. These practices damage legitimate businesses and the workers subject to these arrangements. Body Image (Hampshire), a group of five beauty salons, described the “exploitation” of individuals subject to these agreements.¹⁸⁴ Toby Dicker told us about one woman who had been paid £7 an hour, and another individual who had received £36 for a 12-hour shift.¹⁸⁵

104. In opposition, the Labour Party recognised that ambiguities around employment status¹⁸⁶ had been “deliberately used to cut costs and avoid legal responsibilities”.¹⁸⁷ Its Making Work Pay policy paper committed to moving towards a “single status of worker and transition towards a simpler two-part framework for employment status”:

We will consult in detail on how a simpler framework that differentiates between workers and the genuinely self-employed could properly capture the breadth of employment relationships in the UK, adapt to changing forms of employment and guard against a minority of employers using novel contractual forms to avoid legal obligations, while ensuring that workers can benefit from flexible working where they choose to do so.¹⁸⁸

105. During our inquiry into the Employment Rights Bill, we were warned that delays in reforms to employment status risked more companies adopting a ‘self-employment’ model. We recommended that the Government prioritise its review of worker status, so that any reforms were rolled out alongside the Employment Rights Act 2025.¹⁸⁹ In response, the Government said that it saw its previous commitment as a “longer-term goal”.¹⁹⁰ Peter Kyle, Secretary of State for Business and Trade, said that he could not give us a date for when the consultation would take place. He told us that there were more immediate priorities, such as delivering and implementing the Employment Rights Act, but he would “get to it”.¹⁹¹

184 Body Image (Hampshire) Ltd ([SBS0022](#))

185 [Q50](#)

186 The UK currently has a three-tiered system for employment status. Employees have the full range of employment rights. Workers have fewer rights although they still retain some basic entitlements such as the National Minimum Wage. Self-employed independent contractors are not eligible for most employment rights.

187 Labour Party, [Labour’s Plan to Make Work Pay: Delivering A New Deal for Working People](#) (PDF), 2024, p7

188 See previous reference

189 Business and Trade Committee, [Make Work Pay: Employment Rights Bill](#), HC 370, 3 March 2025, paras 31–39

190 Business and Trade Committee, [Make Work Pay: Employment Rights Bill: Government response to the Committee’s Third Report](#), 22 May 2025, p6

191 Business and Trade Committee, [Oral evidence: The Work of the Department for Business and Trade](#) (PDF), HC 450, 11 November 2025, Q164

106. CONCLUSION

Bogus self-employment means today's high street is not a level playing field for small firms. While practices like renting a chair are legitimate, the current framework's lack of clarity makes it too easy for firms to use bogus self-employment to cut costs and avoid legal responsibilities. In line with its previous commitment, the Government should now act to ensure that the law rewards, rather than punishes, SME employers.

107. RECOMMENDATION

Reiterating our previous recommendation, the Government should fulfil its commitments to conduct a review of employee, worker and self-employed status immediately.

108. RECOMMENDATION

The Fair Work Agency, when operational, should work closely with partner organisations such as HMRC and prioritise the investigation of bogus self-employment in the hair and beauty sector.

Accessing the skills system

- 109.** Given the rising costs of labour, it is vital that labour productivity improves. Investment in skills is an important way to achieve this. But we heard that the skills system is unsuited to the needs of smaller firms because it is inflexible and fragmented. Josh Clarke, Director and Flat Roofing Manager at Clarke Roofing, told us about 16-year-old trainees having to travel from Eastbourne to Leytonstone, due to a lack of local training providers – a 79-mile journey.¹⁹² Others described courses that were written according to the requirements of larger firms, and therefore inaccessible to SMEs.¹⁹³
- 110.** The Government's SME Plan states that small businesses find the skills system "costly and complicated to navigate".¹⁹⁴ It has set out its wider plans for changes to the skills system through the Post-16 Education and Skills White Paper. At the national level, these reforms entail tailored 'sector skills packages' for "priority sectors", such as construction and the eight growth-driving sectors. These 'packages' are complemented by the Government's plans for Mayoral Strategic Authorities to "take the lead in ensuring that the skills and employment system can meet the needs of the local economy".¹⁹⁵

¹⁹² [Q209](#)

¹⁹³ [Q23](#)

¹⁹⁴ Department for Business and Trade, [Backing your business: our plan for small and medium sized businesses](#), 31 July 2025, p43

¹⁹⁵ Department for Education, Department for Work and Pensions, Department for Science, Innovation and Technology, [Post-16 education and skills white paper](#), 21 November 2025

111. Contributors to our inquiry broadly welcomed each of these reforms to the skills system. However, they were uncertain how SMEs could access it to find new staff. Creations Hair Salon Chichester described the system as “complex and bureaucratic”.¹⁹⁶ Similarly, the Edge Foundation, an educational foundation, told us that “SMEs need more support to navigate the skills and apprenticeships landscape”.¹⁹⁷
112. Skills England’s new remit includes the task of identifying skills gaps and working with others to close them. When we asked Sarah Maclean, CEO, Skills England, what this meant in practice for SMEs, she described their role as “putting together data” and creating skills dashboards.¹⁹⁸ The National Federation of Roofing Contractors told us that Skills England’s engagement with SMEs had been “extremely limited”.¹⁹⁹
113. The Minister told us that the Business Growth Service²⁰⁰ will make it much clearer “where they should go to address particular skills needs”.²⁰¹ The Government is also looking to “better connect” the website to services currently under the purview of other departments, such as skills.²⁰²

114. **CONCLUSION**

The Government’s future skills system is a more complicated combination of local and national initiatives. Small businesses broadly welcomed individual reforms but highlighted that they lack a clear route into the system. Skills England’s focus on data and dashboards, combined with limited SME engagement in its governance and development, risks entrenching these challenges rather than resolving them. Without clearer signposting and more meaningful involvement of small businesses, SMEs will not be effectively supported to fill their skills gaps and grow.

115. **RECOMMENDATION**

Skills England’s business plan should contain specific metrics for engaging SMEs. Skills England should create a clear analysis and forecast for every region of the skills shortages blighting SMEs, broken down by industry and local area. There should be a clear commissioning plan to fill these gaps.

196 Creations Hair Salon Chichester LTD ([SBS0078](#))

197 Edge Foundation ([SBS0103](#))

198 [Q218](#)

199 National Federation of Roofing Contractors ([SBS0056](#))

200 The Business Growth Service is a new website that brings together Government support and advice for business owners.

201 [Q446](#)

202 [Q450](#)

116.

RECOMMENDATION

The Government should ensure that the Business Growth Service operates as the front door for SMEs seeking skills. The Service should supply clear guidance on finding apprentices and funding sources.

Careers education

117.

Barriers to recruitment often start long before young people enter the workforce. Witnesses told us that careers advice strongly shapes how pupils view different industries. Josh Clarke said roofing sits “down low” in the hierarchy of jobs presented at school, recalling a mentoring session where pupils were selected because they were “not great academically”.²⁰³ David Hughes, Chief Executive, Association of Colleges, similarly argued that perceptions of construction would not improve without a shift in the “culture in schools”.²⁰⁴ Caroline Larissey, Chief Executive, NHBF, noted that her industry was “not the career of choice. We do not get promoted in schools”.²⁰⁵ Likewise, Lydia Papaphilippopoulos-Snape told us that hospitality struggles for status partly because it is still labelled as “unskilled”.²⁰⁶

118.

Local Skills Improvement Plans set out the priorities for a local area’s skill system. These are agreed between employers, training providers and other stakeholders in a local area. Despite the importance of careers education, David Hughes told us that secondary and primary schools are not incorporated into the development and delivery of these plans.²⁰⁷

119.

CONCLUSION

Careers advice services can play a central role in filling skills shortages and ensuring that young people enter professions in which they are genuinely interested. In order to be truly effective for small firms, the local skills system, and Local Skills Improvement Plans, must interface with the advice being given to young people at school.

120.

RECOMMENDATION

The Government should embed primary and secondary schools’ career services into Local Skills Improvement Plans.

203 [Q223](#)

204 [Q231](#)

205 [Q64](#)

206 [Q313](#)

207 [Qq232–233](#)

Management skills

- 121.** UK SMEs invest less in new technology and management training than their G7 peers. This underinvestment has contributed to what has been described as a long tail problem; a significant gap between the UK's most and least productive firms.²⁰⁸ The Electrical Contractors' Association told us that most founders "learn their business skills whilst operating their business - either in survival or crisis mode".²⁰⁹ BVCA praised programmes such as Help to Grow: Management, and organisations such as Be the Business and Small Business Britain for their success in upskilling SME leaders.²¹⁰ However, witnesses stressed that participation in these programmes remains too low.
- 122.** Dr Robert James Crammond highlighted the "uneven" regional participation in these programmes.²¹¹ Enterprise Nation argued that SMEs are more likely to engage with training delivered through "trusted channels". It urged the Government to "actively partner with organisations that already reach these communities" to widen access.²¹² Similarly, the Electrical Contractors' Association called for Help to Grow to be expanded through partnerships with industry bodies offering comparable schemes, to increase uptake and ensure sector specific relevance.²¹³
- 123.** Many businesses in the early stage of their development are also excluded from these schemes. Help to Grow: Management, for instance, is limited to organisations with five or more employees. The NHBF told us that this requirement effectively excludes the bulk of their sector.²¹⁴ Dr Danny Buckley, Loughborough University, said that this restriction persists "despite clear evidence that these smaller enterprises benefit substantially from structured training and peer learning opportunities".²¹⁵

124. CONCLUSION

Boosting SME productivity depends on improving management capability. At present, support for management training has been fragmented and inconsistent. The Government should now set out a clear strategy to significantly expand access to high-quality management programmes and drive nationwide uptake among small businesses.

208 Intuit ([SBS0104](#))

209 Electrical Contractors' Association (ECA) ([SBS0117](#))

210 British Private Equity and Venture Capital Association ([SBS0101](#))

211 University of the West of Scotland ([SBS0080](#))

212 Enterprise Nation ([SBS0096](#))

213 Electrical Contractors' Association (ECA) ([SBS0117](#))

214 National Hair & Beauty Federation ([SBS0034](#))

215 Dr Danny Buckley (Director of Studies at Loughborough Business School) ([SBS0047](#))

125.

RECOMMENDATION

The Government should expand nationwide programmes like Be the Business and Help to Grow: Management to transform the quality of SME management. It should work with industry bodies to encourage participation, and widen the eligibility of these schemes by removing the five-employee requirement from the Help to Grow: Management programme.

5 Energy costs

- 126.** High energy costs are a particular challenge for small firms, with SMEs often paying more for energy per unit than large users.²¹⁶ The Society of Chemical Industries (SCI) told us that it had been deeply troubling in recent years “to see otherwise healthy businesses collapse under the weight of energy bills”.²¹⁷ SMEs told us that they not only face elevated costs, but also enter the market with less protections than domestic consumers, leaving them exposed to poor practices. In this chapter, we consider recent increases in small business energy costs, the ‘protection gap’ for these customers and the role of third-party intermediaries in shaping their experience of the market.

Support with energy costs

- 127.** In 2023, the UK reported the highest electricity prices for industrial users in the International Energy Association (IEA).²¹⁸ Prices for small, small/medium, and medium industrial consumers have increased significantly since 2018. These costs remained nearly double their average rate in 2021 despite a small decrease in the average electricity price for these consumers in 2024.²¹⁹ Numerous industries told us that these costs were having a significant impact on their profitability. The National Federation of SubPostmasters said that 28% of respondents to their survey reported that energy costs had increased by over 50% since 2022.²²⁰ Lydia Papaphilippopoulos-Snape told us that bills for one of her sites had gone from £1,800 a month to £3,500, an increase that equates to around two

216 Dr. Narmin Nahidi (Assistant Professor in Finance and Management at University of Exeter) ([SBS0003](#))

217 SCI - Society of Chemical Industry ([SBS0116](#))

218 Office for National Statistics, [The impact of higher energy costs on UK businesses: 2021 to 2024](#), 19 May 2025. For further information on the effect of high energy costs on UK industry, the Energy Security and Net Zero Committee conducted an inquiry on the energy cost crisis in 2025: Energy Security and Net Zero Committee, [Tackling the energy cost crisis](#), HC 736, 29 October 2025

219 Office for National Statistics, [The impact of higher energy costs on UK businesses: 2021 to 2024](#), 19 May 2025

220 National Federation of SubPostmasters ([SBS0040](#))

bakers' salaries.²²¹ The British Beauty Council told us that energy costs were having a direct impact on margins for 90% of those working in hair professional services.²²²

- 128.** The Government has recognised the need to tackle high energy bills in energy-intensive industries. The British Industry Supercharger (BIS) scheme, for example, is designed to support these businesses to remain internationally competitive. As part of the Industrial Strategy, the Government will increase the discount on electricity network charges from 60% to 90%, applying to around 500 businesses from April 2026. A new British Industrial Competitiveness Scheme was also announced. Around 7,000 “electricity-intensive frontier manufacturing industries in the IS-8” will see electricity bills cut by up to “£35–40/MWh” from 2027.²²³
- 129.** The Government’s SME Plan references the British Industry Supercharger scheme, but the Minister conceded that it would primarily be for “larger businesses”.²²⁴ Sectors such as ceramics, which are energy-intensive but primarily use gas, are also not eligible for this scheme. Ceramics UK told us that “90% of UK ceramics manufacturers” are excluded. They said that these costs were “crippling” their industry.²²⁵
- 130.** Dhara Vyas, CEO of the trade association Energy UK, told us that Government support for SMEs “has been contingent on crisis” in recent years.²²⁶ Allen Simpson, Chief Executive, UKHospitality, said that the Government had announced “nothing on energy” for his members.²²⁷ Morgan Schondelmeier went further, and cautioned that the focus on energy prices for the IS-8 might lead to her members being deprioritised for future support: “We are going to the back of queue for all these improvements that the Government are proposing to make because we are not one of the eight selected sectors”.²²⁸ The SCI stressed that it would be a “real concern” if manufacturers that were ineligible for these schemes “were to face a cost cliff-edge”.²²⁹ Indeed, by granting exemptions for these schemes, the cost of the levies will fall on the remainder of consumers, including SMEs.

221 [Q300](#)

222 British Beauty Council ([SBS0042](#))

223 UK Government, [The UK’s Modern Industrial Strategy](#) (PDF), June 2025. These firms will be exempt from paying levies such as the Renewable Obligation, Feed in Tariffs and the Capacity Market.

224 [Q427](#)

225 Ceramics UK ([SBS0086](#))

226 [Q163](#)

227 [Q316](#)

228 [Q308](#)

229 SCI – Society of Chemical Industry ([SBS0116](#))

131. Dhara Vyas said that it was now time for the Government to introduce “more consistent support” for smaller firms.²³⁰ In October 2025, the Energy Security and Net Zero Committee concluded that there was an “urgent need to extend support to SMEs”.²³¹ Chris Norbury, CEO, E.ON UK, highlighted the impact of policy costs, government levies collected to fund environmental and social programmes, on small business energy prices.²³² In evidence to the Energy Security and Net Zero Committee, the British Retail Consortium calculated that these now account for up to 65 percent of an SMEs typical bill. They projected that this was likely to reach three quarters of a typical bill by 2030.²³³ E.ON estimated that shifting some of these levies into general taxation could reduce bills by 15%.²³⁴ Similarly, the SCI called for a broader review of the “pricing of electricity to business users”.²³⁵ The Government has already accepted that removing policy costs for both households and large business consumers can reduce bills. It announced that average domestic bills will fall by £150 from April 2026 in the Autumn Budget.²³⁶

132. CONCLUSION

High energy prices are acting as a further strain on the bottom lines of smaller firms, significantly impacting their margins and hurting their ability to compete. The Government has recognised the impact this has on larger energy intensive industries. Specific consistent support is now needed for SMEs.

133. RECOMMENDATION

The Government should introduce relief schemes for SME energy costs. Priority should be given to firms that are ineligible for the Government’s current industrial energy relief schemes, such as the British Industry Supercharger or the British Industrial Competitiveness Scheme.

230 [Q163](#)

231 Energy Security and Net Zero Committee, [Tackling the energy cost crisis](#), HC 736, 29 October 2025, para 107

232 [Q137](#)

233 Written evidence received for the Energy Security and Net Zero Committee’s inquiry into the cost of energy, British Retail Consortium ([COE0050](#)), April 2025

234 E.ON ([SBS0130](#))

235 SCI - Society of Chemical Industry ([SBS0116](#))

236 Department for Energy Security and Net Zero, [What does the Autumn Budget mean for your energy bills?](#), 27 November 2025

The protection gap

- 134.** It has long been recognised that small businesses operate more like domestic consumers when interacting with the energy market.²³⁷ Non-domestic customers are not subject to the same protections as households, however, allowing for poor practice in the market.
- 135.** Venus Galarza-Mullins, Principal Policy Manager for Retail Energy Markets, Citizens Advice, told us that “every supplier has different bills and a different process for how it lays out those bills”.²³⁸ She said that 75% of small and micro businesses had reported a billing issue in the past 12 months. 41% of which struggled to understand the breakdown of the bill.²³⁹ This opacity also applies to energy contracts. Andrew Goodacre told us that Ofgem has taken steps to improve this, but that there was “still too much opaqueness in what contracts really mean and ... how it [the business] can escape”.²⁴⁰
- 136.** Unlike for households, energy suppliers are under no obligation to offer terms to all non-domestic customers.²⁴¹ Premises such as hairdressers and pubs are considered high-risk venues by electricity suppliers. Ofgem’s review of the non-domestic energy market, published in 2023, found that this leads to these firms struggling to secure contracts. It said that addressing these concerns would require a more wide-ranging review, which would be a matter for Government.²⁴² Following the 2024 general election, the Government has yet to comment on this proposal.
- 137.** We were told that high-risk sectors’ experience of the energy market has yet to improve. Morgan Schondelmeier told us: “If you are in an area where you are whittled down to just one provider that is willing to even have a meeting with you... you have to take what it gives you”.²⁴³ The British Hair Consortium reported that many of its members are “unable to obtain any contract”, thereby forcing them to accept “high tariffs”.²⁴⁴

237 [Q66](#)

238 [Q146](#)

239 [Q140](#)

240 [Q18](#)

241 Under standard condition 22 of the gas and electricity Standard Licence Conditions, energy suppliers are required to offer terms to any domestic customer who asks.

242 Ofgem, [Non-domestic market review: Findings and policy consultation](#) (PDF), 26 July 2023, p22

243 [Q308](#)

244 The British Hair Consortium, Salon Employers Association, The Hair and Barber Council, Salon Owners United ([SBS0055](#))

138. CONCLUSION

Small business energy customers engage with the energy market more like individual consumers than companies. Despite this, they have access to none of the same protections, leaving them vulnerable to opaque bills, contracts, and a limited number of energy providers.

139. RECOMMENDATION

To best support SMEs buying energy, the Government should introduce standardised billing formats for non-domestic customers. Reiterating Ofgem’s previous recommendation, the Government should conduct a review of the range of factors causing issues in the energy market for high-risk sectors.

Third Party Intermediaries

- 140.** Small businesses often do not interact directly with the energy market, but rather access suppliers through third-party intermediaries (TPIs). Around 50% of SMEs use TPIs, a figure that rises to 80% for industrial and commercial businesses.²⁴⁵ E.ON told us that these services are not subject to any direct oversight, meaning that an “unregulated sector plays a significant role in how many SMEs procure their energy”.²⁴⁶
- 141.** While in many cases TPIs enable consumers to navigate the complexities of the energy market, there are also various long-standing and well-documented concerns in relation to a minority of these firms. In particular, non-transparency, mis-selling practices, and aggressive sales techniques. The Association of Convenience Stores (ACS) told us that their members often report “hidden broker fees”.²⁴⁷ Paul Wilson said that 19% of the FSB’s members had “signed up to their energy contract just so the broker or supplier would leave them alone”.²⁴⁸
- 142.** Dhara Vyas stressed that “industry and consumer groups” had been calling for the regulation of TPIs for “over a decade now”.²⁴⁹ The previous Government had sought views on the role of TPIs in August 2021.²⁵⁰ Following the 2024 General Election, the Government conducted a consultation on

245 Department for Energy Security and Net Zero, [Regulating Third-Party Intermediaries \(TPIs\) in the retail energy market: consultation document](#), 23 October 2025

246 E.ON ([SBS0130](#))

247 The Association of Convenience Stores ([SBS0057](#))

248 [Q18](#)

249 [Q150](#)

250 Department for Energy Security and Net Zero, Department for Business, Energy & Industrial Strategy, [Third-party intermediaries in the retail energy market: call for evidence](#), 16 August 2021

regulating the industry. The Government response was published in October 2025, and confirmed ministers will appoint Ofgem as the regulator for TPIs when “parliamentary time allows”.²⁵¹ When we pressed the Minister on the timeline for this, he told us that “DESNZ has said that it intends to act quite quickly”.²⁵²

143. CONCLUSION

We welcome the Government’s commitment to regulating energy brokers. Poor practices in this sector have already caused and will continue to cause significant harm to smaller businesses. It is vital that legislation is not delayed. The Government needs to set out a clear timeline for action and provide SMEs with certainty about when these protections will come into force.

144. RECOMMENDATION

The Government should immediately set out its timeline for regulating Third-Party Intermediaries in the retail energy market.

251 Department for Energy Security and Net Zero, [Regulating third-party intermediaries \(TPIs\) in the retail energy market: government response](#), 23 October 2025

252 [Q430](#)

6 The costs of crime

- 145.** Throughout this inquiry, small businesses have told us they are subject to rising shop theft, anti-social behaviour, and assaults or threats against their employees. This is creating significant economic and human costs for their businesses.²⁵³ James Lowman, Chief Executive of ACS, told us that for his sector alone the cost of crime amounts to a 10p crime tax on every single transaction.²⁵⁴ Chris Morris, Deputy Head of Research and Policy, USDAW, said that last year 77% of their members had been abused at work, and 10% had been physically assaulted.²⁵⁵ On our high street tour we heard first hand that illegal trading on the high street is growing and driving consumers away from town centres. Lack of confidence in the police's response is also leading to underreporting of these offences,²⁵⁶ meaning the true scale of the problem is likely to be much greater than official figures suggest.

Funding crime prevention measures

- 146.** Increasing retail crime has led businesses to spend more of their own money on crime prevention measures in recent years. According to the British Retail Consortium, retailers spent a record £1.8 billion on crime prevention measures in 2024, up from £1.2 billion in 2023.²⁵⁷ ACS said that their members spent around £265 million on crime prevention; on average each store spent over £5,000 last year.²⁵⁸ This was spent on measures such as CCTV, staff training, body-worn cameras, cash handling, and Perspex screens. During our high street tour, we heard concerns from smaller businesses that, as larger chains were better able to make such investments, their premises were now more likely to be targeted.
- 147.** When businesses do invest in security, they are effectively charged twice, as the installation of CCTV is likely to increase the rateable value of a businesses' premises. The UK Jewellery, Silverware, Allied Crafts sector said that this punishes businesses for "making investments to fulfil their duty of care to their employees and protecting their own staff from harm

253 Steve Darling ([SBS0123](#)); National Federation of Sub Postmasters ([SBS0040](#))

254 [Q171](#)

255 [Q172](#)

256 [Q31](#)

257 British Retail Consortium, [Crime Survey Report 2025](#) (PDF), 2025, p11

258 ACS, [The Crime Report 2025](#) (PDF), 2025, p4

– at a time when there’s increased violent robberies which causes staff immense physical and mental trauma”.²⁵⁹ They called for CCTV and security equipment to be removed from the Valuation Office Agency’s technical manual of what is included in a business premises’ rateable value.²⁶⁰ James Lowman said that the Government should look at ways in “which we can help retailers to make those investments”. Either through targeted grants, or changes to the business rates system.²⁶¹

- 148.** The Minister told us that while it was important that “investing in these things is something that is seen as being on the right side of the balance sheet”, such matters were for the Home Office.²⁶² However, when we put these concerns to Sarah Jones, Minister for Policing and Crime Prevention, she told us it was not their lead.²⁶³ On 26 November 2025, the Treasury launched a consultation seeking views on the impact business rates have on investment decisions. This will close in February 2026.²⁶⁴ Blair McDougall said that this programme is a “multi-year process”, and that “any reforms taken forward will be phased over the course of the Parliament”.²⁶⁵

149. CONCLUSION

Businesses now confront both rising crime and the increasing costs of implementing crime prevention measures. Government should do more to help businesses protect themselves on the high street. Security investments should be supported not penalised.

150. RECOMMENDATION

The Government should amend the business rates regime so that security prevention measures, such as CCTV, do not count towards a property’s rateable value.

259 UK Jewellery, Silverware, Allied Crafts (JSAC) sector ([SBS0063](#))

260 As above

261 [Q196](#)

262 [Q439](#)

263 [Letter from the Minister for Policing and Crime relating to high street crime](#) (PDF), 25 November 2025

264 HM Treasury, [Business rates and investment: Call for Evidence](#), 26 November 2025

265 [Letter from Minister for Small Business & Economic Transformation relating to the evidence session on 25 November on small business strategy](#) (PDF), 5 January 2026

Illegal shops and trading

- 151.** Many premises on the high street are now being used by criminal groups as fronts for illegal activities. The British Hair Consortium told us that a lack of regulation had enabled “illegal actors to floor the high street”.²⁶⁶ North Laine Hair Company, a hair salon, described the “major problem with organised crime setting up front businesses ... for the purposes of people trafficking and money laundering”.²⁶⁷ Gareth Penn told us that it was a misnomer to refer to these premises as ‘Turkish barbers’: “These are criminal enterprises being used for money laundering, which has been derived through people smuggling, drugs, prostitution and other illegal activities”.²⁶⁸
- 152.** We were told that most of these shops are ‘poly criminal’, “conducting a whole host of different types of crime using either networks of shops or individual shops”.²⁶⁹ Sal Melki, Deputy Director for Illicit Finance at the National Crime Agency (NCA), said that at the bottom level of the pyramid there was likely to be thousands of shops engaged in lower-level criminality. This illegal activity includes money laundering, the sale of illegal goods, and immigration offences.²⁷⁰
- 153.** At the high-level, these shops are used by overseas criminal networks to conduct serious offences. Martin Swain, Director of Intelligence and Law Enforcement Engagement, Companies House, told us that in many cases this involves “organised criminality from overseas creating hundreds if not thousands of shell companies or mini umbrella companies”.²⁷¹ A recent BBC investigation described a similar operating model. It found a link between hundreds of shops and a Kurdish organised crime group. In many cases, fake company directors are paid to put their names on the paperwork, obscuring the actual owners and operators of these businesses.²⁷²

Enforcement powers

- 154.** We heard that enforcement agencies do not have the necessary powers to permanently close these businesses. Gareth Penn told us that he was not aware of any shops that had been permanently shut down following

266 The British Hair Consortium, Salon Employers Association, The Hair and Barber Council, Salon Owners United ([SBS0055](#))

267 North Laine Hair Company LLP ([SBS0073](#))

268 [Q54](#)

269 [Q327](#)

270 See previous reference

271 [Q371](#)

272 “[Criminal network behind UK mini-marts enables migrants to work illegally](#) - BBC investigation”, BBC News, 4 November 2025; “[Crime fixer caught by BBC offering to erase £60k fines on migrant workers](#)”, BBC News, 5 November 2025

enforcement action.²⁷³ Wendy Martin, Director, National Trading Standards, described the frustration of trading standards professionals in feeling “like you seize, go back, seize and go back”.²⁷⁴

155. The police and local authorities’ primary tool for closing premises are the powers available under the Anti-social Behaviour, Crime and Policing Act 2014. If the use of a premises is resulting in public nuisance or disorder, these agencies can issue a closure notice which can apply for a maximum of 48 hours.²⁷⁵ They must then, within the two-day period, make an application to the magistrates’ court for a closure order. This prohibits access to a premises for a period of up to three months, and can subsequently be extended to six months.²⁷⁶
156. Sal Melki told us that these orders are “quite difficult to obtain”.²⁷⁷ Not all councils can apply for them; in two-tier areas, county councils lack the power to do so. Wendy Martin explained that, as a result, they must apply “through the police or district councils”, creating unnecessary barriers for routine closure applications.²⁷⁸
157. Closure orders also do little to identify the true owners of these premises, as the individuals found on site are often potential victims of modern slavery rather than those responsible.²⁷⁹ Sal Melki suggested shifting the burden of proof onto owners: “if you are a legitimate business owner, it should be easy to prove it”.²⁸⁰ Wendy Martin proposed allowing closure orders to remain in place until a director or owner comes forward to prove their identity to the court.²⁸¹
158. Even where multiple premises are linked, through a shared landlord or employees, closure orders apply only to individual sites. This allows operators to reopen elsewhere, requiring enforcement agencies to start the process again. During the BBC’s investigation, it found that one man was listed as the Director of more than 50 of these businesses, and another of over 25.²⁸² Many of which had previously been shut down by the police.

273 [Q59](#)

274 [Q346](#)

275 Anti-social Behaviour, Crime and Policing Act 2014, [s76](#)

276 See previous reference, [s77](#)

277 [Q375](#)

278 [Q368](#)

279 See previous reference

280 [Q375](#)

281 [Q368](#)

282 [“Criminal network behind UK mini-marts enables migrants to work illegally - BBC investigation”](#), BBC News, 4 November 2025; [“Crime fixer caught by BBC offering to erase £60k fines on migrant workers”](#), BBC News, 5 November 2025

The Chartered Trading Standards Institute has previously called for the ability to issue “simultaneous closure orders on multiple premises that have a proven link”.²⁸³

- 159.** The Crime and Policing Bill will enhance some of these powers. For instance, the timeframe in which relevant agencies can apply to a magistrates’ court for a closure order will be extended to 72 hours. But it would still leave many of these concerns unaddressed.²⁸⁴

160. CONCLUSION

Too often successful enforcement activity disrupts rather than stops illegal trading on the high street. Enforcement agencies require new tools to put an end to these practices and to ensure that legitimate businesses are able to thrive on the high street.

161. RECOMMENDATION

The Government should introduce the following amendments to the Anti-social Behaviour, Crime and Policing Act 2014:

- Give all local authorities, including county councils, explicit powers to issue closure orders, with an option of permanent closure for the premises of persistent offenders.
- In cases where the ultimate owner of a property is not identified, closure orders should be in place until their identity can be established.
- Allow simultaneous closure orders on multiple premises that have a proven link.
- Penalties should be applied to owners of properties where those responsible for the business are different and the owner cannot demonstrate adequate due diligence.

Who leads on this issue?

- 162.** Local police forces, HMRC, Trading Standards, the NCA, and Immigration Services are all involved in disrupting illegal trade on the high street. Wendy Martin told us that “partnership working was crucial”.²⁸⁵

283 Chartered Trading Standards Institute, [CTSI urges forthcoming budget to include commitment to tackle organised crime](#), 24 November 2025

284 [Letter from the Minister for Policing and Crime relating to high street crime](#) (PDF), 25 November 2025

285 [Q341](#)

- 163.** Superintendent Lisa Maslen told us that these investigations involve significant “crossover with other Government agencies”. When asked, however, who should take ownership of this issue, she told us that she was unsure: “I do not know. It is probably above my pay grade”.²⁸⁶ Sal Melki told us that a businesses’ first port of call should be their local police force. He cautioned that while these officers would be able to “deal with the thing in front of them”, investigations into these networks “takes time and is granular”, requiring access to specialist financial investigators.²⁸⁷ At the same time, all of these agencies must balance enforcement with various “competing priorities”.²⁸⁸
- 164.** However, we heard that businesses lack confidence in the police’s response. Gareth Penn told us that very often reports from local businesses were not acted upon, discouraging them from reporting further incidents.²⁸⁹ Paul Wilson said that one of the key reasons business owners do not report crime is that “they did not believe it would be followed up by the police”.²⁹⁰

165. CONCLUSION

The disruption of illegal trading on the high street requires a complex multi-agency approach, combining neighbourhood policing, Trading Standards, Immigration Enforcement, and specialist financial investigation. As a result, businesses remain unclear as to who leads on this issue and where they should report their concerns.

166. RECOMMENDATION

The Government should ensure that there is a named Assistant Chief Constable for every police force with explicit responsibility for tackling business crime. This Assistant Chief Constable should work with local authorities through Community Safety Partnerships to ensure there is clear plan of action in every force area for combatting illegal trading on the high street.

167. RECOMMENDATION

The Government must recognise the rising presence of organised crime groups and serious criminality on the UK’s high streets and commit to funding more financial investigators in local Trading Standards services and police forces.

286 [Q194](#)

287 [Q375](#)

288 See previous reference

289 [Qq54–60](#)

290 [Q31](#)

Fraud and cybercrime

- 168.** Small businesses are confronting significant increases in fraud and financial crime. Jonny Haseldine, Head of Corporate Governance and Business Environment Policy, British Chambers of Commerce, told us that 42% of their members had experienced crime in the last 12 months. The majority of which was fraud or cybercrime.²⁹¹
- 169.** During the Committee’s UK economic security inquiry, we found that SMEs may not have access to adequate capital to make the necessary investments in cyber resilience and security. We recommended that Government introduce a specific SME Resilience Fund to target support at enhancing the cyber resilience of small firms.²⁹² The Government rejected this, but said that it would continue to “monitor the threat landscape to determine whether additional support may be needed in future”.²⁹³
- 170.** Small businesses have reported a steep rise in so-called ‘friendly fraud’ or chargeback scams.²⁹⁴ This is when customers tell their credit card companies that they have not made a purchase on their statement to avoid being charged. They then receive a refund, with the seller charged the same amount, plus additional fees for the process. Globally in 2024, friendly fraud was the number one reported fraud category, according to the LexisNexis Risk Solutions Cybercrime Report.²⁹⁵ The Government is due to publish a new fraud strategy in early 2026, and the Minister has committed to ensuring that its content reflects SMEs experiences of these scams.²⁹⁶

171. CONCLUSION

Chargeback scams represent a major and growing threat to SME viability. The Government must improve protections against friendly fraud as a central part of its approach to supporting and protecting small businesses.

172. RECOMMENDATION

The Government should ensure that the forthcoming Fraud Strategy contains specific measures on tackling chargeback scams and friendly fraud in order to help SMEs in fighting this phenomenon.

²⁹¹ [Q31](#)

²⁹² Business and Trade Committee, [Toward a new doctrine for economic security](#), 24 November, HC 835, p71

²⁹³ Business and Trade Committee, [Toward a new doctrine for economic security: Government Response](#), 5 February, HC 835, p20

²⁹⁴ [“The card scam causing ‘real harm’ to businesses”](#), BBC News, 29 November 2025

²⁹⁵ LexisNexis Risk Solutions, [Is This The Calm Before The Storm? The LexisNexis Risk Solutions Cybercrime Report](#), 2025

²⁹⁶ [HC Deb Thursday 11 December 2025](#), c475

7 High street regeneration

- 173.** In the first half of 2024, 38 stores on high streets in Great Britain closed each day.²⁹⁷ On our high street tour we heard that trends such as the rise in online shopping, and declining public realm investment were significant barriers to town centre regeneration. There was consensus in our evidence that high streets are in a period of significant transition. In this chapter we consider the changes needed to enable local authorities, developers and community groups to revitalise their local town centres.

Ownership of the high street

- 174.** The first barrier to high street regeneration is the difficulty in establishing the ultimate owner of vacant properties. Jon McGinty, Managing Director of Gloucester City Council, told us that landlords are often “very distant”, explaining: “We are writing to overseas addresses and not getting any responses. We have very little way to follow that up to try to get some action to do some co-ordinated work in that street.”²⁹⁸ Likewise, Nick Plumb, Director of Policy and Insight at Power to Change, a think tank that works with community businesses, described ownership as “quite opaque”. He noted that they often have to undertake “painstaking work to work out how a property might be owned within a trust and within another trust”.²⁹⁹
- 175.** The Economic Crime (Transparency and Enforcement) Act 2022 introduced a beneficial ownership register of Overseas Entities owning UK property. One of the purposes of this is to “deliver transparency about who ultimately owns and controls overseas entities that own land in the UK”.³⁰⁰ Nick Plumb said that, although the register was a “positive step”, it had not had “the impact that we would hope ... there is more that Government could do to push that to be enforced”.³⁰¹

297 PwC, [High-streets suffer as 38 stores close across Great Britain each day in 2024 - but there's hope with convenience stores, coffee shops and value retailers showing net growth](#), 12 September 2024

298 [Q266](#)

299 [Q273](#)

300 Economic Crime (Transparency and Enforcement) Act 2022, [Explanatory Notes: Policy Background](#), para 7

301 [Q273](#)

176. CONCLUSION

Stronger measures are needed to tackle long-term vacancies and improve transparency in high street property ownership. Beneficial ownership registers were supposed to make it easier for local authorities and communities to bring vacant properties back into use. It is clear, however, that these measures are currently not working as intended.

177. RECOMMENDATION

The Government should bring forward proposals to ensure that local authorities and community groups have efficient means for checking ownership of commercial properties and locating the contact details for these individuals.

Investing in the public realm

178. We were told that the condition of the public realm—cleanliness, lighting, green spaces—has a significant impact on the viability of businesses on the high street. The British Independent Retailers Association (BIRA) described this as one of the key indicators of a good town centre.³⁰² ABTA emphasised that infrastructure and the wider public environment are “critical to health of high streets”.³⁰³

179. Improving the public realm can require significant investment. Jon McGinty told us that one project in Gloucester cost around £5 million.³⁰⁴ Given the challenging financial context local authorities are operating in, we were told that funding these investments has become more challenging. Jon McGinty also noted that private developers see no direct profit in public realm improvements and therefore expect the public sector to fund them.³⁰⁵ Daniel Thompson, Managing Director – UK Development at Greystar, a real estate developer, told us that the value of these investments only becomes apparent longer-term which affects the viability of these schemes.³⁰⁶

180. We were told that making these investments requires access to funding streams and effective partnerships between local authorities, businesses, communities and developers.³⁰⁷ Nick Plumb noted that “60% of places cited lack of strong partnerships” as a barrier to regeneration.³⁰⁸ Daniel Thompson described the challenge as a “chicken and egg” problem:

302 BRITISH INDEPENDENT RETAILERS ASSOCIATION (BIRA) ([SBS0045](#))

303 ABTA - The Travel Association ([SBS0048](#))

304 [Q279](#)

305 See previous reference

306 [Q284](#)

307 Boots UK ([SBS0127](#))

308 [Q269](#)

residents will not move into an area without shops, but retailers will not open until enough people live nearby. He explained that the only way to break this cycle is through partnerships with local authorities that align long-term objectives and share risk.³⁰⁹

181. The Government has announced a new Pride in Place programme which will “deliver up to £5bn funding over 10 years to support 244 of Britain’s most in-need neighbourhoods”.³¹⁰ Local communities will be able to decide how this money is spent. The English Devolution and Community Empowerment Bill will also introduce a new duty on local authorities to make arrangements for effective neighbourhood governance. The details of this obligation will be set out in secondary legislation.³¹¹

182. Despite this emphasis on the importance of partnerships, the Government has not set out how it will support local authorities to use these powers. Launched in 2019, the High Streets Taskforce (HSTF) brought together academics, trade associations, and think tanks to offer guidance to local leaders on town centre regeneration. This involved training, the creation of an online resource repository for high streets, and generating recommendations for local councils. 79% of councils acted on HSTF recommendations, with 69% reporting increased capacity for high street transformation through improved collaboration.³¹² British Business Improvement Districts told us that this enabled “the voice of the small business to be heard strongly and coherently” as part of regeneration initiatives.³¹³ BIRA stressed that high street revitalisation requires the buy in of “local people but supported by external skills, information and reference points”, as provided by the taskforce.³¹⁴ The HSTF was disbanded in September 2024, and the Government has not set out any replacement plans.

183. CONCLUSION

The quality of the public realm is central to the viability of high street businesses. Improvements require both access to funding and effective partnerships between local authorities, developers and businesses. It is essential, however, that such initiatives are driven by both local need and national expertise.

309 [Qq276–277](#)

310 [Letter from the Minister for Devolution, Faith and Communities relating to support for high streets and town centres](#) (PDF), 21 November 2025

311 See previous reference

312 Institute of Place Management, [IPM Reflects on Five Years of Revitalising England’s High Streets](#), November 2024

313 British BIDs ([SBS0067](#))

314 BRITISH INDEPENDENT RETAILERS ASSOCIATION (BIRA) ([SBS0045](#))

184.

RECOMMENDATION

The Government should introduce a successor to the High Streets Taskforce, to steer implementation of the new powers for local authorities set out in the English Devolution and Community Empowerment Bill. As a first step, alongside the Government’s guidance, the taskforce should provide more tailored support to local authorities on how they can best engage with communities and businesses to develop their town centres.

Encouraging community ownership

185. Evidence to our inquiry highlighted the strong performance of community owned businesses. Power to Change told us that “forty-eight per cent of community businesses operate in the 30 per cent most disadvantaged areas in England”, demonstrating their role in supporting left behind places.³¹⁵ Plunkett UK reported high survival rates among the rural community businesses it supports – 99% in the first five years and 95% over twenty years - illustrating the resilience of community led models.³¹⁶
186. The Government has introduced measures that it states will help these groups to retain control over important local spaces at risk of closure. It will replace the current ‘community right to bid’ with a strengthened community right to buy, giving community groups first refusal when a local asset is put up for sale.³¹⁷ This measure aligns with the Labour Party’s wider manifesto commitment to double the size of the mutuals and cooperatives sector.³¹⁸
187. In the previous Parliament, however, community right to bid was supported by dedicated funding streams. The Community Ownership Fund enabled community groups and councils to acquire assets at risk of loss, but it closed on 23 December 2024.³¹⁹ Power to Change told us that its closure has “left communities without a pot of capital for asset ownership and redevelopment”, limiting the impact of the new right to buy.³²⁰
188. We were told that replacement funding would be essential.³²¹ Plunkett UK described it as potentially “transformational” for communities across the country.³²² Miatta Fahnbulleh, Minister for Devolution, Faith and

315 Power to Change ([SBS0107](#))

316 Plunkett UK ([SBS0037](#))

317 [English Devolution and Community Empowerment Bill](#), c63

318 Labour Party, [Change: Labour Party Manifesto 2024](#) (PDF), 2024, p35

319 Ministry for Housing, Communities and Local Government, [Community Ownership Fund: prospectus](#), 23 December 2024

320 Power to Change ([SBS0107](#))

321 See previous reference

322 Plunkett UK ([SBS0037](#))

Communities, said the department was considering “what further support and guidance communities need to make full use” of the new powers.³²³ A call for evidence on how the Government can support these businesses was launched in November 2025.³²⁴

189. CONCLUSION

Community owned businesses have significant potential to support the renewal of high streets and safeguard valued local assets. The introduction of a community right to buy represents an important step towards empowering local groups to take ownership of assets at risk. However, the effectiveness of this new right will depend on whether communities have the practical means to act when opportunities arise.

190. RECOMMENDATION

The Government should consider reintroducing the Community Ownership Fund, or other mixed finance methods for financing the community ownership of properties on the high street.

Franchising arrangements

191. Franchising arrangements have become a common feature of UK high streets, with around 1,000 franchises operating across the UK, an increase of 8% since 2018.³²⁵ These businesses play an important role in local economies. However, gaps in the current regulatory framework have created challenges for both workers and franchisees.

192. We were told that, in some cases, franchisors fail to maintain adequate oversight of their franchisees’ employment practices. During our inquiry into the Employment Rights Bill, we heard concerning evidence about widespread sexual harassment and abuse in McDonald’s restaurants. In February 2023, the Equality and Human Rights Commission entered into a legally binding agreement with McDonald’s to prevent sexual harassment in its restaurants.³²⁶ The agreement, however, did not extend to the majority of its premises, which are run as franchises. In January 2025, Alistair Macrow, then CEO of McDonald’s, told us that franchisees were “the employers;

323 [Letter from the Minister for Devolution, Faith and Communities relating to support for high streets and town centres](#) (PDF), 21 November 2025

324 Department for Business and Trade, [Call for evidence on business support for co-operatives and non-financial mutuals](#), 26 November 2025

325 British Franchise Association, [The results are out – 2024 National Franchise Survey is live!](#), 30 October 2025

326 Equality and Human Rights Commission, [Equality regulator extends agreement with McDonald’s to prevent sexual harassment](#), 7 November 2025

they take the legal rights”.³²⁷ He confirmed that only six franchisees had been removed in the past five years for failing to meet people management standards.³²⁸

- 193.** Evidence to our priorities inquiry also highlighted the limited oversight of franchise agreements in the UK. Fairer Franchise, a campaign group representing Vodafone franchisees, argued that the absence of a dedicated regulatory regime “allows franchisors to dominate and dictate the businesses that franchisees are running”.³²⁹ The Government has said that it will consider the adequacy of these arrangements.³³⁰

194. CONCLUSION

Gaps in the oversight of franchise agreements allow serious employment abuses to go unaddressed and leave franchisees exposed to unfair contractual practices. The absence of a dedicated regulatory framework, or clear accountability for employment standards within franchise networks is no longer sustainable.

195. RECOMMENDATION

The Government should review the current franchising landscape and consider the introduction of a statutory code of conduct, alongside stronger independent enforcement mechanisms.

327 Business and Trade Committee, [Oral evidence: Make Work Pay: Employment Rights Bill](#), HC 370, Tuesday 7 January 2025, Q159

328 See previous reference, Q125

329 Business and Trade Committee, Priorities of the Business and Trade Committee for 2026, Mr Andrew Kerr (Committee Member at Fairer Franchise), and Mr Paul Burns (Committee Member at Fairer Franchise) ([PRO0106](#))

330 [HC Deb 7 January 2026](#), c262

8 Business support services

- 196.** Effective business support plays a vital role in enabling firms to start up and grow. The services available to SMEs, however, remain difficult to navigate, and highly variable across the country, with specific initiatives offered across central Government, Mayoral Strategic Authorities, and local authorities. In this chapter we consider the Government’s work to rationalise this system, and the specific support offered at local level through Growth Hubs.

Business Growth Service

- 197.** The Government has acknowledged that the current business support system is fragmented and difficult to navigate. In June 2025, it launched the ‘Business Growth Service’, a new website bringing together Government support and advice for business owners. Contributors to our inquiry who were aware of the service welcomed its potential to simplify the offer for small firms. During our recent priorities roadshow, however, many businesses told us they were still unaware of its launch. UK Finance stressed the importance of this new service being backed by a “comprehensive awareness raising campaign with SMEs”.³³¹
- 198.** When we put these concerns to the Minister, he told us that they were working with business networks to promote the service, and would soon be launching a marketing campaign.³³² He said that the Department was currently developing a comprehensive monitoring and evaluation plan for the service.³³³

Growth Hubs

- 199.** Contributors to our inquiry described the disjointed nature of the local business support offer, delivered by 41 Growth Hubs in England.³³⁴ Small Firms Enterprise Development Initiative, a national skills body for business support, described a “post code lottery” in which the quality and availability

331 UK Finance ([SBS0061](#))

332 [Q449](#)

333 [Letter from Minister for Small Business & Economic Transformation relating to the evidence session on 25 November on small business strategy](#) (PDF), 5 January 2026

334 Currently, these services are managed by local authorities, with core funding from Government. The Government has committed to integrate these Hubs into Mayoral Strategic Authorities.

of these services varies significantly by location.³³⁵ Dr Narmin Nahidi, University of Exeter, told us that many entrepreneurs “struggle to compare schemes or understand eligibility”.³³⁶ Some businesses find it challenging to simply access this support in the first place; Frog Bikes, a UK bicycle manufacturer, said “If there is support, we cannot find it.”³³⁷ These failings are not new. Indeed, in 2012 Lord Heseltine concluded that the UK needed a “radical improvement in how businesses are engaged and supported at local level”.³³⁸

200. It is unclear whether the current system is built upon an evaluation of previous initiatives. Torbay Council stressed the importance of future provision being shaped by a nationwide assessment of how past business support schemes “have worked and succeeded”.³³⁹ Once there is a central understanding of ‘what works’, contributors called for the establishment of a “national framework for SME support” in the words of the City of London Corporation.³⁴⁰

201. Academics from the University of the West of Scotland said that this framework should be underpinned by “minimum service standards and performance benchmarks”.³⁴¹ This would ensure that firms can access essential services, such as mentoring or technology adoption support. Local authorities would then still be able to tailor the rest of their offer to local needs. The British Association of Landscape Industries, a trade association, was amongst several witnesses that told us that Government should then have a more clearly defined oversight role.³⁴² In order to ensure that “local authorities are accountable” for the quality of the services they deliver to SMEs.³⁴³

202. Goldman Sachs 10,000 Small Businesses UK told us that the UK should learn from the example of the US Small Business Administration (SBA).³⁴⁴ The SBA combines online guidance and advice with specific support at the state level offered through SBA district offices, and Small Business Development Centres (SBDCs). Funding Circle, a financial services company, highlighted

335 Small Firms Enterprise Development Initiative Limited ([SBS0008](#)); Torbay Council ([SBS0124](#))

336 Dr. Narmin Nahidi (Assistant Professor in Finance and Management at University of Exeter) ([SBS0003](#))

337 Frog Bikes Ltd ([SBS0006](#))

338 Department for Business, Innovation and Skills, [No stone unturned: in pursuit of growth - Lord Heseltine review](#), 31 October 2012

339 Torbay Council ([SBS0124](#))

340 City of London Corporation ([SBS0129](#))

341 Dr Kingsley Omeihe (Senior Lecturer at University of the West of Scotland); Dr Ibiyemi Omeihe (Lecturer at University of the West of Scotland) ([SBS0075](#))

342 British Association of Landscape Industries ([SBS0084](#))

343 See previous reference

344 Goldman Sachs 10,000 Small Businesses UK ([SBS0106](#))

the quality of advice SBDCs offer in improving “SME financial readiness”.³⁴⁵ Oversight of these local services is provided by the SBA’s Office of Field Operations which establishes and monitors performance goals for each district office.³⁴⁶

203. CONCLUSION

The business support landscape is fragmented and poorly organised. In recent years, departments have often proposed ‘hubs’ as a low-cost way of supplying integrated services offered by many different parts of the public realm. They are often vague in design and typically lack institutional strength, staying power, and a clear intuitively understood range of services. They are no substitute for a service designed and built for the long term. The decision to grant Mayoral Strategic Authorities more autonomy over the delivery of business support is welcome - but it is not guaranteed to improve the quality of these services. Many areas are also outside of mayoral boundaries, and it is possible that some regions will not join mayoralities until the end of this Parliament. The Government must deliver a service that works for everyone, regardless of their local government arrangements.

204. RECOMMENDATION

The Government should build a business support service that is fit for the long term, like the US Small Business Service. It should combine these services with arrangements for transforming access to finance, export finance, public procurement, skills, export support services, and general business advice. It should study best practice internationally and present a White Paper to Parliament with the design of a service that matches the challenge.

345 Funding Circle ([SBS0121](#))

346 US SBA, [Office for Field Operations](#) (accessed 14 January 2026)

9 Improving data

- 205.** The Government will be unable to improve outcomes for smaller firms without an accurate national picture of what firms actually do, and which particular enterprises are being targeted by Government policy. We were told that the Government’s approach to economic measurement means that the value of certain sectors is under appreciated. As a result, policy is poorly designed for the needs of the UK’s small business population. In this chapter we consider the role of Standard Industrial Classification codes, and the Government’s use of the term ‘SME’ in shaping its approach to policy development.

Standard Industrial Classification codes

- 206.** Standard Industrial Classification (SIC) codes are the primary framework for classifying and presenting data on businesses and economic activity. We were told that these “faulty” codes do not accurately reflect the purposes of modern businesses.³⁴⁷ Demos, a think tank, argued in 2011 that invisibility in the SIC system leads to a “knowledge vacuum” in which assertions and opinions about sectors become perceived as “generally accepted ‘truths’”.³⁴⁸
- 207.** It has long been argued that this system neglects the creative industries. Many of these businesses span multiple SIC codes, such as software and design, which makes it harder to identify their exact support needs.³⁴⁹ The UK Fashion and Textile Association, an industry group, told us that the misrepresentation of their members had created rules which effectively exclude them from “meaningful support”.³⁵⁰ Likewise, the UK Jewellery, Silverware, Allied Crafts sector argued that this leads to a wider “lack of reliable information and sound policy for the sector”.³⁵¹

347 UK Fashion and Textile Association ([SBS0020](#))

348 Demos, [Risky business](#), 10 October 2011, p108

349 Creative UK ([SBS0088](#))

350 UK Fashion and Textile Association ([SBS0020](#))

351 UK Jewellery, Silverware, Allied Crafts (JSAC) sector ([SBS0063](#))

208. The Office for National Statistics (ONS) is currently undertaking a review of SIC Codes. A new framework will be published by March 2026.³⁵² The Government has recognised the limitations of SIC codes for creative industries. It has committed, as part of the Industrial Strategy, to contribute to this review “with a view to improving how the sector is identified”.³⁵³

209. Our evidence suggests that this is not the only sector currently poorly represented by the framework. Misrepresentation by SIC codes is also impacting the hair and beauty sector. Victoria Brownlie told us that, despite the many different facets of the sector, the sector was “lumped in with laundrettes, funeral directors and other services”.³⁵⁴ The British Hair Consortium argued that the Government currently aggregates the manufacturing of perfumes and cosmetics with hairdressers and salons, “masking the reality” of these different businesses.³⁵⁵

210. CONCLUSION

The Government will not be able to deliver change for businesses unless it is able to accurately track and monitor business activity. Current Standard Industrial Classification (SIC) codes fail to identify and define sub-sectors of economic activity. Under these classifications, hair and beauty are represented as one industry and identified as the same type of service as launderettes or funeral homes. Such distortions fail to adequately represent the reality of contemporary business activity.

211. RECOMMENDATION

The Government should work with the ONS, as part of its SIC code review, to ensure that the various types of business in the hair and beauty sector are adequately represented by this framework.

SME or small business?

212. The Government’s use of the term ‘SME’ interchangeably with ‘small business’ was viewed as unhelpful by much of the evidence. SME captures around 99.9% of UK businesses, ranging from firms with one employee to those with 200. We were told that this therefore elides the significant difference in needs amongst micro (0–9 employees), small (10–49 employees), and medium-sized (50–249) enterprises.

352 ONS, [UK SIC 2026 revision process](#), 6 August 2025

353 Department for Business and Trade, Department for Culture, Media and Sport, [Creative Industries Sector Plan](#) (PDF), 23 June 2025, p35

354 [Q52](#)

355 The British Hair Consortium, Salon Employers Association, The Hair and Barber Council, Salon Owners United ([SBS0055](#))

213. Using SME interchangeably with ‘smaller firms’ enables the Government to claim that policies benefit ‘small businesses’, when in fact they do not. BIRA used the example of the £51,000 small business rate relief threshold.³⁵⁶ They told us that this is presented as helping smaller firms, but in fact provides no support for medium-sized businesses.³⁵⁷ Becky Lumsden contended that Government’s stated support for SMEs was actually targeted at micro firms, creating “cliff edges” as help drops away once a firm employees 10 people.³⁵⁸

214. Other contributors told us that the use of SME obscures the particular needs of micro firms. The Nationwide Caterers Association, a membership organisation, said that Government policy often fails to reflect the distinct challenges and needs of these businesses.³⁵⁹ They called for a review of what constitutes a micro, small and medium sized business to ensure that outcomes and support are focused in the right areas.³⁶⁰ Similarly, the National Enterprise Network described the importance of Government including “microbusiness voices” within the policymaking process.³⁶¹

215. CONCLUSION

SMEs represent 99.9% of UK businesses, ranging from firms with 2 employees to those with 150. The Government’s decision to use this term interchangeably with ‘smaller firms’ means that it is never clear which category of enterprises a particular policy intervention is targeting.

216. RECOMMENDATION

The Government should reconsider its use of the term SME. Moving forward it should directly link policy programmes to different categories of these business (micro, small, and medium) in order to make it clear as to which group is being targeted by a particular policy measure.

356 The business rates bill of properties with values below £51,000 are calculated using a lower multiplier.

357 British Independent Retailers Association (BIRA) ([SBS0045](#))

358 Mrs Becky Lumsden (CEO at PURE Spa) ([SBS0109](#))

359 The Nationwide Caterers Association ([SBS0085](#))

360 See previous reference

361 National Enterprise Network ([SBS0011](#))

10 Cross-Whitehall working

- 217.** Effective cross-Whitehall working is essential to creating a policy environment in which small businesses can grow. SMEs continue to face the consequences of conflicting regulation, fragmented responsibilities, and limited coordination between departments.

Regulation

- 218.** The regulatory burden facing SMEs, and the lack of consistent, cross-Government coordination on regulation, remains a major challenge. Smaller firms rarely have in-house compliance teams and often cannot afford external legal support. As Dr Robert James Crammond explained, this can make regulatory compliance “overwhelming and costly”.³⁶²
- 219.** The SME Plan acknowledges this challenge and restates the Government’s commitment to reduce the administrative costs of regulatory compliance for businesses by 25% by the end of the Parliament.³⁶³ To date, however, most of the work has focused on the requirements of individual regulatory regimes, such as company reporting rules.
- 220.** This emphasis on individual regulators does not reflect the reality for most businesses, which face overlapping and cumulative regulatory demands. In 2025, 55% of firms surveyed by the CBI reported that they were accountable to more than three regulatory authorities.³⁶⁴ UK Finance said that “multiple regulators and public bodies now have remits” for their sector, “but no single body has overarching responsibility”.³⁶⁵ Dr Robert James Crammond highlighted health and safety obligations and data protection rules as examples of this cross-cutting burden.³⁶⁶ UKHospitality similarly pointed to the “disproportionate burdens” arising from licensing, corporate reporting

362 University of the West of Scotland ([SBS0080](#))

363 Department for Business and Trade, [Backing your business: our plan for small and medium sized businesses](#), 31 July 2025, p11

364 CBI, [A good regulation guide: How to reform the UK’s regulatory landscape](#) (PDF), 21 May 2025, p16

365 UK Finance ([SBS0061](#))

366 University of the West of Scotland ([SBS0080](#))

and energy regulations.³⁶⁷ Actuate UK stressed the need for a coherent regulatory environment underpinned by effective cross-Government collaboration.³⁶⁸

- 221.** In our Industrial Strategy report, we recommended expanding the Regulatory Innovation Office so it could act as a clearing house for regulatory conflicts and provide a single point where businesses could report them.³⁶⁹ The Government rejected this and said that it had no plans to broaden the RIO's remit.³⁷⁰ When we raised these concerns again with the Secretary of State, he reaffirmed this position. He said, however, that the Government's approach to regulatory reform would be shaped by viewing the regulatory landscape through "the eyes of companies and innovators".³⁷¹

222. CONCLUSION

Throughout this inquiry, SMEs have highlighted how contradictory and counterproductive advice from different departments creates confusion and undermines policy effectiveness. This lack of a joined-up approach bedevils regulation, where conflicting requirements are expensive to manage and hurt growth. The Government previously rejected the Committee's recommendation for the Regulatory Innovation Office to act as a clearing house for conflicting regulation. However, it remains clear that businesses need a single point within Government to report contradictory and overlapping requirements. Without this, SMEs will continue to face unnecessary complexity and uncertainty.

223. RECOMMENDATION

In line with our previous recommendation, the Government should create a place in Government that acts as a clearing house for regulatory conflicts and give businesses a place to report conflicting regulations. The Minister for Small Business should be empowered to champion SMEs, and their experience of duplicating and conflicting regulation, cross-Whitehall.

367 Mr Luke Cheadle (Public Affairs and Policy Manager at UKHospitality) ([SBS0091](#))

368 Actuate UK ([SBS0111](#))

369 Business and Trade Committee, [Industrial Strategy](#), HC 727, 6 June 2025, para 123

370 Business and Trade Committee, [Industrial Strategy: Government Response](#), HC 1305, 12 September 2025, p18

371 Business and Trade Committee, [Oral evidence: The Work of the Department for Business and Trade](#) (PDF), HC 450, 11 November 2025, Q115

Understanding the needs of SMEs

- 224.** Evidence received also suggests that policymakers need to do more to ensure that the diverse needs of small businesses are adequately understood cross-Whitehall. Dr Narmin Nahidi, University of Exeter, told us that engagement and consultation typically relies on “national industry bodies”.³⁷² Organisations that may not represent the perspectives of micro, family-run or rural firms. There was broad consensus that these engagement processes do not do enough to understand the needs of these businesses.
- 225.** In the previous Parliament, these mechanisms were supplemented by the appointment of departmental SME Champions and the establishment of a Small Business Council in 2024.³⁷³ Witnesses noted that the diversity of the UK’s small business community underscored the need for Government to engage more effectively with businesses beyond Whitehall.³⁷⁴
- 226.** Enterprise Nation were amongst several witnesses who called for the creation of “regional Small Business Boards”.³⁷⁵ Karen Thomson, owner of the hair and beauty salon KAM Hair, argued that such panels would “ensure decisions are grounded in real-world experience”.³⁷⁶ These boards would provide feedback on policy proposals and offer independent scrutiny of the Government’s delivery of the SME plan. Dr Anandadeep Mandal emphasised the need to segment these forums by firm size to “capture the diverse needs” of different business groups.³⁷⁷
- 227.** The Government has already recognised the value of independent oversight through its Industrial Strategy and the appointment of an Industrial Strategy Advisory Council to scrutinise implementation.³⁷⁸ This body is based in Manchester, in order to give a “regional perspective to the

372 Dr. Narmin Nahidi (Assistant Professor in Finance and Management at University of Exeter) ([SBS0003](#))

373 Each department’s SME champion was responsible for implementing its SME action plan, see, for instance: Department for Transport, [DfT SME champion: roles and responsibilities](#), 4 August 2017. Department for Business and Trade, [SME Council membership revealed ahead of first meeting](#), 22 February 2024

374 [Q311](#)

375 Enterprise Nation ([SBS0096](#))

376 Mrs Karen Thomson (Owner at KAM Hair & Body Spa) ([SBS0077](#))

377 Dr ANANDADEEP MANDAL (Associate Professor at University of Birmingham) ([SBS0102](#))

378 Department for Business and Trade, [The UK’s Modern Industrial Strategy](#) (PDF), 23 June 2025, pp156–157. This body will also be placed on a statutory footing when “Parliamentary time allows”.

Industrial Strategy”.³⁷⁹ The Government has not proposed an equivalent oversight mechanism for the SME Plan, relying instead on a series of ad hoc engagement events.³⁸⁰

228. CONCLUSION

The SME Plan is one part of the Government’s interlocking plan for growth, but the plan does not empower an independent body to monitor its effective implementation. Engagement with SMEs themselves is currently limited to regional events, rather than a sustained focus on understanding the realities and needs of these businesses.

229. RECOMMENDATION

The Government should, as part of its forthcoming Industrial Strategy Bill, create statutory micro, small and medium sized enterprise panels. These panels would advise departments on small business policy. A first task for these panels should be to develop metrics for assessing the impact of the SME Plan over the course of this Parliament. The Government should then present its performance against these metrics to Parliament on an annual basis.

379 Department for Business and Trade, [Industrial Strategy Advisory Council launches landmark partnership to accelerate UK innovation and growth](#), 3 December 2025

380 Department for Business and Trade, [Backing your business: our plan for small and medium sized businesses](#), 31 July 2025, p61

Conclusions and recommendations

Starting and growing a business

1. Business confidence amongst smaller firms is too low. The Government has released a short plan, but it does not address the significant cost pressures faced by SMEs. The Department of Business and Trade must do more to improve small business cash-flows, reduce costs, and thereby improve the return on investment for small businesses. (Conclusion, Paragraph 17)

Sales and cash flow

2. Cashflow is king. One of the most important things the Government can do to transform the economic health of SMEs is to direct a greater share of government procurement towards SMEs. (Conclusion, Paragraph 27)
3. Procurement accounts for £1 in every £3 of Government spending. Today, just 20% of this—£45.4 billion—goes to SMEs. If the Government directed 30% to SMEs, there would be a £22.7 billion increased cashflow to SMEs every year. Government spending with SMEs is in a rut. The Government knows it must do more, but its solution of individual departmental targets is unlikely to step up SME cashflows. Given the potential prize of such a shift, Government action needs to step up. (Conclusion, Paragraph 28)
4. The Government should set a 30% target for total direct spend with SMEs, to be achieved by 2028. Each department should set out its contribution towards this target, and the Department for Business and Trade should monitor departmental performance. This should be reported to Parliament annually, with departments setting out what steps they are taking to improve performance when targets are not met. These targets should include all public bodies within the department's remit. (Recommendation, Paragraph 29)
5. The Government should appoint a Procurement Council of Experts. This should gather SME feedback on procurement processes and advise departments on best practice to affect a culture change throughout Government. (Recommendation, Paragraph 30)

6. The Government is right to recognise the risks to SMEs posed by late payments. Until there is new legislation, the Fair Payments Code should become the minimum expectation, rather than an optional extra, for all firms over 250 employees. (Conclusion, Paragraph 38)
7. The Government should accelerate its late payments legislation and mandate 30-day payment terms by the end of this Parliament. In the meantime, procurement rules should be updated to require all large suppliers to have a Fair Payments Code Gold award. (Recommendation, Paragraph 39)
8. Companies House should integrate Fair Payments Code information with the register, to provide small businesses with clearer intelligence about a firm's payment practices. (Recommendation, Paragraph 40)
9. Late payments pose a particularly acute threat to firms in the construction sector. The Government's construction playbook sets out that Project Bank Accounts should "be used unless there are compelling reasons not to." This loophole had permitted government departments to turn a blind eye to poor payment practices amongst their contractors. The Government should update its construction playbook to end this loophole and drive meaningful improvements in SME cashflow. (Conclusion, Paragraph 47)
10. The Government should bring forward amendments to the Procurement Act 2023 that require the use of Project Bank Accounts for all construction projects that cost £2 million and above. In the meantime, it should reissue its construction playbook to reflect this requirement. The playbook should also introduce a liability cap, specifying this requirement as a contract condition for its supply chains. Government should explore ways of mandating the terms of the playbook for all large contracting authorities. (Recommendation, Paragraph 48)

The tax system

11. The tax system is becoming more complex. This is generating significant burdens for SMEs, distracting business owners from running their companies, and jeopardising collection of tax revenues. Initiatives such as Making Tax Digital suggest such costs are not adequately appreciated by HMRC and the Treasury. The Government has recognised the importance of reducing the regulatory burden for businesses. It must now do the same for the tax system. (Conclusion, Paragraph 55)
12. The Government should publish a baseline assessment of SME administrative costs of complying with the tax system. The Government should aim to reduce the costs of complying with the tax system by 25% by the end of the Parliament, in line with its target to cut regulation. As a first

step, it should increase the roll out period for Making Tax Digital for income tax. It should also reduce the quarterly reporting requirements under Making Tax Digital. (Recommendation, Paragraph 56)

13. HM Treasury's current funding arrangements mean that HMRC can meet its call answering targets and still allow 3 to 4 million calls a year to go unanswered. As the small business tax gap grows, it is essential that HMRC gets back in touch with these customers and understands how to best support them. (Conclusion, Paragraph 62)
14. Reiterating the recommendation of the Public Accounts Committee, HMRC should ensure it understands how far its digital services can replace telephone services and what level of telephone service it needs to retain to meet the needs of small businesses. Given the importance of telephone services to SMEs, the Government should reconsider whether the 85% target is adequate and fund an uplift. (Recommendation, Paragraph 63)
15. The UK's high VAT threshold is acting as a significant brake on small business expansion. For service-based industries, like the hair and beauty sector, its impact is distortionary and disincentivises employment creation. (Conclusion, Paragraph 71)
16. As part of its call for evidence on Tax Support for Entrepreneurs, the Government should set out to Parliament the impact on small business growth of the current VAT system, and present options for restructuring VAT in a way that optimises small business and employment growth. (Recommendation, Paragraph 72)
17. Property revaluations mean that the permanently lower multipliers announced in the Autumn Budget 2025 will likely do little to bring down business rates bills for small businesses. The Government is right to recognise that certain sectors will need support, but financial support will not address the wider unfairness of the business rates system. More fundamental changes to the business rates system are needed to truly level the playing field between online and bricks and mortar businesses. (Conclusion, Paragraph 80)
18. The Government should complete its review of the business rates system and incorporate more ambitious options for reform. This review should include an evaluation of replacing today's system with a turnover-based local tax, reconsider the feasibility of implementing an Online Sales Tax, and consider introducing relief for the new occupiers of properties that have previously been empty. (Recommendation, Paragraph 81)
19. Limited diffusion of productivity enhancing technologies is one of the primary causes of the UK's sluggish productivity growth. Investment in R&D significantly boosts productivity. However, the administration of the

UK's generous R&D tax credit system is limiting uptake amongst SMEs. The Government is right to recognise that the system requires reform, but larger-scale changes are needed to truly increase small business R&D investment. This should be combined with a clear strategy for encouraging firms to take up technology, led by local realities and designed around specific business need. (Conclusion, Paragraph 90)

20. The Government should reintroduce the previous 28-day target for processing R&D tax claims. It should also widen the eligibility criteria so as to include Arts, Humanities, and Social Sciences research within its scope. (Recommendation, Paragraph 91)
21. The Government should bring forward proposals for tax incentives to encourage increased intangible investment and the diffusion of productivity enhancing general purpose technologies, such as artificial intelligence. (Recommendation, Paragraph 92)
22. The Government should, through Innovate UK, roll out the Further Education Innovation Fund nationwide. (Recommendation, Paragraph 93)

Labour costs and the skills system

23. The decision to significantly increase labour costs at the Autumn Budget 2024 has had a significant impact on labour-intensive sectors. Future policy changes must both adequately model how small businesses will be affected by tax changes and seek feedback from smaller firms about potential impacts. (Conclusion, Paragraph 100)
24. The Government should introduce SME impact assessments when considering future policy changes. These should model the specific cumulative impact of proposals on smaller firms. SME impact assessments should be published alongside any policy proposals. (Recommendation, Paragraph 101)
25. Bogus self-employment means today's high street is not a level playing field for small firms. While practices like renting a chair are legitimate, the current framework's lack of clarity makes it too easy for firms to use bogus self-employment to cut costs and avoid legal responsibilities. In line with its previous commitment, the Government should now act to ensure that the law rewards, rather than punishes, SME employers. (Conclusion, Paragraph 106)
26. Reiterating our previous recommendation, the Government should fulfil its commitments to conduct a review of employee, worker and self-employed status immediately. (Recommendation, Paragraph 107)

- 27.** The Fair Work Agency, when operational, should work closely with partner organisations such as HMRC and prioritise the investigation of bogus self-employment in the hair and beauty sector. (Recommendation, Paragraph 108)
- 28.** The Government's future skills system is a more complicated combination of local and national initiatives. Small businesses broadly welcomed individual reforms but highlighted that they lack a clear route into the system. Skills England's focus on data and dashboards, combined with limited SME engagement in its governance and development, risks entrenching these challenges rather than resolving them. Without clearer signposting and more meaningful involvement of small businesses, SMEs will not be effectively supported to fill their skills gaps and grow. (Conclusion, Paragraph 114)
- 29.** Skills England's business plan should contain specific metrics for engaging SMEs. Skills England should create a clear analysis and forecast for every region of the skills shortages blighting SMEs, broken down by industry and local area. There should be a clear commissioning plan to fill these gaps. (Recommendation, Paragraph 115)
- 30.** The Government should ensure that the Business Growth Service operates as the front door for SMEs seeking skills. The Service should supply clear guidance on finding apprentices and funding sources. (Recommendation, Paragraph 116)
- 31.** Careers advice services can play a central role in filling skills shortages and ensuring that young people enter professions in which they are genuinely interested. In order to be truly effective for small firms, the local skills system, and Local Skills Improvement Plans, must interface with the advice being given to young people at school. (Conclusion, Paragraph 119)
- 32.** The Government should embed primary and secondary schools' career services into Local Skills Improvement Plans. (Recommendation, Paragraph 120)
- 33.** Boosting SME productivity depends on improving management capability. At present, support for management training has been fragmented and inconsistent. The Government should now set out a clear strategy to significantly expand access to high-quality management programmes and drive nationwide uptake among small businesses. (Conclusion, Paragraph 124)
- 34.** The Government should expand nationwide programmes like Be the Business and Help to Grow: Management to transform the quality of SME management. It should work with industry bodies to encourage

participation, and widen the eligibility of these schemes by removing the five-employee requirement from the Help to Grow: Management programme. (Recommendation, Paragraph 125)

Energy costs

- 35.** High energy prices are acting as a further strain on the bottom lines of smaller firms, significantly impacting their margins and hurting their ability to compete. The Government has recognised the impact this has on larger energy intensive industries. Specific consistent support is now needed for SMEs. (Conclusion, Paragraph 132)
- 36.** The Government should introduce relief schemes for SME energy costs. Priority should be given to firms that are ineligible for the Government's current industrial energy relief schemes, such as the British Industry Supercharger or the British Industrial Competitiveness Scheme. (Recommendation, Paragraph 133)
- 37.** Small business energy customers engage with the energy market more like individual consumers than companies. Despite this, they have access to none of the same protections, leaving them vulnerable to opaque bills, contracts, and a limited number of energy providers. (Conclusion, Paragraph 138)
- 38.** To best support SMEs buying energy, the Government should introduce standardised billing formats for non-domestic customers. Reiterating Ofgem's previous recommendation, the Government should conduct a review of the range of factors causing issues in the energy market for high-risk sectors. (Recommendation, Paragraph 139)
- 39.** We welcome the Government's commitment to regulating energy brokers. Poor practices in this sector have already caused and will continue to cause significant harm to smaller businesses. It is vital that legislation is not delayed. The Government needs to set out a clear timeline for action and provide SMEs with certainty about when these protections will come into force. (Conclusion, Paragraph 143)
- 40.** The Government should immediately set out its timeline for regulating Third-Party Intermediaries in the retail energy market. (Recommendation, Paragraph 144)

The costs of crime

41. Businesses now confront both rising crime and the increasing costs of implementing crime prevention measures. Government should do more to help businesses protect themselves on the high street. Security investments should be supported not penalised. (Conclusion, Paragraph 149)
42. The Government should amend the business rates regime so that security prevention measures, such as CCTV, do not count towards a property's rateable value. (Recommendation, Paragraph 150)
43. Too often successful enforcement activity disrupts rather than stops illegal trading on the high street. Enforcement agencies require new tools to put an end to these practices and to ensure that legitimate businesses are able to thrive on the high street. (Conclusion, Paragraph 160)
44. The Government should introduce the following amendments to the Anti-social Behaviour, Crime and Policing Act 2014:
 - Give all local authorities, including county councils, explicit powers to issue closure orders, with an option of permanent closure for the premises of persistent offenders.
 - In cases where the ultimate owner of a property is not identified, closure orders should be in place until their identity can be established.
 - Allow simultaneous closure orders on multiple premises that have a proven link.
 - Penalties should be applied to owners of properties where those responsible for the business are different and the owner cannot demonstrate adequate due diligence.
(Recommendation, Paragraph 161)
45. The disruption of illegal trading on the high street requires a complex multi-agency approach, combining neighbourhood policing, Trading Standards, Immigration Enforcement, and specialist financial investigation. As a result, businesses remain unclear as to who leads on this issue and where they should report their concerns. (Conclusion, Paragraph 165)
46. The Government should ensure that there is a named Assistant Chief Constable for every police force with explicit responsibility for tackling business crime. This Assistant Chief Constable should work with local authorities through Community Safety Partnerships to ensure there is clear plan of action in every force area for combatting illegal trading on the high street. (Recommendation, Paragraph 166)

- 47.** The Government must recognise the rising presence of organised crime groups and serious criminality on the UK's high streets and commit to funding more financial investigators in local Trading Standards services and police forces. (Recommendation, Paragraph 167)
- 48.** Chargeback scams represent a major and growing threat to SME viability. The Government must improve protections against friendly fraud as a central part of its approach to supporting and protecting small businesses. (Conclusion, Paragraph 171)
- 49.** The Government should ensure that the forthcoming Fraud Strategy contains specific measures on tackling chargeback scams and friendly fraud in order to help SMEs in fighting this phenomenon. (Recommendation, Paragraph 172)

High street regeneration

- 50.** Stronger measures are needed to tackle long-term vacancies and improve transparency in high street property ownership. Beneficial ownership registers were supposed to make it easier for local authorities and communities to bring vacant properties back into use. It is clear, however, that these measures are currently not working as intended. (Conclusion, Paragraph 176)
- 51.** The Government should bring forward proposals to ensure that local authorities and community groups have efficient means for checking ownership of commercial properties and locating the contact details for these individuals. (Recommendation, Paragraph 177)
- 52.** The quality of the public realm is central to the viability of high street businesses. Improvements require both access to funding and effective partnerships between local authorities, developers and businesses. It is essential, however, that such initiatives are driven by both local need and national expertise. (Conclusion, Paragraph 183)
- 53.** The Government should introduce a successor to the High Streets Taskforce, to steer implementation of the new powers for local authorities set out in the English Devolution and Community Empowerment Bill. As a first step, alongside the Government's guidance, the taskforce should provide more tailored support to local authorities on how they can best engage with communities and businesses to develop their town centres. (Recommendation, Paragraph 184)
- 54.** Community owned businesses have significant potential to support the renewal of high streets and safeguard valued local assets. The introduction of a community right to buy represents an important step

towards empowering local groups to take ownership of assets at risk. However, the effectiveness of this new right will depend on whether communities have the practical means to act when opportunities arise. (Conclusion, Paragraph 189)

- 55.** The Government should consider reintroducing the Community Ownership Fund, or other mixed finance methods for financing the community ownership of properties on the high street. (Recommendation, Paragraph 190)
- 56.** Gaps in the oversight of franchise agreements allow serious employment abuses to go unaddressed and leave franchisees exposed to unfair contractual practices. The absence of a dedicated regulatory framework, or clear accountability for employment standards within franchise networks is no longer sustainable. (Conclusion, Paragraph 194)
- 57.** The Government should review the current franchising landscape and consider the introduction of a statutory code of conduct, alongside stronger independent enforcement mechanisms. (Recommendation, Paragraph 195)

Business support services

- 58.** The business support landscape is fragmented and poorly organised. In recent years, departments have often proposed ‘hubs’ as a low-cost way of supplying integrated services offered by many different parts of the public realm. They are often vague in design and typically lack institutional strength, staying power, and a clear intuitively understood range of services. They are no substitute for a service designed and built for the long term. The decision to grant Mayoral Strategic Authorities more autonomy over the delivery of business support is welcome - but it is not guaranteed to improve the quality of these services. Many areas are also outside of mayoral boundaries, and it is possible that some regions will not join mayoralities until the end of this Parliament. The Government must deliver a service that works for everyone, regardless of their local government arrangements. (Conclusion, Paragraph 203)
- 59.** The Government should build a business support service that is fit for the long term, like the US Small Business Service. It should combine these services with arrangements for transforming access to finance, export finance, public procurement, skills, export support services, and general business advice. It should study best practice internationally and present a White Paper to Parliament with the design of a service that matches the challenge. (Recommendation, Paragraph 204)

Improving data

- 60.** The Government will not be able to deliver change for businesses unless it is able to accurately track and monitor business activity. Current Standard Industrial Classification (SIC) codes fail to identify and define sub-sectors of economic activity. Under these classifications, hair and beauty are represented as one industry and identified as the same type of service as launderettes or funeral homes. Such distortions fail to adequately represent the reality of contemporary business activity. (Conclusion, Paragraph 210)
- 61.** The Government should work with the ONS, as part of its SIC code review, to ensure that the various types of business in the hair and beauty sector are adequately represented by this framework. (Recommendation, Paragraph 211)
- 62.** SMEs represent 99.9% of UK businesses, ranging from firms with 2 employees to those with 150. The Government's decision to use this term interchangeably with 'smaller firms' means that it is never clear which category of enterprises a particular policy intervention is targeting. (Conclusion, Paragraph 215)
- 63.** The Government should reconsider its use of the term SME. Moving forward it should directly link policy programmes to different categories of these business (micro, small, and medium) in order to make it clear as to which group is being targeted by a particular policy measure. (Recommendation, Paragraph 216)

Cross-Whitehall working

- 64.** Throughout this inquiry, SMEs have highlighted how contradictory and counterproductive advice from different departments creates confusion and undermines policy effectiveness. This lack of a joined-up approach bedevils regulation, where conflicting requirements are expensive to manage and hurt growth. The Government previously rejected the Committee's recommendation for the Regulatory Innovation Office to act as a clearing house for conflicting regulation. However, it remains clear that businesses need a single point within Government to report contradictory and overlapping requirements. Without this, SMEs will continue to face unnecessary complexity and uncertainty. (Conclusion, Paragraph 222)
- 65.** In line with our previous recommendation, the Government should create a place in Government that acts as a clearing house for regulatory conflicts and give businesses a place to report conflicting regulations. The Minister

for Small Business should be empowered to champion SMEs, and their experience of duplicating and conflicting regulation, cross-Whitehall. (Recommendation, Paragraph 223)

- 66. The SME Plan is one part of the Government's interlocking plan for growth, but the plan does not empower an independent body to monitor its effective implementation. Engagement with SMEs themselves is currently limited to regional events, rather than a sustained focus on understanding the realities and needs of these businesses. (Conclusion, Paragraph 228)
- 67. The Government should, as part of its forthcoming Industrial Strategy Bill, create statutory micro, small and medium sized enterprise panels. These panels would advise departments on small business policy. A first task for these panels should be to develop metrics for assessing the impact of the SME Plan over the course of this Parliament. The Government should then present its performance against these metrics to Parliament on an annual basis. (Recommendation, Paragraph 229)

Formal minutes

Tuesday 3 February 2026

Members present:

Liam Byrne, in the Chair

Dan Aldridge

Sarah Edwards

Sonia Kumar

Justin Madders

Charlie Maynard

Small Business

Draft Report (*Small Business*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 229, read and agreed to.

Summary agreed to.

Resolved, That the Report be the Fifteenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Tuesday 10 February at 2.00pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 1 July 2025

Andrew Goodacre, Chief Executive Officer, British Independent Retailers Association; **Paul Wilson**, Policy Director, Federation of Small Business; **Jonny Haseldine**, Head of Corporate Governance & Business Environment Policy, British Chambers of Commerce; **Dominic Armstrong**, Head of Policy and Communications, Community Trade Union [Q1–36](#)

Caroline Larissey, Chief Executive, National Hair and Beauty Federation; **Toby Dicker**, Chief Executive, Salon Employers Association; **Gareth Penn**, Registrar, Hair and Barber Council; **Victoria Brownlie MBE**, Chief Policy and Sustainability officer, British Beauty Council [Q37–66](#)

Brian Berry, Chief Executive, Federation of Master Builders; **Paul Brain**, Managing Director, Ashcroft Services Limited [Q67–93](#)

Tuesday 2 September 2025

Jonathan Athow, Director General of Customer Strategy and Tax Design, HM Revenue and Customs; **Alice Jeffries**, Tax Policy Manager, Confederation of British Industry (CBI); **Alison Kerrey**, Chair, Digitalisation and Agent Services Committee, Chartered Institute of Taxation [Q94–136](#)

Dhara Vyas, Chief Executive, Energy UK; **Chris Norbury**, Chief Executive Officer, E.ON UK; **Venus Galarza-Mullins**, Principal Policy Manager for Retail Energy Markets, Citizens Advice [Q137–170](#)

James Lowman, Chief Executive, Association of Convenience Stores; **Chris Morris**, Deputy Head of Research and Policy, Union of Shop, Distributive and Allied Workers (USDAW); **Superintendent Lisa Maslen**, Lead, National Business Crime Centre, City of London Police [Q171–199](#)

Tuesday 16 September 2025

Josh Clarke, Director and Flat Roofing Manager, Clarke Roofing; **Tim Balcon**, Chief Executive, Construction Industry Training Board (CITB); **David Hughes CBE**, Chief Executive, Association of Colleges; **Sarah Maclean CBE**, Chief Executive Officer, Skills England [Q200–255](#)

Jon McGinty, Managing Director, Gloucester City Council; **Nick Plumb**, Director of Policy and Insight, Power to Change; **Daniel Thompson**, Managing Director – UK Development, Greystar [Q256–288](#)

Allen Simpson, Chief Executive Officer, UKHospitality; **Stephen Montgomery**, Director, Scottish Hospitality Group; **Lydia Papaphilippopoulos-Snape**, Owner, Warwick Street Kitchen & Saint Kitchen; **Morgan Schondelmeier**, Policy Manager for Tax and Trade, British Beer and Pub Association [Q289–320](#)

Tuesday 25 November 2025

Ms Wendy Martin, Director, National Trading Standards; **Martin Swain**, Director of Intelligence and Law Enforcement Engagement, Companies House; **Sal Melki**, Deputy Director, Illicit Finance, National Crime Agency [Q321–382](#)

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 [Q383–454](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

SBS numbers are generated by the evidence processing system and so may not be complete.

1	ABTA – The Travel Association	SBS0048
2	Actuate UK	SBS0111
3	Aesthetics LTD	SBS0046
4	Association of Accounting Technicians	SBS0025
5	British Independent Retailers Association (BIRA)	SBS0045
6	Beavers, Lorraine	SBS0064
7	Ben Robinson	SBS0081
8	Block Inc	SBS0093
9	Bloom	SBS0120
10	Body Image (Hampshire) Ltd	SBS0022
11	Booksellers Association	SBS0089
12	Boots UK	SBS0127
13	British Association of Landscape Industries	SBS0084
14	British BIDs	SBS0067
15	British Beauty Council	SBS0042
16	British Beer and Pub Association	SBS0087
17	British Chambers of Commerce	SBS0031
18	British Private Equity and Venture Capital Association	SBS0101
19	Buckinghamshire Business First	SBS0097
20	Buckley, Dr Danny	SBS0047
21	Chris Kane MP	SBS0092
22	CIMA	SBS0030
23	Camden Enterprise Ltd (CENTA)	SBS0094
24	Ceramics UK	SBS0086

25	City of London Corporation	<u>SBS0129</u>
26	Collinge & Co Limited	<u>SBS0074</u>
27	Confederation of British Industry (CBI)	<u>SBS0105</u>
28	Corporate Development Ltd	<u>SBS0010</u>
29	Creations Hair Salon Chichester Ltd	<u>SBS0078</u>
30	Creative UK	<u>SBS0088</u>
31	DEP Business Services Ltd	<u>SBS0066</u>
32	Darling, Steve	<u>SBS0123</u>
33	Digital Boost Upskilling	<u>SBS0115</u>
34	E.ON	<u>SBS0130</u>
35	E.ON	<u>SBS0132</u>
36	Edge Foundation	<u>SBS0103</u>
37	Electrical Contractors' Association (ECA)	<u>SBS0117</u>
38	Elite Salon Hampshire Ltd	<u>SBS0058</u>
39	Elliotts Hairdressing Ltd	<u>SBS0017</u>
40	Energy UK	<u>SBS0133</u>
41	Engage with Business Ltd	<u>SBS0002</u>
42	Enterprise Nation	<u>SBS0096</u>
43	Export Partners UK	<u>SBS0032</u>
44	Faces Hair & Beauty	<u>SBS0044</u>
45	FTMR Bournemouth Ltd	<u>SBS0029</u>
46	Finance & Leasing Association	<u>SBS0035</u>
47	Finishes And Interiors Sector (FIS)	<u>SBS0110</u>
48	Frog Bikes Ltd	<u>SBS0006</u>
49	Fundability Limited	<u>SBS0028</u>
50	Funding Circle	<u>SBS0121</u>
51	Goldman Sachs 10,000 Small Businesses UK	<u>SBS0106</u>
52	Hairdressing Council	<u>SBS0090</u>
53	Haj Youssef, Dr Moustafa (Liverpool John Moores University); Dr Hiba Hussein (Liverpool John Moores University); and Dr Steve Nolan (Liverpool John Moores University)	<u>SBS0023</u>
54	Horticultural Trades Association	<u>SBS0083</u>

55	HotWalls+	SBS0027
56	IAB UK	SBS0079
57	Individuals Hair Design Ltd	SBS0014
58	Institute of Chartered Accountants in England and Wales	SBS0100
59	Intuit	SBS0104
60	Irwin, Dr David	SBS0005
61	K Larcher Ltd	SBS0004
62	KAM Hair & Body Spa	SBS0077
63	Kandade, Dr Kiran (Brunel University London); Dr Nan Jiang (Brunel University London); and Paul Andrews	SBS0128
64	Kinder-Maiss, Marshall	SBS0049
65	L'Wren Hairdressing	SBS0013
66	Access by Design	SBS0001
67	Liu, Dr Siming (Brunel University of London); and Professor Len Skerratt (Emeritus Professor, Manchester University)	SBS0062
68	PURE Spa	SBS0109
69	Mandal, Dr Anandadeep (University of Birmingham)	SBS0102
70	Open Opportunities	SBS0068
71	Stones Hair	SBS0072
72	Molbys Ltd	SBS0039
73	Money Advice Trust	SBS0108
74	National Association of Funeral Directors	SBS0113
75	National Enterprise Network	SBS0011
76	National Federation of Roofing Contractors	SBS0056
77	National Federation of SubPostmasters	SBS0040
78	National Hair & Beauty Federation	SBS0034
79	North Laine Hair Company LLP	SBS0073
80	Omeihe, Dr Kingsley (University of the West of Scotland); and Dr Ibiyemi Omeihe (University of the West of Scotland)	SBS0075
81	Oracle Hairdressing Ltd	SBS0021
82	Plunkett UK	SBS0037
83	Post Office Ltd	SBS0098
84	Power to Change	SBS0107

85	Quoted Companies Alliance	SBS0060
86	Rahimi, Professor Roya (University of Wolverhampton); Dr Samia Mahmood (University of Wolverhampton); Professor Prashant Pillai (University of Wolverhampton); and Professor Zeeshan Parvez (University of Wolverhampton)	SBS0059
87	Rainbow Room International	SBS0026
88	Renukappa, Professor Suresh (University of Wolverhampton); Dr Sean Starr (University of Wolverhampton); Professor Subashini Suresh (University of Wolverhampton); and Professor Tonny Veenith (University of Wolverhampton and the Royal Wolverhampton NHS Trust, Wolverhampton, UK)	SBS0012
89	SCI – Society of Chemical Industry	SBS0116
90	ScaleUp Institute	SBS0122
91	Small Firms Enterprise Development Initiative Limited	SBS0008
92	Social Market Foundation	SBS0119
93	Society of Independent Brewers and Associates (SIBA)	SBS0070
94	Tabaghdehi, Dr S. Asieh (Brunel University of London)	SBS0053
95	Tabaghdehi, Dr S. Asieh H. (Brunel University of London); and Professor Ashley Braganza (Brunel University of London)	SBS0052
96	Tauber Hands Ltd T/AS The Speech House Hotel	SBS0024
97	The Association of Convenience Stores	SBS0057
98	The British Hair Consortium; Salon Employers Association; The Hair and Barber Council; and Salon Owners United	SBS0055
99	The Careers & Enterprise Company	SBS0051
100	The Essentials Beauty	SBS0018
101	The Front Room Penzance Limited	SBS0007
102	The Nationwide Caterers Association	SBS0085
103	The Nationwide Caterers Association	SBS0126
104	The Open University	SBS0043
105	Tommy’s Hair Company	SBS0076
106	Torbay Council	SBS0124
107	UK Fashion and Textile Association	SBS0020
108	UK Finance	SBS0061
109	UK Jewellery, Silverware, Allied Crafts (JSAC) sector	SBS0063
110	UKHospitality	SBS0131

111	UKHospitality	<u>SBS0091</u>
112	University of East London	<u>SBS0033</u>
113	University of Exeter	<u>SBS0003</u>
114	University of the West of Scotland	<u>SBS0080</u>
115	Vaughan, Tony	<u>SBS0125</u>
116	VodafoneThree	<u>SBS0054</u>
117	Wapshott, Dr Robert (University of Nottingham); and Professor Oliver Mallett (University of Stirling)	<u>SBS0041</u>

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2024–26

Number	Title	Reference
14th	Toward a new doctrine for economic security: Government Response	HC 1666
13th	Priorities of the Business and Trade Committee for 2026	HC 1411
12th	UK-India Comprehensive Economic and Trade Agreement (CETA)	HC 996
11th	Toward a new doctrine for economic security	HC 835
10th	US Economic Prosperity Deal	HC 1306
9th	Draft Legislative Reform (Disclosure of Adult Social Care Data) Order 2025	HC 1140
8th	Export led growth: Trade with the Asia-Pacific region	HC 1048
7th	Industrial Strategy	HC 727
6th	How to strengthen UK-EU relations: Policy Priorities for the Summit	HC 908
5th	How to strengthen UK-EU relations	HC 814
4th	Post Office Horizon scandal redress: Unfinished business: Government response	HC 778
3rd	Make Work Pay: Employment Rights Bill	HC 370
2nd	Priorities of the Business and Trade Committee	HC 423
1st	Post Office and Horizon scandal redress: Unfinished business	HC 341
6th Special	US Economic Prosperity Deal: Government Response	HC 1545

Number	Title	Reference
5th Special	Export led growth: Trade with the Asia-Pacific Region: Government Response	HC 1324
4th Special	Industrial Strategy: Government Response	HC 1305
3rd Special	How to strengthen UK-EU relations: Policy Priorities for the Summit: Government Response	HC 1267
2nd Special	Post Office Horizon scandal redress: Unfinished business: Government response	HC 969
1st Special	Make Work Pay: Employment Rights Bill: Government response	HC 932