



Department for
Business & Trade

BACKING YOUR BUSINESS

Our Plan for Small and
Medium Sized Businesses

CP 1358





Backing your Business: Our Plan for Small and Medium Sized Businesses

Presented to Parliament by the
Secretary of State for Business and Trade
by Command of His Majesty

31st July 2025

CP 1358



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ISBN 978-1-5286-5925-3

E03417758 07/25

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

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Foreword

Through our Plan for Change, we will make the UK the best place to start and grow a business, with a culture that supports businesses in every community and high street. This government is determined to remove the barriers that have held back Britain's risk-takers for too long. We want to breathe new life into our high streets, support traders, those just starting out, and businesses that are ready to take the next step and grow.

Growth is this government's number one mission and small and medium sized businesses are the engine room. Your success is critical for delivering our Plan for Change. You are not just businesses – you are the nation's dreamers and doers, innovators, the beating heart of communities, and the backbone of the economy.

But for too long, the odds have been against you, as previous governments let problems stack up – leaving businesses dealing with endless red tape, struggling to access finance and navigating additional trade barriers. You should be able to focus on what you do best: building and growing great businesses. Small and medium sized businesses and their representatives have worked with us to co-design this plan, and we will continue to deliver it in partnership.

In Backing Your Business, we're setting out how we will make thriving small and medium sized businesses, including the self-employed, a reality across the UK:

1. **Fixing the fundamentals** by legislating to end the scourge of late payments, modernising the tax and customs system to make it easier to navigate, and reducing regulatory burdens
2. **Unlocking access to finance** through a stronger British Business Bank and fairer lending
3. **Backing the everyday economy** by revitalising high streets, supporting local enterprise and tackling crimes like tool theft and shoplifting that hurt small businesses

4. **Future-proofing business skills** by giving businesses the skills to make the most of digital technologies and AI, and develop their leadership and management, alongside improving access to the right staff
5. **Opening up opportunities** through international trade, boosting exports, giving smaller firms a fair chance at winning government contracts, and launching a new Business Growth Service

This is in addition to stabilising the economy and our public finances, which has enabled four interest rate cuts, transforming business rates, and delivering our long-term modern Industrial Strategy.

We are investing in the next generation of Britain's business leaders who are taking the risks that will build tomorrow's success stories. We want that opportunity for everyone in the UK, so we are expanding Start-up Loans, promoting enterprise education for young people, and backing business owners from under-represented backgrounds.

'Backing Your Business' is our promise to put small and medium sized businesses at the heart of our [Growth Mission](#). Together with our modern Industrial Strategy and Trade Strategy, it is part of our comprehensive approach to growth and long-term prosperity. We'll continue to deliver it in the same way we developed it – by working hand in hand with businesses like yours. We will continue to work in partnership with the local and devolved governments across the UK to ensure that no matter where you operate in the UK, you will be supported.

Together, we will make the UK the best place to start and grow a business.



*The Rt Hon
Rachel Reeves MP,
Chancellor of
the Exchequer*



*The Rt Hon Jonathan
Reynolds MP,
Secretary of State for
Business and Trade
and President of the
Board of Trade*



Executive summary: what this means for your business

***‘Backing Your Business: Our plan for small and medium sized businesses’* sets out a long-term direction for the government’s support for smaller firms. It places their growth and productivity potential at its core, whilst improving the operating environment to start and run a business.**

If we can support more of the UK’s smaller firms to reach their full potential, a significant prize awaits. Accelerating SME growth by just 1 percentage point a year could deliver £320 billion to the UK economy by 2030¹. By combining universal improvements with targeted interventions, we will unlock the full potential of different types of small and medium-sized businesses across the country, from urban centres to our rural communities.

It builds on our proactive first steps to back smaller firms, including: introducing a Fair Payments Code; committing to permanently lower business rates for retail, hospitality and leisure; freezing the small business multiplier; establishing new High Street Rental Auction powers to reduce vacancy rates; launching Skills England; establishing a new Board of Trade dedicated to helping smaller businesses export; reforming the previous Apprenticeship Levy as a new Growth and Skills Levy; raising the limit at which small businesses start paying employer national insurance from £5,000 to £10,500; and reforming the public procurement regime. This sits alongside our Trade and Industrial Strategies in supporting businesses to invest and grow for the long-term.

We have developed this Plan in collaboration with small and medium sized businesses. As set out in every chapter of this strategy, we have listened closely to business and co-designed these solutions.

Our key actions include:

1. Fixing the fundamentals

- **We will legislate to end the scourge of late payments** which costs the UK economy £11bn per year and closes down 38 UK businesses every day. This will be the most significant legislation to tackle late payments in over 25 years and will give the UK the strongest legal framework on late payments in the G7.
- **Cut the administrative costs of regulation for business by 25%**, to save businesses time and money so they can focus on running successful businesses.
- **Modernising the tax and customs system**, as referenced in HMRC's Transformation Roadmap, including AI powered tech that makes it easier for small businesses to navigate their tax affairs.
- **Accelerate planning delivery**, addressing the UK's infrastructure gaps and making it easier for smaller housebuilders to build.
- **Support businesses to realise the opportunities of net zero and bring down their energy costs**, with targeted information and advice to help firms decarbonise, and expanded training in the retrofit and energy efficiency sector.

2. Unlocking access to finance

- **Expand Start-up Loans** to offer 69,000 new businesses the chance of finance and mentoring.
- **Boost access to finance by committing to the British Business Bank's Growth Guarantee Scheme** for the longer term, which is designed for smaller businesses looking to invest and grow.
- **Expand the capacity of the ENABLE programme by £3 billion to £5 billion**, helping lenders to unlock more finance options for small businesses.
- **Help boost the availability of early-stage equity finance for innovative businesses across the UK with £340 million.**
- **Work with private lenders on the appropriate use of Personal Guarantees**, including a mandatory Code of Conduct for loans issued under the Growth Guarantee Scheme, to ensure their use is fair and transparent.

3. Backing the everyday economy

- **Creating a consistent pro-growth national approach to licensing and establishing hospitality and night-time economy zones** to cut red tape, support al fresco dining and late-night venues, in response to the Licensing Taskforce.
- **High Streets and Growth Incubators** to back high street businesses, redevelop commercial space and trigger private investment.

- **Communities funding for up to 350 places around the UK** to help local people and businesses drive forward changes in their neighbourhoods.
- **Transforming business rates** in this Parliament, introducing permanently lower business rates multipliers for high street retail, hospitality, and leisure (RHL) properties with rateable values below £500,000, starting in April 2026.
- **Banning Upward Only Rent Review clauses** in commercial leases to make running a business on the high street fairer and more affordable.
- **Continuing to champion High Street Rental Auctions** to bring empty properties and unused space into use, alongside a new Community 'Right to Buy'.
- **Grow the co-operatives and mutuals sector** over this parliament, launching a call for evidence on how we can support the sector and its businesses to grow.
- **Creating safe places to do business** with 13,000 more police officers to provide visible community policing to crack down on shoplifting, rolling out our Safer Streets initiative this Summer and working with industry and small business representatives to tackle the problem of tool theft.

4. Future-proofing business skills

- **Boost greater adoption of the latest technologies amongst small businesses, guided by their needs – launching digital adoption pilots**, partnering with wider industry to provide support and best practice and expanding the Made Smarter Adoption programme that provides specialist funding and advice.
- **Give more business leaders the skills and networks they need to succeed**, by continuing to provide leadership training and supporting an industry-led Business Mentoring Council.
- **Back the next generation of young entrepreneurs**, by promoting enterprise education and competitions in schools, colleges and universities, and launching a new 'Youth Entrepreneur' category of the King's Awards for Enterprise.
- **Ensure the needs of smaller firms are met through the skills and apprenticeships system**, including through £1.2 billion of additional investment per year by 2028-29, engaging with SMEs on accessing apprenticeships and T-Levels, and promoting the government's skills offer through the Business Growth Service.

5. Opening up opportunities

- **A new Business Growth Service** to make it easier to find and access the advice and support you need, aligned with our blueprint for a modern digital government.
- **Support under-represented entrepreneurs** through better data collection and support for initiatives like the Lilac Review for disabled business owners.
- **Improve smaller firms' understanding of export opportunities**, by integrating export support and advice into the new Business Growth Service. In addition, we will consider how we can best support exporting businesses to increase their exporting activity, including future financial support.

- **Support more small firms win business and increase sales overseas**, by expanding UK Export Finance's capacity by £20 billion to £80 billion, including a Small Export Builder insurance product – and opening new markets through our Trade Strategy.
- **Making it easier for smaller businesses to win government contracts**, by making SMEs a national priority in our new procurement policy system, launching a new SME Procurement Education programme, and forming a new Defence SME Support Centre to simplify access to defence opportunities.
- **Support more firms to innovate by leveraging their Intellectual Property and managing security risks**, with targeted guidance and enhanced resources from the Intellectual Property Office and the confidence to grow securely through Security Reviews via Innovate UK.

Delivering our plan

Many policy functions relating to economic development and business support are devolved in Northern Ireland, Scotland and Wales. Where this is the case, the focus of individual chapters will be on the actions the UK Government will take in England, unless otherwise applicable at a UK level. The UK Government will work closely with the devolved governments to ensure positive outcomes for SMEs and share knowledge of best practice, particularly as we develop the Business Growth Service, whilst ensuring the devolution settlements are respected.

Backing Your Business has been designed in partnership with small businesses and their representatives, with ministers and officials participating in hundreds of events with over one thousand small businesses.

This targeted co-design has been complemented by the Industrial Strategy consultation process, our call for evidence on access to finance and policy development across government, including procurement reform and e-invoicing.

We will continue to hardwire the voice of small business into everything we do, as we deliver for them throughout this parliament. To support this, we will roll out government-supported, private sector-driven campaigns to connect businesses with what government has to offer, particularly through the new Business Growth Service, for businesses of all sizes in all places.



Endnotes

- 1 DBT analysis of [ONS, Firm-Level Labour Productivity from the Annual Business Survey, 2024](#)



Chapter 1: Introduction

Small and medium-sized enterprises (SMEs)¹, including the self-employed, are the backbone of the UK economy. With 5.5 million firms making up 99.8% of the business population, they provide 60% of private sector jobs and generate over £2.8 trillion in turnover.² Our entrepreneurs and businesses are a source of incredible passion, ideas and agility. They drive growth through innovation, competition and job creation³.

Their contribution goes far beyond just the numbers. They are the cafés on our high streets, the promising digital start-ups in shared workspaces, the tradespeople keeping homes running, and the vital firms in supply chains across every sector. They are also central to all parts of the country, from urban centres to our rural communities.

The UK has many of the ingredients needed for business success, from a strong research base in our universities to deep financial markets, global trade links, and a legal system that supports enterprise. It is one of the easiest places in the world to start a business, with start-up rates among the highest in the OECD⁴. One in three adults is either running a business or planning to start one in the next three years.⁵

However, starting up is only part of the story. A bigger challenge is helping more businesses grow and fulfil their full potential. While some firms are thriving, the gap between the most productive businesses and the rest has widened⁶. In 2023, only 40% of SME employers reported an increase in turnover, down 6 percentage points from 2022.⁷

The UK does perform relatively well at producing medium and high growth firms compared to the OECD average⁸, and has a strong track record of creating ‘unicorns’ relative to European peers⁹. These businesses – often innovative, export-oriented, and backed by venture capital – punch well above their weight, contributing 14% of employment and 25% of turnover.¹⁰ They are, however, the exception, not the rule. A decline in market dynamism under previous governments has slowed the emergence of more of these young high-potential firms.¹¹

We want more businesses to succeed by unlocking their growth and productivity potential. That means empowering more businesses and giving them the confidence to take on that first employee, open a second location, or invest in new equipment. Too many are currently held back by barriers that have built up over time, whether due to rising costs, patchy access to finance, complex regulations, or a lack of time or capacity to adopt new technologies.

These challenges have not appeared overnight. A decade of stop start policy, economic shocks and slow productivity growth has left many SMEs stuck and working harder just to stand still.¹² Previous governments let red tape stack up and didn’t get to grips with the real barriers facing small businesses in today’s challenging world.

Simply put, the UK’s economic success cannot be achieved without unlocking the potential of our small and medium-sized businesses. Addressing this requires recognising the diversity of our SME population. That means an approach combining measures that make life easier for every business to succeed with targeted support for those with the ambition to grow. That is what our ‘Backing Your Business’ plan sets out to do, starting by fixing the fundamentals.

The UK's small and medium-sized business landscape

ECONOMIC IMPACT



5.5 million

SMEs in the UK,
99.8% of the
business population¹



SMEs support
16.6 million
jobs, 60% of total
employment¹



SME turnover is
£2.8 trillion
52% of total private
sector turnover²



SMEs export
£107.9 billion
worth of goods and
account for 25.6% of
total UK exports³

FOOTPRINT



SMEs make up the
vast majority of
businesses in every
main industry sector
and part of the UK³

The top three sectors
for SMEs are:

construction
 16%

professional services
 14%

wholesale and retail
 10%³



There are 548,000
SMEs in rural
areas, employing
2.7 million
people⁴

DEMOGRAPHICS



75% of SME
employers are
family owned
businesses⁵

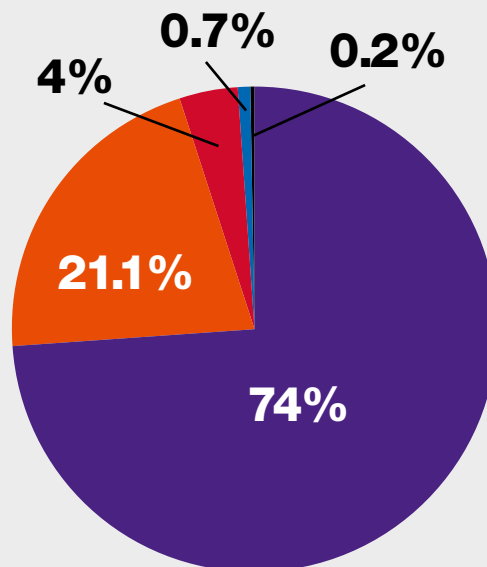


15% of SME
employers are
women-led⁵



7% of SME
employers are
minority ethnic
group-led⁵

BUSINESS POPULATION⁶



- 4,071,825 Non-employers
- 1,161,270 Micro (1-9 employees)
- 219,895 Small (10-49 employees)
- 37,750 Medium (50-249 employees)
- 8,250 Large (250+ employees)

¹DBT, Business population estimates for the UK and regions 2024: statistical release, October 2024

²UK trade in goods by business characteristics 2023 - GOV.UK

³DBT, Business population estimates for the UK and regions 2024: statistical release, October 2024

⁴Department for Environment, Food and Rural Affairs (2025) Statistical Digest of Rural England – Rural Economic Bulletin.

⁵Longitudinal Small Business Survey: SME Employers (businesses with 1 to 249 employees) – UK, 2023 - GOV.UK

⁶DBT, Business population estimates for the UK and regions 2024: statistical release, October 2024

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- 5 GEM, [United Kingdom 2023/2024 National Report](#), p.22
- 6 Bank of England, [The UK's Productivity Problem: Hub No Spokes](#), 2018
- 7 [Longitudinal Small Business Survey: SME Employers \(businesses with 1 to 249 employees\) – UK, 2023](#) – GOV.UK
- 8 OECD Structural Business Demography Indicators, Rate of medium and high-growth enterprises (based on 10%+ growth in employment)
- 9 Dealroom, [Unicorns](#)
- 10 DBT analysis of ONS [High growth businesses 2023](#) and [Business population estimates 2023](#) data. Employment and turnover of firms with 10+ employees growing by at least 20% in either employment or turnover over 2020-2023 as a percentage of total employment and turnover of firms in 2023. Note scale-up finance and insurance turnover has been excluded to be consistent with BPE estimates where this data is not available on a consistent basis.
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- 12 DBT, [Invest 2035: the UK's modern industrial strategy](#)



Chapter 2: Fixing the fundamentals

Removing the Barriers:

We want to reduce burdens on those who are taking the risks to start, run and grow a business. We have already begun to take action on removing the barriers businesses face, but we want to go further still on cashflow, skills and infrastructure. This Government is determined to deliver the certainty and stability businesses need to invest, and will ensure that small and medium-sized businesses, in all parts of the country, including the self employed and those in rural and urban communities, benefit from our reforms to improve business conditions in the UK.

You said that late payment in both the private and public sectors was hitting your cashflow. We have already begun to tackle late payments with reforms to strengthen large company payment performance reporting requirements and by launching a new Fair Payment Code.

- We will legislate to end the scourge of late payments which costs the UK economy almost £11bn per year and closes down 38 UK businesses every day. This will be the most significant legislation to tackle late payments in over 25 years and will give the UK the strongest legal framework on late payments in the G7.
- We are setting out new legislative proposals that include:
 - Stricter maximum payment terms
 - Stronger powers for the Small Business Commissioner
 - Mandatory payment of interest on late invoices
 - Fines against large companies who persistently pay their suppliers late.
 - Options to reform or ban cash retentions in construction contracts
 - Increasing discussion and scrutiny of large companies' payment practices at board level, including by exploring potential roles for audit committees or company boards in providing commentary or recommendations regarding payment performance to company directors before payment performance data is submitted to Government and included in the company's annual report.
- From October 2025, we will take further steps to improve public sector payment, including spot checks across supply chains and tightening rules to exclude suppliers who fail to pay promptly from large contracts.

You said that we need to reduce the regulatory and compliance burden on smaller businesses, who are disproportionately impacted by red tape.

- We will reduce the administrative costs of regulation for SMEs by 25%. For example, we are making reforms to the licensing regime including increasing the entitlement maximum for Temporary Event Notices (TENs) which could result in between £10m-£25m extra revenue for the industry and smaller businesses.
- We will simplify and modernise corporate reporting requirements to take account of business size, alongside ensuring government completes small and micro business assessments (SaMBA) for new regulation.

- We will encourage the use of alternative dispute resolution to resolve business-to-business disputes, particularly involving SMEs.
- It is important that workers in SMEs enjoy the same protections as those with larger employers. We will ensure that businesses of all sizes are given time and support to prepare for the Plan to Make Work Pay, including through clear guidance and Codes of Practice.

You said you needed stability and certainty on tax, and a smooth customer experience with HMRC.

- We are committed to our Corporate Tax Roadmap, maintaining the Small Profits Rate and marginal relief at current rates and thresholds, capping the Corporation Tax Rate at 25% as well as continuing key features such as Full Expensing and the Annual Investment Allowance.
- We are modernising the tax and customs system, as set out in HMRC's Transformation Roadmap, to ensure a smooth business user experience. New AI tools will help small businesses avoid common tax mistakes and find the information they need. HMRC will continue to deepen its engagement with SMEs to understand their priorities in simplifying the tax system.

You said that we need to take immediate action to address the UK's infrastructure gaps and make it easier for smaller housebuilders to build.

- We will deliver new legislation through the Planning and Infrastructure Bill, which we estimate could boost the economy by up to £7.5 billion over the next decade.
- We are making it easier for small businesses in the building sector by streamlining planning rules for smaller sites and fast-tracking high-quality developments on brownfield land.
- We are bolstering the capacity of local authorities to speed up planning, providing funding for 300 new planning officers and accelerating digitalisation of services.

You said you needed support with rising energy costs and lacked the time, advice and resources to decarbonise and seize the opportunities of Net Zero.

- To support delivery of the 300-planner commitment, we are investing over £9 million this year in two major initiatives: the Pathways to Planning graduate scheme and Public Practice. Pathways to Planning will bring graduates into the planning profession and provide on-the-job experience and structured training, while Public Practice will attract and transition skilled built environment professionals from outside the public sector into local authority planning roles.

- We welcome the recommendations of the Willow Review on the benefits of sustainability for SMEs and will publish our full response later this year. We will support small businesses to decarbonise and adapt to climate change, through transforming the advice landscape, meaning SMEs can access the information they need. We'll link the UK Business Climate Hub with the new Business Growth Service and local sustainability champions, as well as providing 'green' Start-up Loans. The Net Zero Council will publish guidance to help sectors decarbonise later this year, supporting SMEs with transition planning.
- We will look to ensure SMEs receive a higher standard of service when it comes to securing their energy contracts by publishing the government response later this year to our consultation on introducing a regulatory regime for third-party intermediaries such as energy brokers.
- We are reducing energy costs for thousands of businesses through the British Industrial Competitiveness Scheme, announced in the Industrial Strategy, and reform of the grid connections process.
- We will support SMEs to access skilled staff to make the most of new opportunities in the retrofit and energy efficiency sectors. We will train up to 18,000 skilled workers to install heat pumps, fit solar panels, install insulation and work on heat networks through the extension of the Heat Training Grant and launch of the Warm Homes Skills Programme.

A full description of the government's policy actions is available in the Annex published on Gov.UK.

Why this matters

A strong, stable business environment is vital for long-term growth. Through our engagement, we've identified the factors that are costing small businesses and the self-employed valuable time and money – resources they could otherwise invest elsewhere.

Late payment

Small businesses and the self-employed continue to lose time and money chasing unpaid invoices when they could otherwise be growing their business. Late payment costs the UK economy £11 billion per year¹ and closes down 38 UK businesses every day.²

Whether the cause is deliberately poor practice such as using late or long payment as a form of 'free finance', or more simply administrative errors in processing invoices³, the problem remains too widespread despite some recent improvements in performance. Previous governments have failed to make the step change needed.⁴

This government recognises the vital role of SMEs in achieving sustainable growth, and this can only be done by removing barriers. Late payments create unnecessary worry and hold businesses back from scaling up. Legislation on late payments will give SMEs the much-needed confidence to focus on building their businesses.

Regulation

When regulation is designed and implemented well, it can promote growth, innovation and investment. However, around half of all businesses (45%) view regulation as a hindrance to their success, and the burden of regulation is felt even more acutely by SMEs with fewer resources.⁵ SMEs report delays and frustration when attaining licenses and often struggle to navigate which regulators, and specific regulations, apply to them.⁶ Too many SMEs have also been drawn into excessive non-financial reporting, with 59% of businesses finding that company reporting thresholds are no longer appropriate.⁷ Lastly, innovative SMEs can struggle to secure timely approvals for new products or services from risk-averse regulators.⁸

Disputes

Beyond late and long payment terms, small firms and the self-employed can face other business-to-business issues such as contractual disputes or trading disagreements. Such disputes are estimated to cost these firms £11.6 billion annually⁹. On average, SMEs face three “legal issues” per year but only seek professional advice 25% of the time.¹⁰ Many businesses report their experience of the civil justice system is expensive, complicated, and slow.

As a result, a common practice among these firms is to ‘tolerate’ legal issues rather than actively seek resolution. Many are unaware of what to do or where to seek professional advice when they have a potential legal issue. Only 6% of SMEs in England and Wales have internal legal capacity.¹¹ We need to address this to make the best possible business environment and trading conditions in order to deliver growth.

Making Work Pay

The Government’s Plan to Make Work Pay (MWP) sets out an ambitious agenda to ensure employment rights are fit for a modern economy, empowering working people while contributing to economic growth. Measures to improve worker wellbeing will result in happier, healthier and more productive workers. Reducing workplace conflict that currently costs employers £28.5 billion a year will also help employees and employers to thrive.¹²

We know that many smaller employers can find it hard to navigate employment rights. Our approach is designed to make employee rights work better for both employee and employer in a modern workplace, and the government is here to support businesses of all sizes through that change.

16.6 million employees (nearly 60% of the whole private sector)¹³ work in SMEs, and it is important that these workers enjoy the same protections as those with larger employers. We understand that SMEs often hire people from their local community and form trusted relationships working together to build their business. The Employment Rights Bill is there to ensure those trusted relationships are protected for both the employer and employee – a happy and respectful work environment means better business. Many SMEs are already doing many things the Bill describes.

Taxation

We recognise that the level of taxation on small business and the self-employed is a critical concern, impacting both their day-to-day operations and long-term strategic planning. For firms aiming to grow, tax reliefs and incentives, such as those related to share options, investment, and research and development, can help reduce risk and support sustainable growth.

Businesses, including sole traders registered for self-employment, also rightly expect a modern and efficient experience when it comes to understanding what tax they need to pay and for dealing with their queries. This also reduces administrative burdens, allowing them to focus on growing their business. We have already committed to our Corporate Tax Roadmap and have published a Transformation Roadmap for HMRC to outline our ambitious plans to modernise the tax and customs system.

Infrastructure and planning

Improving the ease of building in the UK could boost infrastructure, connectivity and supply chain opportunities. Currently, only 28% of SMEs in the South West or West Midlands agree that public transportation is well provided, compared with 65% in London.¹⁴ Rural businesses often experience particular challenges when it comes to connectivity. Delays in the planning system, driven by limited local authority capacity and complex regulations, have increased project completion times by 65% since 2012¹⁵ and raised costs above European averages¹⁶. Only a third of local planning authorities have up-to-date plans in place.¹⁷ These barriers have also reduced supplier diversity, with SME housebuilders' share of new homes falling from 39% in 1988 to just 10% in 2020.¹⁸ To support delivery of the 300-planner commitment, we have already committed to investing over £9 million this year.

Energy and Net Zero opportunities

We know that energy costs are a key concern for SMEs, with the level of energy prices cited as the most frequent obstacle to their business success in 2023.¹⁹ Collectively SMEs account for around half of UK business greenhouse gas emissions²⁰ but there is a significant opportunity for them to lower emissions, improve productivity and reduce their energy bills by up to 25% through adopting more energy efficient processes²¹.

The vast majority of SMEs recognise the importance of decarbonisation, with 94% already taking at least one physical action towards this, such as installing a smart meter.²² However, they are often time-pressed and face barriers to reaching net zero, such as finance²³ or a lack of information.²⁴

The net zero transition also presents significant opportunities.²⁵ This includes winning contracts and entering supply chains²⁶ where procuring organisations are requesting emissions data. There is also growing demand from smaller businesses for guidance on adapting to climate change and data on the risks that are relevant to them, in recognition of the benefits that investment in resilience offers for productivity and growth potential in an increasingly uncertain environment. Growth, innovation, and sustainability can go hand-in-hand²⁷.

Endnotes

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Chapter 3:

Unlocking access to finance

Removing the Barriers:

The Government is promoting a broad and diverse finance market for SMEs across the public and private sectors. We are tackling funding gaps facing different businesses and owners from different regions and backgrounds, aligned with our Industrial Strategy, while addressing the longstanding barriers to demand for finance.

You said lenders were still not willing to finance SMEs, including new businesses, due to risk aversion and costs, and too many businesses struggled to access the finance they needed.

- We will facilitate greater access to finance by increasing the total financial capacity of the British Business Bank to £25.6 billion.
- We will expand the Start-Up Loans programme to offer 69,000 loans with mentoring over the next four years, increase the capacity of the ENABLE Guarantee scheme by £3 billion and provide a longer term commitment to the Growth Guarantee Scheme.
- We will continue to explore the role that regional mutual and co-operative banks could play in boosting business investment. We will work with regulators to ensure the growth of these new models of stakeholder banking is encouraged.

You said that knowing how and where to find the right finance for you was too complicated.

- We will boost demand for finance by making it easier to find the right finance with an upgraded Finance Hub alongside the Business Growth Service.

You said you were concerned that personal guarantees were being used as a substitute for proper risk assessment and wanted these to be used appropriately.

- We will work with lenders on the appropriate use of personal guarantees (PGs), including a mandatory Code of Conduct for accredited lenders that use the British Business Bank's Growth Guarantee Scheme (GGS) to ensure the use of PGs under the Scheme is fair and transparent.
- Recognising the necessary role that personal guarantees play in business lending, we will work with UK Finance to build on their existing lender commitments to use personal guarantees responsibly, and with the business finance community as a whole to build businesses' understanding of how to access the right finance on the right terms to meet their needs and to help businesses better understand the role of personal guarantees.

You said founders from under-represented backgrounds face distinct challenges in raising finance to start and grow their business.

- We will respond to the findings of the Lilac Review, including by continuing to grow the reach of the Disability Finance Code for Entrepreneurship.

- We will back more businesses and investors from under-represented backgrounds through a new £400m Investor Pathways scheme, expanding support to diverse angel networks through new Angel Syndicate Support and Embracing Diversity programmes, and by supporting the Invest in Women Taskforce and other initiatives.

You said that SMEs outside of London also experience a lack of readily available finance.

- We are supporting more businesses across the UK to access the finance they need, by extending the British Business Bank's Regional Angels Programme and Nations and Regions Investment Fund, and by building on the Industrial Strategy with dedicated Cluster Champions.

You said that SMEs could benefit from further rollout of Smart Data and Open Finance.

- We will work with the Financial Conduct Authority (FCA) to publish an Open Finance Roadmap in Spring 2026, which will set out the practical steps towards SME Access to Finance and other supporting use cases. We will also publish a dedicated Smart Data Strategy later this year outlining plans to help open new opportunities for SMEs to provide Smart Data-powered solutions.

You said that innovative firms and high-growth businesses need greater access to capital through their lifecycle.

- Our ambition is to create a joined-up funding system that supports academics, entrepreneurs and businesses across all stages of growth. We will ensure a strong supply of capital through all growth stages by reforming Innovate UK's finance offer, launching a new Industrial Strategy Growth Capital Initiative through our Industrial Strategy, and accelerating pension reform. We will focus on creating an integrated approach across the main public finance institutions that support innovative firms.

A full list of the government's policy actions is available in the Annex published on Gov.UK.

Why this matters

Finance is the fuel that can power firms to invest and grow. Businesses need access to the right finance at the right time, and their needs are as diverse as they are. While the UK is home to one of the world's oldest and strongest financial services sectors, many smaller businesses are still unable to source the finance they need to grow and scale – while others are put off from seeking it altogether. Key issues raised by small businesses are:

Start-up Finance

The UK has many budding new and early-stage business owners. 14.2% of the working-age population is either a nascent entrepreneur or an owner of a new business.¹ However, for many looking to start a business finance is a key obstacle.² Banks and investors are less likely to supply finance to new businesses due to the limited information they have on new businesses

without a track record of sales. New businesses also struggle to find the right, impartial information³ to help as well as peer networks or mentoring support that can help build the skills, connections and experience of leadership teams.

Enabling new firms to access first-time finance, alongside the right support and networks, at an early stage can help them start well to set their business up for long-term growth and success.⁴

Lending

The lending market has changed significantly in the last few decades. Since 2014, more lenders have entered the market: 36 new banking licences have been issued and the new lenders have made substantial inroads into the market, with the share of lending provided by the five biggest banks dropping from 63% to 40%⁵. While new providers and services have created a more diverse market, this has not translated into lower prices or greater access to finance for SMEs.

Since 2011, bank lending to SMEs relative to GDP has fallen by almost 50%⁶. UK bank loans are significantly more expensive in comparison to other European countries, particularly for smaller firms. We know how starkly this matters to businesses' plans for growth. Of SMEs who say they invested too little over the last three years, the majority cited the cost of finance.⁷ There are multiple factors behind this, compounded by recent rises in interest rates.

Demand for Finance

A lack of awareness about finance options, combined with discouragement and fears of rejection, deters many SMEs from seeking external finance.⁸ Loan approval rates have dropped significantly, especially for first-time applicants,⁹ and the UK now has one of the lowest levels of business borrowing in the G7.^{10,11} Just 1.5% of UK SMEs apply for bank loans¹², compared to up to 22% in major EU countries¹³, with most relying on internal funds.

While use of external finance has risen slightly post-pandemic¹⁴, it is often driven by short-term cash flow needs rather than investment for growth. With around 80% of businesses preferring to grow slowly rather than take on debt¹⁵, there is a clear need to build confidence among SMEs to seek finance and work in partnership with lenders to ensure affordable, accessible options to support long-term growth.

Personal Guarantees

Many business owners are concerned that personal guarantees may be being used as a substitute for proper risk assessment, although their use in the UK is broadly comparable to other jurisdictions. While personal guarantees enable lending that would otherwise not be available without business collateral, concerns about their implications may be a deterrent to seeking finance. Nonetheless, without the assurance provided to lenders by Personal Guarantees, it is likely that interest rates on loans would be higher, and some lending may not happen at all.

Regional mutual banks

While the UK finance market for smaller firms has diversified significantly over the last ten years, unlike many other countries, the UK lacks a depth of relationship-focused finance models – such as regional cooperative and mutual banks or a mature Community Development Financial Institutions sector – that prioritise long-term business support and relationships.

Finance for under-represented founders

Entrepreneurs from under-represented backgrounds face distinct barriers in accessing finance. Ethnic minority-led businesses are more than twice as likely to cite finance as a major obstacle¹⁶, and as the Lilac Review found, disabled founders also face significant challenges¹⁷.

Despite a wider range of finance options now available, many are discouraged from applying due to low awareness, uncertainty about where to find suitable finance, and fears of rejection. These disparities are especially pronounced in venture capital. All-women founding teams receive just 1.8% of investment¹⁸, partly due to the lack of gender diversity in investment decision-making. Only 13% of senior UK venture capital (VC) teams are women, and nearly half of investment teams have no women at all.¹⁹

Regional funding disparities

Access to finance is also a particular challenge for businesses in areas outside of London, in both urban and rural areas. This is particularly true for VC finance. Since 2017, the number of unique VC offices per region has increased more in London than anywhere else in the UK. London outpaces all other UK regions and nations in terms of both the value and number of SME equity finance deals.²⁰

While UK regional ecosystems have matured over the last decade and developed emerging clusters of firms and investors, growth has remained concentrated in the southeast. It is not a lack of ambitious businesses in places outside of London that are holding them back, but specific challenges – from weaker local networks to a lack of strong sectoral clusters – related to local geography.²¹



Case Study: Unique IQ

Unique IQ is a **Midlands**-based innovative software provider for the social care sector. Founded in 2003 to support the management of remote and mobile workforces, their technology helps care providers streamline operations, ensure compliance, and deliver outstanding outcomes. Backed by investment from Venture capital firm Midven, which managed the £35m equity portion of the **Midlands Engine Investment Fund** (MEIF), they have fuelled growth by investing in their people and accelerating product innovation, particularly within their flagship platform, IQ:caremanager. With a strong foundation and deep sector expertise, they are scaling with purpose – evolving software to support connected care, expanding their team, and exploring integrations that enable seamless collaboration across the care ecosystem.

Smart Data and Open Banking

Smart Data is transforming markets by empowering customers and SMEs to securely share their data with trusted third parties, unlocking tailored, time-saving services.

As well as supporting small businesses with data-driven products and services, Open Banking²² benefits businesses through the easy, automatic sharing of data, which in turn can save them time and resources when accessing financial products. There is potential to go even further through regulation to enable more smaller firms to access finance more easily by allowing secure sharing of financial data with lenders, improving credit assessments and speeding up loan decisions.

Finance for innovative, high-growth firms

Our venture capital (VC) market is a success story we need to build on. We rank third globally as a source for VC and UK companies raised \$16.3 billion in 2024²³. The market has evolved over recent years²⁴, with key strengths in sectors like FinTech²⁵, and a broader range of investors at different growth stages. The UK has a steadily increasing number of university ‘spinouts’²⁶ with the UK second only to the US²⁷, supporting over 80,000 jobs and £17.8 billion in economic output.²⁸ The Government’s British Business Bank has played a key role in this evolution.²⁹

However, accessing finance as firms scale from the start-up phase through to later-stage funding rounds remains challenging, particularly when it comes to sourcing domestic capital.³⁰ This is particularly true for innovative, IP-intensive companies with intangible assets³¹ or developing new technologies with longer commercialisation timescales. This government will not stand still and risk missing out on a virtuous circle, where successful founders exit and reinvest returns in their local ecosystem. Lastly, IP-intensive firms are critical for growth³² and more likely to be able to raise finance.³³ Yet they face barriers too, particularly when it comes to debt finance³⁴ given lenders find it difficult and costly to value IP and intangible assets.

Case Study: Melin Llynnon

Richard Holt, a former head pastry chef in London, returned to his roots in **Ynys Môn**, Wales, in 2019 with a bold vision: to restore **Melin Llynnon**, the last working windmill in Wales. Taking over the historic site from the local authority, Richard combined his culinary expertise with a passion for heritage preservation. With support from the British Business Bank's **Start Up Loans** programme, he secured £23,000 to complete the final stages of restoration, including re-hiring the mill's former miller.

The restoration, led by Isle of Anglesey County Council, brought the 18th-century windmill back to life, allowing its sails to turn once more. Richard transformed the site into a thriving hospitality destination, launching a chocolate factory, a high-end tearoom, and the hugely popular 'Mônuts' doughnuts. His business now employs 15 people, many of whom are family members, creating a close-knit, community-driven enterprise. Looking ahead, Richard plans to produce flour on-site, growing and milling his own grain. Melin Llynnon is now more than a landmark—it's a living symbol of Welsh culture and sustainable enterprise.

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Chapter 4:

Backing the everyday economy

Removing the Barriers:

Many smaller businesses have witnessed a clear decline in the state of their local high street and the costs of operating on them. The government is tackling the underlying causes and consequences of high street decline, from crime to empty properties, in order to revitalise high streets for communities and businesses alike.

You said that the licensing regime was holding back the growth of hospitality and night-time economies.

- We will act on the Licensing Taskforce recommendations by introducing a new National Licensing Policy Framework, which will modernise outdated planning and licensing rules – cutting the cost, complexity, and time it takes to open and operate hospitality venues, and helping small businesses grow and communities reconnect. We will also seek to establish hospitality and night-time economy zones to cut red tape.
- This will protect long-standing venues from noise complaints by new developments, ensure that permissions for outdoor dining, street parties and extended opening hours are fast tracked – helping to bring vibrancy and footfall back to the high street. It also means that entrepreneurs looking to turn empty shops into cafes, bars or music venues will face fewer forms, faster decisions, and lower costs.'

You said we need to back businesses in the face of a rapidly changing high street.

- We will launch new High Street and Growth Incubators, delivered through integrated settlements to Mayoral Strategic Authorities in Greater Manchester, West Yorkshire and the West Midlands. We have selected these established Mayoral Strategic Authorities as they have the greatest potential for growth if they were to meet the national average productivity level.
- We will work with industry on the rollout of 350 Banking Hubs by the end of this Parliament, and ensure we have a modernised Post Office network.

You said the causes of high street decline were not being addressed and costing your business money.

- We will invest in up to 350 deprived communities across the UK to fund community cohesion, regeneration and improving the public realm including on the high street.
- We have already created powers for local authorities to tackle vacant spaces and will introduce a new Community 'Right to Buy' for valued local assets.
- We are committed to transforming business rates in England throughout this parliament. For high street retail, hospitality, and leisure (RHL) properties, we plan to introduce permanently lower business rates multipliers for properties with rateable values below £500,000, starting in 2026 to 27, a permanent business rates cut that would ensure that these businesses will benefit from much-needed certainty and support. For 2025 to 26 we have extended RHL relief and frozen the Small Business Multiplier for a year, a package worth over £1.6 billion. We intend to publish an interim report on further reform this summer.

- We will ban the use of Upwards Only Rent Review (UORR) clauses within new commercial leases to make leasing fairer and support business, and are reviewing the legal framework for leasing.

You said crime and anti-social behaviour was threatening your staff and hitting your income.

- We will make high streets safer by restoring neighbourhood policing through our Safer Streets Mission and Neighbourhood Policing Guarantee so that neighbourhoods will have a named, contactable officer dealing with local issues, placing 13,000 additional police officers and PCSOs back on the beat. These challenges can be particularly pronounced in rural areas, because small businesses create a sense of identity, help build resilience and facilitate community cohesion in the places they trade.
- We will tackle persistent offenders, making it a specific criminal offence to assault shopworkers, and repealing the £200 threshold for shoplifting offences.
- Theft of tools from vehicles is a devastating and distressing crime that costs people time, money and resources. We are working alongside industry and small business representatives to tackle the problem. We are partnering with tradespeople's representatives, policing and other partners, including retailers and manufacturers, to co-design actions Government and industry can take to encourage theft prevention.
- We are providing £2m funding for the National Business Crime Centre over the next three financial years to help tackle the crimes most affecting businesses today, tackling the sale of stolen goods.

You said that we should support and nurture a broader range of alternative business models.

- We have committed to double the size of the co-operatives and mutual sector. We will launch a Call for Evidence to hear how we can continue to support co-operatives and mutual businesses to start and grow, as well as support existing businesses transition to become a co-operative or mutual.

A full description of the government's policy actions is available in the Annex published on Gov.UK.

Why this matters

SMEs are crucial pillars of our everyday economy, providing goods and services that are central to people's everyday lives and local communities, whether urban or rural. While the high street continues to change and evolve, it remains a vital source of customers and essential services, and for setting the foundations for strong local economies. However, we have identified several challenges that we are taking firm action on now.

Costs and constraints on the high street

Shop closures, vacant premises, crime, and core costs have all risen and lowered the appeal of the high street. Combined with long-term shifts in shopping patterns, customers are voting with their feet – footfall is down 12.7% since pre-pandemic levels.¹ The national rate of persistently vacant high street retail and leisure properties increased to 5.3% in 2023, up from 3.6% in 2018.^{2,3}

These challenges have impacted businesses of all sizes, including larger businesses such as department stores, but have been acutely felt by smaller firms. Although not exclusive to the high street, retail operators such as chemists, pubs and bars, and banks have been particularly exposed⁴.

SMEs have huge appetite to make use of vacant units⁵ but are restricted due to the availability and cost of commercial space⁶, with some businesses suggesting this is due to inflationary pressures and the burden of business rates. A burdensome legal framework for rent and the 'upward only' rent mechanism commonly found in commercial leases creates an imbalance of power between smaller firms and their landlords.

Licensing

To revitalise high streets, shopping centres and town centres have to be more than just retail spaces. A key part of that mix is hospitality venues, including a thriving night-time economy. Yet what we are seeing is the decline of night-time venues, partly because of our burdensome licensing regime that has lost its balance between promoting vibrant hospitality centres and safeguarding public order. The Licensing Act 2003 came into force two decades ago in a dramatically different consumer landscape to 2025.

The hospitality, creative and tourism sectors were also hit hard by Covid restrictions (there are 17,000 fewer venues (15%) in 2024 compared to 2019⁷) and most are still struggling with 'economic long Covid'. Too often licensing policy has led to disproportionate conditions and routine inspections, without considering either the economic cost or the cultural impact on the wider community.



Local collaboration and capacity-building

Capacity and expertise for place management within councils can also be a barrier to positive change. Local communities know their areas best and can deliver positive change, such as with year-round arts and cultural events. When local authorities draw people together to boost their local economy, it is essential that businesses form part of these partnerships.

However, SMEs often feel they do not have a voice to truly influence the shape of the high street, or that their councils do not understand their concerns. While there are many positive examples of town centre regeneration, these examples are often not known outside of local areas.

Case Study: Ramsgate Space

Ramsgate Space, a Community Interest Company based in **Ramsgate**, Kent, is tackling the town's **high street vacancy crisis** through creative, community-led regeneration. With an 18% vacancy rate and the departure of major retailers like Wilko, WHSmith, and Argos, Ramsgate's town centre has significantly declined. Many empty units (60%) are not actively marketed, often owned by absentee landlords or large property portfolios, limiting local access and opportunity.

In response, Ramsgate Space undertook a collaborative approach working with local councils, businesses, and community groups. This included forming an empty shops working group to unlock unused spaces by identifying ownership and engaging landlords, while connecting vacant commercial units with local artists, entrepreneurs, and cultural organisations. The programme is beginning to bear fruit: reactivating empty shops, boosting footfall, and re-engaging the community. It addresses immediate challenges while laying the groundwork for long-term regeneration and resilience. By enabling inclusive innovation and fostering local pride, Ramsgate Space is helping reimagine the high street as a vibrant, accessible space for all.

Business services and the changing high street

The high street is evolving, particularly with the shift to online services, changing shopping patterns, and the growth of hybrid working. This presents opportunities and challenges, including:

- Recent years have seen significant numbers of bank branch closures, which has removed a route to face-to-face services for some smaller businesses.
- Other core high street services like libraries have seen their offers evolve to support communities and local businesses.
- The Post Office network is already a key enabler for SMEs, driving high street footfall and contributing an estimated £3.1 billion annually to nearby shops. Post Office provides essential services to SMEs such as depositing cash or sending and collecting orders, with more than half (51%) of SMEs using the Post Office at least once a month and 3 in 10 weekly⁸. This is particular true for rural areas and those with limited connectivity.

- The rise of experiential sectors like escape rooms and live games is driving footfall and diversifying high streets, while new technologies like e-commerce are also bringing new opportunities. 63% of high street SMEs now sell products online.⁹

By managing and taking advantage of these changes, we can position the high street as a facilitator for SME growth as a place to access key services, test new products and reach customers directly.

Crime and anti-social behaviour

Everyone wants high streets to be places where people can work, shop and live in safety. This is a key priority for this government. However, recent years have seen crime and anti-social behaviour increasingly blight local places. 47% of SMEs view crime or anti-social behaviour as one of the biggest risks for their local high street.¹⁰ The police recorded 516,971 shop theft offences for year ending December 2024, a year-on-year increase of 20% – the highest level since the current Home Office Counting Rules were introduced in 2002 to 2003¹¹.

No shop worker should have to fear for their own safety. Yet violence towards retail workers has also worsened, prompting the government to introduce a new specific offence of assaulting a shopworker.¹² Due to the decisions of previous Governments, many small-time shoplifters have escaped prosecution. We took immediate steps to scrap effective immunity for shoplifting, but the problem will not be quick to solve. According to the British Retail Consortium, theft directly costs retailers £2.2 billion, and a further £1.8 billion is spent on prevention such as CCTV, every year. The overall total cost of retail crime is £4.2 billion.¹³ This is not limited to shops, with small businesses also affected by thieves who target a tradesperson's van and steal the tools inside to sell on. Smaller stores simply do not have the resources to absorb additional costs or defend themselves from crime.

Lastly, SMEs are also rightly concerned about the significant amount of fraud and illegal working committed by 'informal businesses'. These fraudulent companies prevent a level playing field by giving evaders an unfair competitive advantage, whilst hitting the public purse in lost tax revenue at a cost of around £5 billion a year.¹⁴

Co-operatives and mutuals

Co-operatives and mutuals represent a significant but often overlooked part of the UK economy, delivering not only social value but also strong business performance. With nearly 80% of UK mutuals operating as co-operatives, mutuals employ over 1.3 million people and generate a combined annual income of £165.7 billion.¹⁵ Their resilience is also well-evidenced, as more than three-quarters of co-operative start-ups remain active after five years, compared to fewer than two-fifths of new companies overall.¹⁶ Despite their strong contribution to the UK economy, mutuals have historically received limited attention from previous governments.

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Chapter 5:

Future-proofing business skills

Removing the Barriers:

Businesses want to be ready for a future defined by rapid technological and economic changes. By taking steps like using the latest technologies, improving the skillsets of their leadership team and finding the right staff, and undertaking innovation activity like using Intellectual Property (IP), firms can stay ahead of the competition and be ready for the future. Government, working alongside private partners, can support small and medium sized businesses to take the steps they need to be future ready, in every corner of the country.

We are encouraging and supporting young people with a spark of an idea so that we can inspire the next generation of business leaders by. The government will work with partners across the private and public sectors to take steps that will make small and medium sized businesses ready and resilient for whatever the future throws at them.

You said that SMEs need better support to identify and adopt digital technologies.

- We are building on the work of the SME Digital Adoption Taskforce and will work across government and with the private sector on initiatives that will support SMEs with adoption of new digital technologies, including AI and electronic invoicing.
- We will expand the Made Smarter Adoption programme for manufacturing SMEs, and launch a new tech adoption scheme for high-growth potential Professional and Business Services sector SMEs.

You said that you need greater support to develop your leadership and management skills, and learn from peer companies.

- We will support SME leaders to develop these skills and networks through the Help to Grow: Management scheme and supporting the creation of an industry-led Business Mentoring Council.

You said that your business needed to access the right staff but found the skills system costly and complicated to navigate.

- We will use the Business Growth Service to promote and signpost the government's skills offer to business.
- We will provide £1.2 billion of additional investment in skills per year by 2028-29, alongside further support from measures outlined in the Immigration White Paper.
- We will enable SMEs to access the right staff by transforming the apprenticeship system into a flexible Growth and Skills Levy and through the work of Skills England.
- We will launch new shorter apprenticeships and foundation apprenticeships from August 2025 and introduce short courses in England in areas such as digital, artificial intelligence and engineering from April 2026.
- We will support more smaller employers to get involved with T Levels and access new talent through offering industry placements. We have introduced an Employer Support Fund targeted at SMEs in England for FY 2025 to 2026, to support with costs associated with hosting placements.

You said we need to equip more young people with the skills for entrepreneurial success.

- We will boost awareness and access to enterprise education and increase engagement with employers to close skills gaps and improve outcomes for young people.

You said we need to celebrate entrepreneurs' contribution to our society and the risks they take, to show how central they are in driving the growth that will deliver better living standards for working people.

- We will celebrate entrepreneurs' successes to ensure they feel recognised, starting with a new Youth Entrepreneur category of the King's Award for Enterprise. We will continue to engage with and champion SMEs and entrepreneurs through high-profile SME and Scale-up summits, roadshows and regional events.

A full description of the government's policy actions is available in the Annex published on Gov.UK.



Why this matters

Every part of our economy will be impacted by changes in technology and we want to do more to support SMEs prepare for those changes.

Digital adoption

Digital technologies present a major opportunity for SMEs to boost efficiency and productivity, whether through basic tools like e-invoicing and cloud computing or more advanced solutions like Artificial Intelligence (AI). Fully embracing digital tools could add £232 billion to the UK economy¹, with SMEs seeing productivity gains of up to 25% when combining technologies.² Business leaders who adopt technology could unlock three and a half weeks of time each year.³

Yet adoption remains uneven. The UK ranks 31st in the World Economic Forum's ICT adoption table, behind many comparable economies⁴. And only 30% of businesses with fewer than 10 employees have increased digital use since 2019.⁵ Lack of attention by previous Governments, including the closure of the Help to Grow digital scheme, have left businesses on their own in trying to keep pace. This Government sees the huge opportunity for businesses in digital transformation and we will support business owners through that change – both to their benefit and the growth of the wider economy.

As the SME Digital Adoption Taskforce and Technology Adoption Review have found, many SMEs face barriers such as limited time, digital skills, and difficulty navigating support options. While over half of SMEs see potential in AI⁶, concerns about skills gaps and implementation persist.

Data-driven companies have a significant economic impact, contributing around £85 Billion (3.8%) GVA in the UK in 2022.⁷ However, only 21% of businesses analyse digitised data for new insights, 14% share it externally, and just 2% use it for AI or automated decision-making⁸. Electronic Invoicing (E-Invoicing) is another tool that can reduce errors and speed up processing, with the potential to nearly halve invoice processing time, worth significant annual savings of £11,300 to £28,900 per annum depending on company size.⁹

Leadership and management

Strong leadership and the use of structured management practices such as setting targets, using KPIs, and strategic financial planning, are key drivers of SME productivity and growth.¹⁰ Yet UK SMEs are less likely than larger firms to adopt these approaches¹¹, contributing to the UK's lag in management capability among G7 countries according to BetheBusiness¹². Smaller businesses often lack access to the talent and resources available in larger firms, but initiatives that enable SMEs to tap into this expertise could help build capability.

Effective dispute management is often a key enabler to driving firm-level productivity¹³. However, many SMEs lack experience, confidence, or dedicated HR support¹⁴ to handle workplace conflict, which can be particularly damaging in smaller teams. Conflict costs UK employers an estimated £28.5 billion annually¹⁵ and can deter recruitment, further limiting growth. Bolstering leadership and management capability can help smaller firms manage such disputes and help provide long-term strategic direction for businesses to grow and improve.

Access to skills and talent

Access to skills is a core driver of SME growth¹⁶ and is consistently ranked by them as a top three barrier to their success.¹⁷ However, UK employer investment in training has been in steady decline¹⁸ and is low relative to the EU average.¹⁹ While 60% of all employers in England had funded or arranged training for staff in the past 12 months,²⁰ only 45% of SME employers have done the same.²¹

SME employers face barriers in both accessing and investing in skills compared with larger firms, including high employment costs and weak incentives to hire and retain staff,²² skills shortages,²³ difficulty in navigating the skills system, and limited connection with schools and Further Education²⁴.

Hiring an apprentice brings substantial benefits to employers²⁵ but the process requires time and resource that can make this difficult for SMEs²⁶. Although SME employers account for 40% of apprenticeship starts – over 100,000 apprenticeships – these numbers have decreased since 2018/19 (pre-pandemic).

High-growth SMEs often have specialist skills needs. They face competition for talent (such as software engineers in sectors like AI²⁷) and often require access to international talent, requiring a flexible and efficient visa system.²⁸

Enterprise learning, skills and careers

Enterprise and entrepreneurial education²⁹ can ensure business skills are embedded in our society, setting people up to start businesses and with capabilities they can use throughout their careers. Almost three quarters (74%) of entrepreneurs attribute their own personal skills as the main factor driving their success when starting up.³⁰ Encouragingly, young people in the UK have positive ambitions around entrepreneurship. 58% say they either currently own or are interested in owning a business, motivated by a wish to fulfil a personal vision or passion (29%), have a new idea or have identified a gap in the market (15%).³¹

We know businesses having a growth mindset means increased innovation and economic value – and ultimately greater prosperity.³² However, enterprise education during and post-school remains limited, despite public and private initiatives to address this gap. Only 35% of young people who attended secondary school in England say their school provided them with the knowledge, guidance, and support needed to set up a business³³. We want to embed enterprise and entrepreneurship into all stages of education, so that people can acquire these vital skills at any stage of their life or career. Doing so will unlock opportunities for the next generation of entrepreneurs, ensuring that the UK is set up for delivering growth in every part of the country that will drive higher living standards and bring tangible benefits for working people.

Celebrating and championing entrepreneurs

Entrepreneurship of all kinds must be championed and celebrated in order to recognise those who choose to start and build a business in the UK. As part of this, we will also hardwire the voice of smaller firms – who have less time and fewer resources to engage and lobby government – into everything we do. This government is ensuring the views and experiences of entrepreneurs are considered when developing new programmes or regulations, and we want

to deepen this two-way partnership in order to improve our policymaking even further. We will work alongside business representative organisations to mobilise and engage small businesses across the country.



Case Study: Qualis Flow

Founded in **London** by civil engineer Brittany Harris and environmental scientist Jade Cohen, **Qualis Flow** (Qflow) is a pioneering technology company using artificial intelligence to decarbonise the construction industry. Their AI-powered platform captures and analyses real-time data on materials, waste, and utilities, helping project teams reduce costs, improve quality, and cut carbon emissions. Construction is one of the world's most resource-intensive sectors. Qflow addresses this challenge by providing actionable insights that reduce waste and inefficiencies –tackling issues like unused materials and costly rework, which together cost the industry billions annually. Qflow is deployed across the UK, USA, and Australia.

Qflow's scalable AI solution is unlocking the potential for a circular economy in construction, transforming how the industry manages resources. By combining engineering expertise with environmental science, Qflow is not only driving sustainability but also reshaping the future of construction through data-driven innovation. In recognition of its innovation and impact, Qflow received the prestigious **King's Award for Enterprise** in 2025, a mark of excellence in sustainable business practices. This government-backed accolade has elevated Qflow's visibility, credibility, and access to new markets, reinforcing its role as a leader in sustainable construction technology.

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Chapter 6: Opening up opportunities

Removing the Barriers:

We know that running your business is hard and there are lots of competing demands on your time. Sometimes, the time and cost required to make the most of new opportunities can be a challenge. We want to make those new opportunities easier to access – from finding growth-boosting support and advice to reaching new markets at home and overseas – so you can grow your business and more easily understand what's out there to support you.

You said that the business support landscape was too complicated, and you struggled to find advice and guidance.

- We have launched the Business Growth Service as a nationally recognised brand for business support in the UK, integrated with long-term, locally-led delivery through Growth Hubs in England and a new digital service (business.gov.uk).
- The Business Growth Service will be delivered in partnership with public bodies, devolved governments across the UK (including in Scotland, Wales and Northern Ireland), and the private sector. As part of this, we will seek to create a genuinely integrated approach across the business support system and public finance institutions to support firms with what they need, when they need it, on their growth journey.
- To deliver our commitment in the English Devolution White Paper, we will embed local partnership working as a core principle of the Business Growth Service. We will co-design future business support and include funding for Growth Hubs and the Made Smarter Adoption programme for Established Mayoral Strategic Authorities receiving integrated settlements from FY 2026/27 onward.
- We will explore the potential of GOV.UK One Login equivalents for businesses, which would enable businesses to use a single digital log-in to access government services, saving them time and money, and delivering more tailored services and information. Work has already begun with government partners to understand the potential benefits to business and HMG's existing digital services.
- We are also removing out of date or inaccessible online content, improving web pages which get the highest traffic, and adding better signposting content to make the landscape more manageable.

You said that business leaders of fast-growing firms needed specialist support as they scaled up through key points of their growth journey.

- We will provide specialist support for these firms, including a new scale-up offer led by DBT, that SMEs works alongside what local areas deliver, and a dedicated growth support scheme through Innovate UK.
- We will continue to evolve Innovate UK's Business Growth scale-up support service to ensure it delivers the best possible support for high potential businesses. The service includes the Invest-Ability investment readiness pathway and the Scale Up Programme, which has provided tailored 1-2-1 scale-up support to 300 SMEs over the last 4 years, enabling £700 million investment.

You said we need to ensure entrepreneurship is inclusive to reflect and maximise the potential of diverse founders and business owners.

- We will build on the success of initiatives like the Invest in Women Taskforce and Lilac Review, hardwire accessibility into the Business Growth Service and improve data collection on underrepresented groups.

You said you need support in leveraging your Intellectual Property (IP) at home and abroad.

- We will provide with targeted IP guidance and enhanced digital resources from the Intellectual Property Office (IPO), and through the IPO's international IP service and global network of IP attachés.
- We will also support smaller firms to maximise the value of their IP by addressing international IP-related market access barriers through trade agreements, regulatory harmonisation, and the promotion of enhanced IP protections.
- We have launched the Secure Innovation Security Reviews scheme, a joint initiative between the DBT, DSIT, the National Protective Security Authority (NPSA), and the National Cyber Security Centre (NCSC). It is available to businesses in key technology sectors through Innovate UK. The scheme will equip hundreds of small businesses with actionable advice to combat cyber threats and the potential for intellectual property theft, helping them grow securely in the UK and globally.

You said public procurement processes are too time-consuming and difficult to navigate for SMEs.

- We will make SMEs a national priority in our new procurement policy system to give them a fair chance at public contracts with ambitious SME spending targets for each department, a new SME Procurement Education programme and consultation on further legislative procurement reform.
- The Ministry of Defence is forming a new SME Defence Centre which will simplify access to defence for SMEs, introducing a single access point for smaller businesses with clear links to the support services provided by government.

You said that navigating export support was often a fragmented and complicated experience.

- We will improve smaller firms' understanding of export opportunities, by integrating export support and advice into the new Business Growth Service to make it easier to navigate. We will continue to raise awareness of the benefits of doing business abroad through a programme of export roadshows and the new Board of Trade.
- We will consider how we can best support exporting businesses to increase their exporting activity, including future financial support.

You said you need better access to export finance.

- We will improve access to export finance with 1000 new SMEs helped by UK Export Finance by 2029 and a new Export Insurance Product (EXIP). We have also announced an increase to UKEF's lending capacity up to £80bn.

You said it's hard to know where to start with trade digitalisation.

- We will launch an information hub on business.gov.uk this summer, bringing together essential resources and trusted industry guidance to help businesses confidently adopt electronic trade documents and digitalise their supply chains.

A full description of the government's policy actions is available in the Annex published on Gov.UK.

Why this matters

In our engagement, we have repeatedly heard about barriers to seizing growth-boosting opportunities. These range from complex and fragmented business support systems to inaccessible public procurement processes.

Some of the key areas where we can open up opportunities for smaller businesses include:

Improving business support

Business support and external advice is a key driver of SME growth and productivity¹. The UK's current business support landscape spans multiple providers, nationally and locally, as well as in the public and private sectors. However, SMEs can often find this landscape hard to navigate and, despite the potential benefits, SME uptake of business support has fallen from 49% in 2010 to 26% in 2023.²

Businesses have told us they are not aware of the support available to them³. Publicly funded support has been split across multiple websites, departments and delivery bodies which has created confusion for SMEs alongside a 'chop and change' approach to launching programmes. We have heard from business owners that "government needs to 'hide the wiring' and make it straightforward for people to find the things they need". This has inhibited join-up between services, meaning opportunities for data sharing and referrals are missed. We know that businesses encounter different challenges at specific points on their journey, requiring support that is relevant and tailored to their stage of growth.

These issues have resulted in a lack of a coherent, lasting brand of business support at UK level – in stark contrast to the approach of international peers and also the devolved governments in Wales, Scotland and Northern Ireland. There is now a significant opportunity to improve this landscape by increasing partnership working across the public and private sectors, and using new technologies to provide more personalised, user-friendly services.

Business support for growing firms

Firms undergoing rapid growth and expansion often grapple with a range of distinct challenges and responsibilities, whether rapidly hiring new staff, establishing formal governance processes or managing revenue growth or external financing. Leaders of these firms repeatedly ask for more tailored support to manage this growth phase and build their capabilities⁴.

In recent years multiple programmes, provided by both the public and private sectors, have been launched aimed at supporting leaders of these fast-growing companies. These often combine a structured training programme focused on key modules that help the business build their internal capacity and capability. However, these programmes have been too complex for many time-pressed business owners to navigate and there is limited sharing of best practice to work out what is truly value-adding.

Case Study: The Insights Family

The Insights Family, a **Manchester**-based market intelligence company, has grown from a sole founder start-up into a global leader serving major clients such as Amazon, Disney, and Warner Bros. Central to this success has been the support of the **GM Business Growth Hub**, which played a pivotal role from the company's early stages. Through the Hub's Innovation team, founder Nick Richardson was connected with funding experts, leading to a six-figure angel investment that helped fuel early growth.

As the company looked to expand internationally, the Growth Hub facilitated introductions to the Department for Business & Trade. This led to a trip to Miami, resulting in a six-figure investment and £100,000 in guaranteed revenue for the launch of their U.S. product in the first year. The Hub also supported the development of advanced data science capabilities through university partnerships, enabling the company to deliver real-time, global insights at scale. Today, The Insights Family operates on a global stage, with team members based in Manchester, London and New Jersey but its journey underscores the power of local innovation ecosystems. Strategic support from the GM Business Growth Hub helped unlock international opportunities, proving how regional resources can drive global success.

Inclusive entrepreneurship

Starting a business is not for everyone but it should be for anyone. However, those from under-represented groups – including women⁵, ethnic minority⁶ and disabled people⁷ – lead fewer SMEs than their share of the population.

This represents a vast, untapped opportunity. Equalising opportunities for women-led businesses could add £250 billion to the UK economy.⁸ Addressing barriers for ethnic minority-led businesses—particularly in finance, markets, and support—could add £75 billion.⁹ Improving access for disabled founders could unlock a further £230 billion.¹⁰ Military service leavers are also well primed with the skills and experiences to thrive as a business owner, although often require specialist support to aid their transition into self-employment or entrepreneurship.¹¹

Under-represented groups are not homogeneous and require tailored support on common challenges like accessing finance, low awareness of government programmes, or weaker peer networks. Better data collection is also critical. Government support must be inclusive and accessible by default to unlock the UK's full entrepreneurial potential.

Intellectual Property

Intellectual Property (IP) is another critical enabler of productivity and growth. EU SMEs with at least one registered Intellectual Property Rights (IPRs) were 21% more likely to experience a period of growth¹² and achieved 68% higher revenue per employee.¹³

However, many SMEs refrain from registering their IP due to perceived costs, lack of understanding of benefits and risks, and the time required¹⁴. While many SMEs have a basic awareness of IP, practical understanding of how to protect, manage, and use their IP remains low – and even less so in leveraging their IP to secure investment. The 2024 IPO report on 'IP Awareness and Understanding Among UK SMEs' highlights that while 63% of SMEs used some form of IP protection, only 37% use registered forms like patents or trade marks.¹⁵

To address this, businesses need easy access to reliable, up-to-date IP information and support. Embedding IP guidance into the business support landscape will ensure that more businesses can confidently invest in innovation and safeguard their ideas.

Opening up public procurement

Winning public contracts can be a game-changer for SMEs, offering cash, credibility, and capability-building opportunities. Government, in turn, benefits from the innovation and agility of smaller firms, especially those pioneering new technologies.

However, many SMEs have said they find procurement processes overly complex, burdensome, and discouraging, often receiving little to no feedback after unsuccessful bids. Past efforts, like the unmet 33% SME spend target, failed to drive real change.

While direct SME spending rose to £3.52 billion in 2023-24¹⁶, the overall share of procurement going to SMEs has declined over the past five years¹⁷, highlighting the need for a different, more SME-focused approach to truly make the most of procurement opportunities for business and government alike. There are particular opportunity areas for SMEs, such as the defence market.

SME exporting opportunities

International trade empowers SMEs with global ambitions to reach new customers worldwide. In 2023 SMEs exported £107.9 billion worth of goods¹⁸ and they account for 25.6% of total UK exports¹⁹. Exporting firms grow faster, are more productive²⁰, and offer better jobs and wages²¹ than businesses with a domestic focus.

Overseas trade can also bring innovation through contact with new ideas, practices and standards, as well as build resilience by diversifying supply chains.²² While there is a clear appetite among SMEs to start or expand their overseas trade²³, just over 1 in 10 (11.5%) of SMEs export, compared to 40% of large businesses²⁴.

There are several barriers to trade, which exist along a spectrum. Barriers like tariffs, trade frictions, complex regulations, discriminatory practices and time-consuming paperwork hold back all firms. For SMEs with fewer resources or experience, challenges can also include navigating international customs processes, difficulties obtaining trusted market research and the costs of professional export support. This can make SMEs reluctant to enter new markets.

Government export support has a greater impact on small firms than the average impact on businesses of all sizes across turnover, value/volume of exports, and likelihood of survival²⁵. However, while existing export support provides a high-quality service to SMEs,²⁶ we know that many have found it too complex to navigate – with support spread across multiple initiatives, and without being as digitally accessible as it could be.

Case Study: Dulas

Dulas, a renewable energy technology company based in **Wales**, is playing a vital role in global health by supplying life-saving vaccine refrigerators to over 80 countries. With the support of **UK Export Finance (UKEF)** and **HSBC UK**, Dulas has been able to scale its operations and maintain consistent production to meet growing international demand.

In 2021, Dulas secured a **£600,000 finance package** through UKEF's **General Export Facility (GEF)**. This funding allowed the company to future-proof its manufacturing capabilities and ensure uninterrupted delivery of its solar-powered vaccine refrigeration units—critical for immunisation programmes in developing countries.

The partnership has since been renewed annually in 2023 and 2024. This ongoing support has enabled Dulas to expand its global reach, protect British manufacturing jobs, and reinforce the UK's leadership in health innovation and sustainable technology. Dulas's success demonstrates how strategic government-backed finance can empower UK exporters to make a global impact. By combining renewable energy with healthcare innovation, Dulas is not only advancing British industry but also helping to protect millions of lives worldwide.

Opening up export finance

Access to trade finance is vital for growing firms²⁷ looking to export, helping them manage upfront costs and protect against contract risks. Only a small proportion of current and former exporting SMEs have accessed financial support to help meet the costs of trade (10%)²⁸ but 46% in Q4 2024 do use general external finance to support their businesses²⁹.

Many exporters still rely on mainstream financial products, such as overdrafts, for their broader operational needs. While a wide range of public and private trade finance options exist, SMEs often struggle with the complexity and time demands of accessing them.

UK Export Finance (UKEF) supported over £575 million in SME exports in 2023–24, but its support is linked to banks' willingness to lend, especially to first-time exporters. Empowering UK lenders to make full use of UKEF's guarantee and expanding partnerships to include a wider range of lenders will improve the supply of lending to SMEs with exporting ambitions.

Free Trade Agreements and Market Access

As set out in our Trade Strategy, SME interests cut right across our international trade policy, whether in trade in goods or services. Removing barriers to trade and opening markets is also a proven catalyst for economic growth and increased exports.^{30,31}

Free Trade Agreements (FTAs) provide an opportunity to address the barriers that disproportionately affect SMEs. Dedicated SME chapters in FTAs, alongside SME provisions within policy-specific FTA chapters such as Procurement, Digital Trade, and Intellectual Property, can contribute towards economic growth by reducing barriers for SMEs.

However, we recognise that FTA negotiations can progress slowly and the trade agreements they create can be difficult for SMEs to navigate due to their length and complexity. Leaving the EU has extended barriers that previously existed only in relation to non-EU countries to the EU, and have been particularly difficult for SMEs who export primarily or solely to the EU.³²

In our Trade Strategy, we announced a shift towards prioritising negotiating more flexible trading arrangements rather than defaulting to negotiating FTAs. These can be delivered more quickly, swiftly unlocking potential benefits for our SMEs.

Digital trade opportunities

Trade digitalisation – the exchange of trade-related data, documents and electronic authorisations between parties in the trade supply chain – has transformative potential for the UK economy.³³

The International Chamber of Commerce (ICC) estimates that a complete transition to paperless trade could lead to an estimated 13% increase in SMEs' international business and 75% reduction in trade processing times.³⁴ The government's impact assessment of the Electronic Trade Documents Act 2023 estimated that it could deliver £1.1 billion to the UK economy over ten years.³⁵

However, despite the well-established benefits of trade digitalisation, many smaller firms have yet to adopt Electronic Trade Documents. Common barriers include limited awareness, concerns about upfront costs, challenges navigating international legal framework, and the lack of interoperability between digital trading platforms.

Related to this, digital commerce also represents huge opportunities for exporting SMEs. According to the OECD, UK digital trade exports have grown three times faster than other exports and now represent more than half of total exports, twice the OECD and EU averages.³⁶ However, many SMEs are yet to fully embrace digital commerce. Engaging 70,000 more SMEs in cross-border e-commerce could add £9.3 billion a year to national income (£9.3 billion GVA) and create 152,000 jobs.³⁷

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Working in Partnership

We want every small and medium-sized business owner to see and feel a difference as a result of the policies in this plan in every part of the country.

These businesses should feel like their day-to-day business operations and trading are quicker and easier as a result of our reforms to prompt payment and improvements to regulation and tax administration.

Instead of struggling to understand their finance options, or apply for a business loan, SMEs should be able to more readily access the finance they need to grow.

We want businesses operating on the high street to see places that are vibrant and thriving, with improved footfall, instead of ones that appear unsafe and unappealing.

Small businesses should feel skilled and empowered, as a result of schemes like Help to Grow: Management and our package of digital adoption support, to tackle whatever the future throws at them.

Lastly, these businesses should feel confident that they are supported to seize a world of opportunities abroad and at home, with a new Business Growth Service guiding them to the support and advice they need to grow.

By taking these actions, we can unlock the full potential of more SMEs to succeed. If we get this right, accelerating SME growth by just 1 percentage point a year could deliver £320 billion to the UK economy by 2030¹.

To ensure transparency and accountability, we have published an initial set of next steps (below), setting out some key milestones and deliverables from now through and beyond 2026. This includes the rollout of the Business Growth Service, legislative action on late payments, and further updates on procurement reforms and e-invoicing. We will publish a formal progress update in 2027, and continue to refine our approach based on data, feedback, and evolving business needs. In particular, through regular two-way engagement around the country, with both officials and ministers, we will ensure business voices are embedded into policymaking.

The government will continue to deliver for SMEs throughout this Parliament and beyond.

Next Steps

2025

- Business Growth Service showcase. Working with SMEs to deliver on late payments. SME digital adoption convenings. Home Office-led 'Safer Streets' campaign. Government response to Willow Review on SME decarbonisation. Co-design public procurement changes in partnership with SMEs. Industry-led Business Mentoring Council and new SME mentoring portal.
- SME Summit and Regional Events. Government response on e-invoicing and proposed next steps. UKEF's new lender partnerships onboarded to expand SME access to finance. International Trade Week and update on export support.
- Small Business and Business Growth Service Parliamentary Reception (September). Business Finance Week, led by the British Business Bank. Global Entrepreneurship Week (November). Small Business Saturday (December).
- Autumn Budget.

2026 and beyond

- Mid-Market Company Investment Summit. Business Growth Service update and new Growth Hub operating model. King's Awards for Enterprise 2026 winners announced and new Award launched. Continued rollout of British Business Bank programmes.
- Work with small businesses and their representatives on Late Payments legislation. Ongoing roll out of Business Growth Service and business support model. Strategy delivery update published (2027).
- FCA Roadmap on Open Finance (Spring 2026).

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ANNEXES (published on Gov.UK).

Full list of policy measures, with detailed descriptions

Evidence annex, providing an overview of the evidence around SMEs

Department for Business and Trade

The UK's Department for Business and Trade is an economic growth department. We ensure fair, competitive markets at home, secure access to new markets abroad and support businesses to invest, export and grow. Our priorities are the Industrial Strategy, Make Work Pay, the Trade Strategy and the Plan for Small Business.

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