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GROWTH ON HOLD

Powering Local Businesses: Reducing the cost burden on small businesses, and what government should do next

By Daniel Woolf, Head of Policy & Government Relations, Enterprise Nation.

Published in partnership with Square and EDF Small Business. September 2026.

POWERING LOCAL BUSINESSES

Foreword

More than three in four high street businesses we surveyed shelved a plan to grow this year. The money set aside for a new hire, new equipment or a push for customers went on bills instead.

We asked 526 small businesses across the UK about the costs they carry. They put VAT and wages top, with employer National Insurance, supply costs, business rates, energy and rent close behind. Relief on any one cost still leaves a small business paying the other six.

High street businesses carry the heaviest fixed costs. Over the past year that has meant shorter opening hours, fewer staff on the floor and less on the shelves. Three in ten thought about closing this year.

They asked for practical things. High street businesses wanted a lower VAT bill. Small businesses elsewhere wanted grants they can actually reach. Nearly all wanted expert help with their energy bills, and payment on time for work already done. Enterprise Nation supports over a million founders a year, and we know what good support does when it reaches people. Too often, it does not reach them.

Government has given itself real tools. Its own evaluation found its energy advice service pays for itself. It has new powers to fill empty shops, and the toughest late payment law in a generation.

This report asks government to finish the job, and shows how.

My thanks to Square and EDF Small Business for partnering with us on this work. Above all, my thanks to the small business owners who gave their time to tell us, plainly, what this year has cost them.

Polly Dhaliwal
Chief Operating Officer & Director of Government Affairs, Enterprise Nation

Square runs the payments for thousands of small businesses across the UK – from the tap at the counter, to the dashboard that tells an owner how the week is going, to the loan that funds a second site. Observing how money moves through a business is a reliable way of telling whether it is about to grow. But this report is about the growth that has stopped, and why.

69% of the owners surveyed had shelved a plan to expand to cover rising costs. The plans have not gone anywhere; what is missing is the room to act on them. And the reason is cumulative – when multiple expenses and financial demands increase simultaneously, no single measure can fully lighten the load.

On the high street the squeeze is sharper, and we hear about it constantly from the businesses we work with. 77% of high street owners had shelved a plan to grow, and the two lines they cut hardest were investment in the business and the staff and hires they had planned.

A queue out the door on Saturday, yet still no capacity to hire and still no funds to expand. "Busy but broke" is a reality for many restaurants, cafes, bakeries and bars on the high street today. These are not businesses in trouble; in fact, they are trading well – but what they can't find is anything left once rent, rates, bills and wages have taken their share.

Capital is the other constraint. Access to capital was named one of the biggest barriers to growth, with around half of small business loan applications rejected. A traditional credit file is a poor read on a coffee shop that lacks three years of trading history but has had strong weekly sales for many months. Square lends against what a business is actually selling, releases funds in days, and takes repayments out of daily sales, so a quiet week isn't a missed installment.

With focused support from Government to keep more money in these businesses to reinvest, a great deal of the growth described in this report could be unlocked. Our thanks to the business owners who told us what it takes to trade on the high street right now – and what growth they could unlock if the costs weighing on them were addressed.

Robert White
Executive Director and Head of Payment Partnerships, Square UK

Methodology

Enterprise Nation surveyed 526 UK small businesses from its community online between 26 May and 21 August 2026, in partnership with Square and EDF Small Business.

The survey asked about the costs small businesses face, how they manage energy, and their premises and rent. It also asked how customers pay them, how cash flow holds up, and the one change from government that would help most.

Respondents were 24% sole traders, 60% micro businesses with one to nine employees and 16% small and medium businesses with ten or more. Hospitality was the largest sector at 37%, followed by retail and e-commerce at 19%. Half traded on a high street, town centre or local parade.

Every finding is benchmarked against external evidence.

Executive summary

Enterprise Nation asked 526 small businesses across the UK about the costs they face and what would help. They told us this year's costs were paid with next year's growth.

VAT and wages led the pressure, with employer National Insurance, supply costs, business rates, energy and commercial rent close behind. Small businesses carry all seven costs at once, so relief on any one cost leaves them paying the rest. No single support measure will be sufficient to meet this challenge.

69% delayed or cancelled a plan to grow, half cut investment, and 27% considered closing altogether. Among businesses not confident about their cash flow, nearly half considered closing.

High street businesses paid the fixed costs others avoid and cut staff and hours hardest. They also asked for something different. Their first ask was a lower VAT bill. Small businesses elsewhere asked first for grants.

"When I look at our profit versus last year, the amount of volume that we've grown this year has basically all gone to paying extra costs," Gabriel Larraz, co-founder of Broken Eggs.

Government has not yet answered the VAT question. Small businesses told us what they would do with a hospitality cut. Most would use the saving to cover other rising costs or to invest, and far fewer would lower prices or hire. A cut on those terms would still help small businesses survive, and government should design it knowing that.

Small businesses are not receiving the support that already exists. Three in four were unaware of grants for energy efficiency, and only a quarter had ever had expert guidance on managing energy and financial health.

"As soon as you start to get somewhere, it's like there's something else you've got to pay for," Louise Miller-Chalk, founder of Miller & Chalk.

None of the six recommendations in this report asks government to start from scratch. Decide on hospitality VAT at the Budget on 28 October, and design any cut around what small businesses would do with it. Raise the Small Business Rate Relief thresholds, and pilot payments to landlords who re-let empty shops.

Pay the next round of cost support as flat grants through councils. Fund enforcement of the late payment law. Back more lending through non-bank lenders, and roll out the energy advice service across England.

VAT and wages led a cost burden that rose on several fronts at once, and growth paid the tab

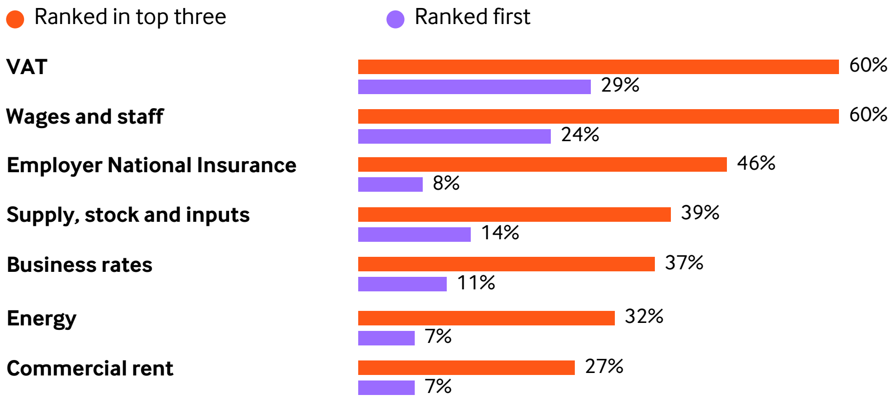
We asked small businesses to rank seven costs by the pressure each puts on their business today. We report two measures from that ranking. The first is how many businesses placed each cost in their top three. The second is how many ranked it their single heaviest cost.

Six in ten placed VAT in their top three, and six in ten placed wages and staff costs there. Employer National Insurance followed on 46%, supply and input costs on 39%, business rates on 37%, energy on 32% and commercial rent on 27%.

The single heaviest cost varied more from business to business. Asked which one cost weighed most, 29% chose VAT, 24% chose wages and 14% chose supply costs. 11% chose business rates, and employer National Insurance, rent and energy each took 7% to 8%. A shopkeeper who cuts their energy bill still faces the rates bill. A small business that gets relief on one cost still faces the rest. Relief aimed at one cost therefore keeps falling short.

Different types of small business ranked the costs differently. Sole traders put supply costs first, and 56% placed energy in their top three, more than any other group. Most sole traders work from home and sit below the VAT threshold, which explains the difference. Every other group ranked VAT top.

Two costs lead and five more follow



Powering Local Businesses survey, May to August 2026.

Growth paid the bill

69% said they had delayed or cancelled a growth plan, such as hiring, investing in new equipment or marketing, to cover rising costs.

Among micro businesses with one to nine employees the figure was 72% and among sole traders 53%. On the high street it was 77%.

Businesses with ten or more employees could be analysed for the first time in this survey. They were the most pressured group of all: 79% had delayed growth, 57% had raised prices significantly, 55% had cut customer-facing staff and 50% had paused planned hires. Seven in ten of these businesses were in hospitality, so these results reflect the sector as much as the size.

Over the last 12 months, 27% had considered closing altogether. On the high street it was 31%.

93% of small businesses said they spent more time managing overheads and energy contracts than a year before. 23% said the time spent had grown by at least a fifth.

Sage puts the average small business's loss to financial administration at two days a month [1]. Over a year that adds up to a working month.

The former City banker watching his profits evaporate on the high street

Gabriel Larraz left his senior associate role at a city investment bank four years ago with a dream to bring authentic, affordable Spanish cuisine to London. Today, that dream is being squeezed from every direction.

His restaurant, Broken Eggs in Fitzrovia, is thriving by most measures. The 30-seat neighbourhood spot has grown steadily, now employing 14 staff across six days a week. Reviews are excellent. Tables are full. Yet Larraz finds himself in an impossible position: all the growth he has worked for this year has been swallowed by rising costs.

> **"When I look at our profit versus last year, the amount of volume that we've grown this year has basically all gone to paying extra costs," he says. "It's just crazy."**

The pressures come from all sides. National minimum wage increases, higher employer National Insurance contributions, energy bills that have doubled, and suppliers passing on their own increased costs. Larraz's financial background means he saw it coming. He spent weeks before the last budget modelling scenarios, trying to understand the cumulative impact.

"It's not one thing that's changed," he explains. "It's not only the national minimum wage and the increase in raw material prices and business rates. It's also employment regulation changes, which could have an even bigger impact on hospitality than any other measure".

Energy represents another major expense. Larraz negotiated a fixed two-year contract 18 months ago, providing some protection against volatility, but he is now reviewing all operational expenses as that contract approaches renewal. "It's one of the biggest expenses we have," he says. "I need to look at what the options are, including energy brokers and hedging."

Broken Eggs was planning to open a second location at the beginning of the year but has had to postpone plans, but they are still actively looking and hope to secure a second property soon. "The incentive for taking the risk of opening a second is not what it was three years ago," Larraz said. "The only way we can is by waiting longer."

He worries the impact extends beyond his own business. "I can only imagine bigger businesses that were looking to open other restaurants are doing the same thing. It's slowing down the whole economy."

Perhaps most troubling is the effect on youth employment. Larraz says it is no longer financially viable to hire and train young people with no experience. "The cost of getting someone experienced to spend time training a young person, plus their wage that's gone up, it's just not worth it anymore. It's a shame because I love training young people and seeing how much they change. The opportunity you can have in hospitality is huge if you're a good performer."

He said there's a "double hit" effect that many overlook. He explained: "Your wage cost goes up, but all of your inputs go up as well because your suppliers also have people on payroll. Your supplier sends you an email saying the wine is now one pound a bottle more expensive, but people don't want to pay one pound a glass more."

What would help? "The only thing that would have the biggest impact would be VAT reform, getting it to 10% in line with European averages." Spain, where his family is from, operates a special 10% hospitality rate.

But even that, he fears, would be temporary. "If the pressures on national minimum wage contributions continue, it's going to be a momentary fix until everything else catches up."

What frustrates him most is the constant change. "The rules of the playing field keep changing all the time. Tell me these are the rules for the next ten years and I can plan my business. But the constant change is exhausting."

Despite the challenges, Larraz remains operational and profitable, a position of privilege, he acknowledges. But the wider picture troubles him. "Every week you get an email saying another restaurant has closed. These aren't small operators doing a terrible job. They're amazing neighbourhood restaurants. It's depressing."

Prices rose to cover costs

36% of respondents, and 45% of high street businesses, had raised prices significantly in the last 12 months to cover costs.

Government presented July's business rates cut and the value added tax (VAT) cut on household electricity as cost-of-living measures [2][3]. When small businesses raise prices to cover their costs, households pay for that too.

When employer National Insurance contributions rose in April 2025, the British Chambers of Commerce found 82% of businesses changed their plans, most often on recruitment and prices [4].

Ofgem reports that in the second half of 2024, electricity prices for medium-sized businesses in Great Britain ran 92% above the European Union (EU) median, the highest in Europe. The smallest businesses paid the most of all [5].

Of the small businesses we surveyed, 64% said the UK is a harder place to run a small business than its European neighbours. On energy, the numbers back them up.

Small businesses pay these costs all at once, and this report judges every measure against that fact.

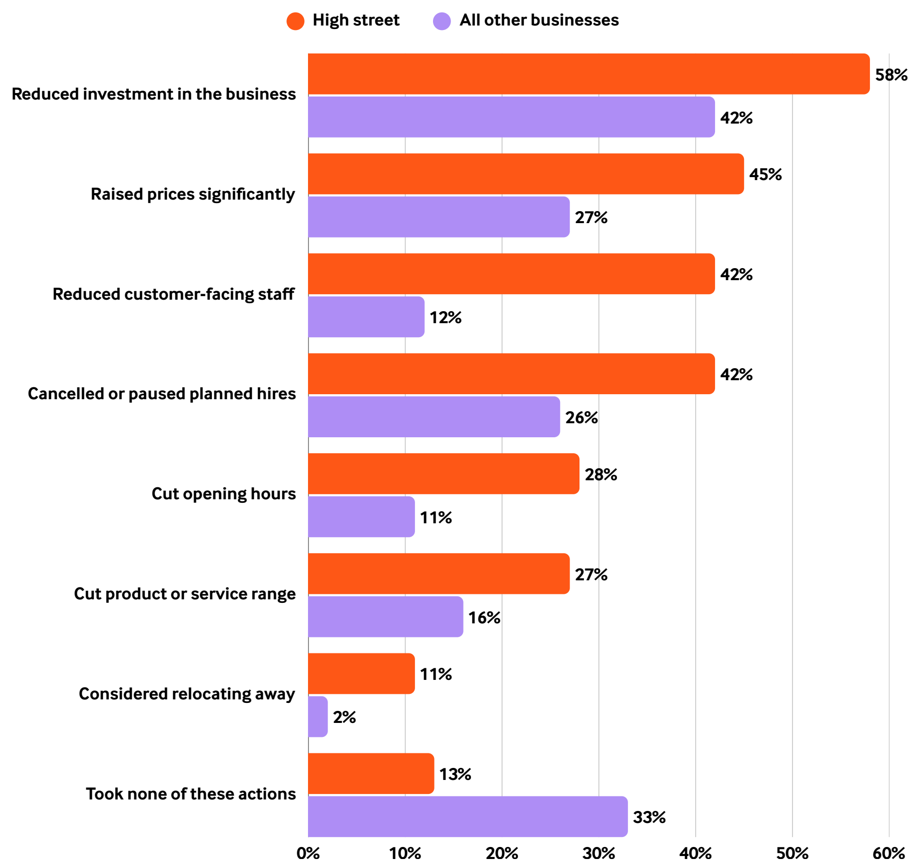
The damage is visible on the high street

What changed inside the shops

Anyone walking down a high street can see the empty units and shortened hours. Our survey found what rising costs did inside those small businesses over the last 12 months.

Among high street businesses, 58% had reduced investment, 42% had reduced customer-facing staff and 42% had paused planned hires. 28% had cut their opening hours, 27% had cut the range they sell and 11% had considered relocating away from the high street.

What high street decline looks like from inside



Powering Local Businesses survey, May to August 2026.

High street businesses pay more in rates and rent

High street businesses cut harder because they carry more fixed costs. Across the whole sample, 44% paid business rates. On the high street it was 67%, against 21% everywhere else. Payers scored the burden at 3.69 out of 5.

Of the small businesses paying commercial rent, 25% said it took more than a fifth of their monthly turnover, and 10% said more than 30%.

Empty units and how to fill them

Respondents also reported high vacancy nearby. Of the small businesses who answered about their local area, 41% put local vacancy between a tenth and a quarter, and 22% put it above a quarter.

Government's own guidance on its rental auction powers records around one in seven shops empty nationally [6].

A survey of 2,000 consumers in early 2026 found 96% want more independent shops on their high street. 95% said they would spend more if there were more of them [7].

Government already has one power that works. When Broxtowe council served the country's first rental auction notice, the landlord spent over £40,000 refurbishing the unit and a salon moved in before any auction was needed [8].

Property analysts have since found the threat of an auction alone is enough to move a landlord [9].

Respondents backed a second measure to sit alongside it. 69% of the small businesses we surveyed said incentives for landlords to re-let empty units at reduced rents would make a meaningful difference to local vitality.

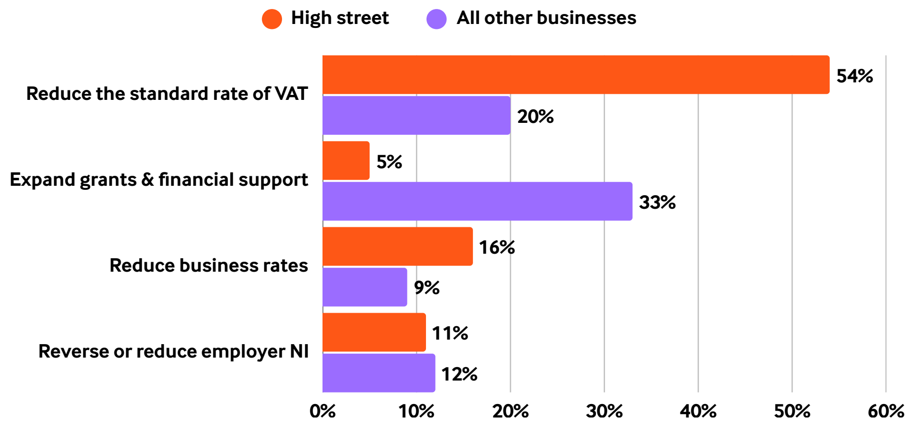
The Broxtowe auction notice produced one refurbishment and one new tenant. No one has tested whether a reward would fill units faster. The findings from this survey are a reason to run that test.

What high street businesses asked for

High street businesses ranked their policy priorities differently. 54% prioritised a cut in the standard rate of VAT, ahead of business rates on 16% and employer National Insurance on 11%. Away from the high street, grants were the top ask. Among high street businesses, only 5% chose grants.

High street businesses asked for a VAT cut because more of them pay VAT. 80% of high street respondents were VAT-registered above the threshold, against 39% elsewhere. 39% of high street businesses ranked VAT their single greatest pressure. For registered businesses the rate itself is what counts, and the threshold matters more to the businesses below it.

The ask divides at the high street



Powering Local Businesses survey, May to August 2026.

Four rates decisions have landed since January, and one is still to come. January brought 15% relief for pubs and live music venues, with bills frozen in real terms for two further years [2].

April 2026 brought permanently lower multipliers for retail, hospitality and leisure premises below £500,000 of rateable value, though operators warn many bills are still rising after revaluation [10].

The pledged cut for pubs, clubs and music venues arrived on 23 July: 20% off bills in England from April 2027. It reaches nearly 32,000 venues and saves the typical pub around £1,100 [2]. On 24 August the Treasury launched an independent review of how pub and hotel rateable values are set, reporting by March 2027 in time for the 2029 revaluation [11].

Each of those measures selects businesses by sector, and none starts from premises size. The April multipliers cover retail, hospitality and leisure premises of almost any size below £500,000 of rateable value, and restaurants, hotels and shops sit outside July's package.

Government has promised to return to Small Business Rate Relief at the Budget on 28 October [2]. The Prime Minister said in August that he would look at business rates more broadly for high street businesses [12]. At the Budget, government can make the next rates decision the first one defined by premises size.

High street entrepreneur navigates rising costs through creative collaboration

When Louise Miller-Chalk opened her first permanent shop on Towcester High Street in February 2026, she knew the margins would be tight. What she didn't anticipate was just how quickly the costs would mount.

The luxury homeware brand Miller & Chalk began life during lockdown in August 2020, selling handmade cushions, made-to-measure curtains and blinds online from Miller-Chalk's small Northamptonshire studio.

After two successful pop-ups in summer and winter 2025, she took the plunge on a permanent retail space.

> **"I made it work, but it was a lot of pressure," she admits. "The cost of everything, once I had the shop as a second property, I then had to start paying business rates on both. It was really hard."**

Running the shop alone while still making products proved unsustainable. So she decided to try a shop-share with Cécile Harris from gift shop The Slow Life, who moved into Miller & Chalk's second room in July.

"We just jointly came up with the idea of merging our shops," says Miller-Chalk. "She was looking for more space, and I needed help with costs."

The arrangement transformed the business model. By splitting rent, business rates and staff wages, Miller-Chalk could finally afford part-time shop assistants, including a local illustrator whose cards she now stocks. A third small business is moving into another room this month.

"You can't be a traditional shop anymore," Miller-Chalk reflects. "You need to think outside the box."

But just as the shop-share eases immediate pressures, a new challenge looms: the VAT threshold. By year's end, Miller-Chalk expects to cross the £90,000 mark, triggering 20% VAT on everything she sells.

"There's only so much you can ask for a product," she says.

"When you look at competitors, I can't put prices up by 20% – nobody's going to buy that. I'm going to put them up by a very small amount and absorb the rest. I will lose money per item."

Her strategy is to rush through the threshold quickly by increasing volume, expanding trade relationships with interior designers and adding more stockists across the country.

"As soon as you start to get somewhere, it's like something else you've got to pay for," she says.

"I've got to get past this VAT threshold as quick as I can because I'm going to be losing a little bit of profit on each product."

Miller-Chalk's experience mirrors a broader trend: entrepreneurs forced to innovate not just in products, but in cost management itself.

The shop-share model has worked so well that she's optimistic about the future, despite the VAT hurdle ahead. Long-term dreams include more shops in places like Stamford and the Cotswolds.

> **"It is a risk employing people, but it has to be done," she says. "You can have great days in the shop and rubbish days, but you still have to pay staff the same. That's just the reality of it."**

Support is not reaching small businesses, and energy is the clearest example

Energy price rises cut margins

54% rated their concern about renewing their energy contract at 4 or 5 out of 5.

45% said energy price rises had cut their net margins by at least a tenth over the last six months, and 7% said by half or more. Across those who could estimate it, the average hit was around 18%.

Worried businesses did not watch their usage more closely. Of those most concerned, 72% checked their consumption monthly at best and 17% never checked it.

29% did not track their consumption at all, and another 33% checked only monthly. 52% said they checked more often than before the price rises.

52% said they had a smart meter or automated meter reading, against 64% of smaller non-domestic sites nationally [13].

The small businesses least likely to have one trade away from the high street. 56% of high street businesses had one, against 47% elsewhere and 44% of sole traders.

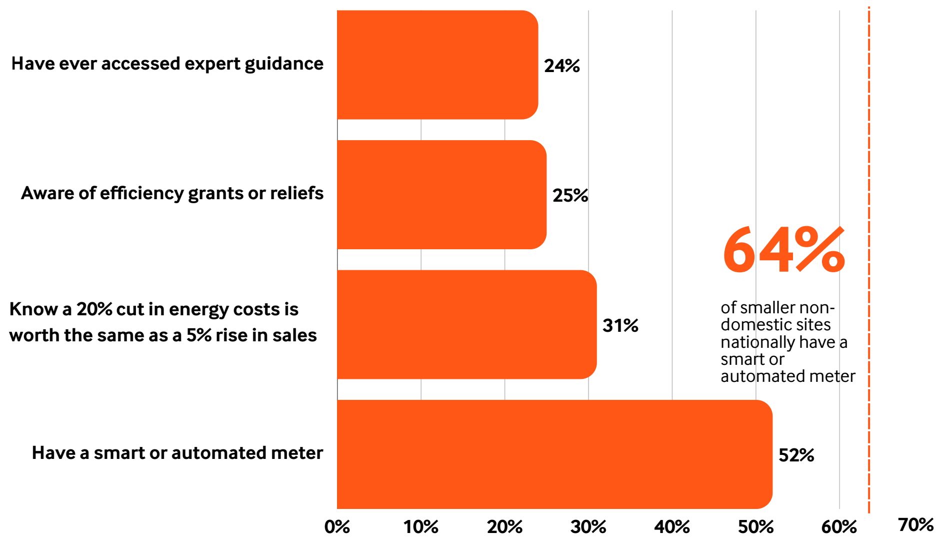
Most small businesses have never had help with energy

31% knew the Carbon Trust's rule of thumb: a 20% cut in energy costs is often worth as much to the bottom line as a 5% rise in sales [14].

25% said they knew of grants or reliefs for efficiency upgrades, and 24% said they had ever had expert guidance on managing energy and financial health.

That last figure covers more than energy. Whatever the cost, three-quarters of the businesses carrying it have never had expert help managing it.

The energy support gap



Powering Local Businesses survey, May to August 2026; Department for Energy Security and Net Zero (DESNZ), October 2025.

The new government moved on energy in its first week, taking VAT off household electricity bills from 1 October [3].

The cut is funded for this financial year only, so it ends on 31 March 2027 unless the Budget extends it [3].

Home-based small businesses gain. So do small businesses on a business tariff whose premises use little enough electricity to qualify for the reduced VAT rate, as long as they are not VAT-registered [3]. The limit is 1,000 kWh of electricity a month [15].

A shop or café using more than that pays the standard rate and gets nothing from the cut. Ofgem finds sole traders and micro businesses the most likely to struggle with their energy bills, though 70% of businesses told it they were keeping up without difficulty [5].

Government has already built a service that works

Government has already fixed this problem once, in one region, and its own evaluation found the service paid for itself [16]. The Business Energy Advice Service, a pilot in the West Midlands, gave small businesses a free energy audit and match-funded grants to act on it [16].

An assessor visited each business, reviewed how it used energy, and wrote a report of recommended measures with costed savings. The business could then apply for a grant meeting up to half the cost of installing them [16].

80% of the businesses that reported not knowing what measures were available said the audit removed that barrier. 54% of the businesses surveyed afterwards had implemented some of the recommendations [16].

The evaluation was honest about its limits. Savings are modelled from auditor estimates rather than measured consumption, audit methods varied between delivery partners, and 42% of the estimated savings rest on planned rather than completed work [16].

Each is a design lesson for a national version rather than a reason to stop.

Government has not yet decided on smart meters

Government has a second energy decision waiting, on metering. It has proposed making a smart or advanced meter the condition of new fixed-term business energy contracts from January 2027 [13].

A smart meter helps a small business directly. It shows the owner where the energy money goes, and it replaces estimated bills with actual bills, so the business pays only for the energy it used.

The consultation closed on 16 January 2026 and the decision is overdue. It now sits with the new Energy Secretary.

The support exists and has been proved to work. It is not reaching the businesses that need it, and that is the problem for government to solve.

How small businesses are paid shapes the help they asked for

How money comes in

Half of those surveyed were paid mostly by card in person, 23% mostly by bank transfer or invoice, 19% mostly by digital or contactless methods and 2% mostly in cash. On the high street, card payments dominated at 71%. Away from it, 41% were paid mostly by bank transfer or invoice.

Asked which methods best support day-to-day cash flow, 46% chose card payments in person, 29% bank transfer and invoicing and 27% digital payments.

A small business paid by invoice waits for its money. When a customer pays late, the business must cover its own bills while it waits. The businesses paid that way sit mostly in services away from the high street: 82% of business services respondents were paid mostly by invoice.

Late payment and scarce capital drain cash flow

Government puts the cost of late payment at almost £11bn a year, and counts 38 business closures every day among businesses waiting for money they have earned [17].

The research behind those figures finds 1.5 million businesses affected each year and £26bn owed at any one time. Each affected business spends 86 hours a year chasing payment [18].

The Commercial Payments Bill answers this. Three implementation choices remain, and Recommendation 4 sets them out.

Access to finance is the second cash flow problem. Asked their single biggest barrier to growth, respondents put access to capital level with energy and overhead costs, at 29% each.

Business services respondents faced a different problem. Winning new customers was the biggest barrier for 46% of them, against 19% across the sample.

The British Business Bank finds around half of smaller businesses use external finance, and 62% know where to find information on it [19].

The Centre for Finance, Innovation and Technology (CFIT) reports around 130,000 small businesses apply for bank loans each year. Roughly half are declined, and a further 130,000 are put off applying at all [20].

Square's own polling of 813 of its sellers found 70% had never applied for external finance, with cost, collateral and credit history the leading barriers [21].

What businesses would do with a VAT cut

Asked for the one change from government with the most positive impact, 37% of the small businesses we surveyed chose a cut in the standard rate of VAT. 19% chose expanding grants and financial support, 12% cutting business rates and 12% reversing the employer National Insurance rise.

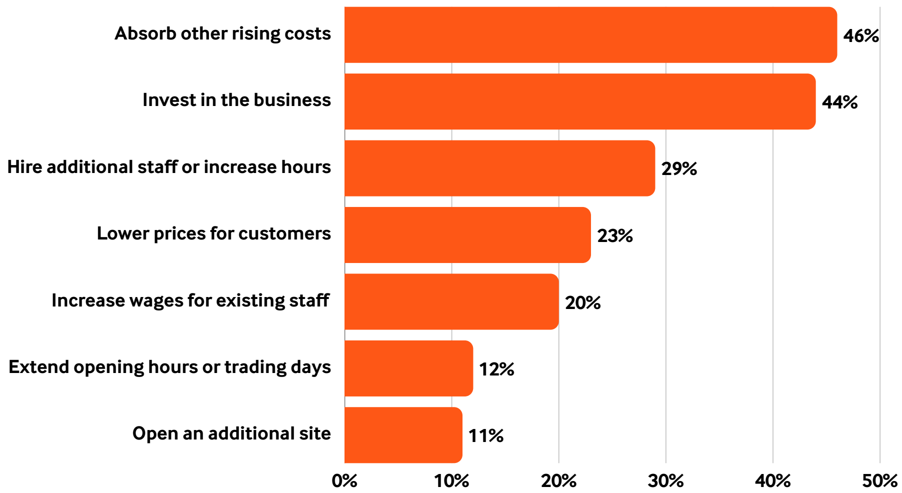
Grants stayed the top ask among the small businesses a VAT cut cannot help. A business that is not VAT-registered gains nothing from a lower VAT rate, and 32% of respondents were not registered, rising to 75% of sole traders. Away from the high street 33% chose grants, and among sole traders 40% did.

Our survey asked about VAT in two ways. The ranking and the top ask were about the standard rate, which every VAT-registered business charges. The decision government now faces is narrower: whether to cut the rate for hospitality alone. We therefore asked a separate question about what small businesses would do if government cut hospitality VAT.

Government should design any hospitality VAT cut around what small businesses said they would do with it. 46% would absorb other rising costs and 44% would invest in the business, while 29% would hire and 23% would lower prices.

A hospitality VAT cut would steady margins and fund investment. Lower prices or new jobs would come later, if at all. That outcome would still help small businesses, because a business that covers its costs stays open and keeps paying its staff. It is a different outcome from cheaper prices or new jobs, so government should say which outcome any cut is meant to buy and measure it against that aim [22].

What a hospitality VAT cut would buy



Base: 354 businesses. Respondents could select more than one option.
Powering Local Businesses survey, May to August 2026.

"We've worked hard to build a sustainable business"

Victoria Cozens built a successful independent coffee business with her husband Adam. Today, like many people across the business, she is taking on multiple roles as rising costs put increasing pressure on margins.

Ten years ago, Victoria and Adam started roasting coffee on a one-kilo roaster at the bottom of their East London garden. Perky Blenders sends their coffee by post and was one of the early UK online retailers of coffee by subscription. Today, their business, Perky Blenders, operates six coffee shops across Waltham Forest and in North London, alongside a wholesale roastery supplying coffee to small independents, coffee shops, hotels and offices, as well as running events for larger corporate clients.

But running a successful and established hospitality business no longer means what it once did. A combination of rising costs has made continued growth increasingly challenging and meant the business has had to reduce the size of its team.

"Two years ago, on paper, we looked like we were on a really good route to opening more stores," says Cozens, whose background is in IT. "We started that process and then the changes came in: Employers' National Insurance Contributions (ENI), energy price increases, related wage increases, and more recently the extraordinary increase in business rate costs, especially for hospitality."

The cumulative impact has been significant. ENI alone has risen by over £20,000 annually since 2024. "We've always tried to pay above minimum wage for our barista roles," she explains. "With the increases in costs across the business, especially ENI, it has been hard to support the people we care about the most."

One of the consequences has been reducing the back-office team. During COVID, Perky Blenders grew rapidly, particularly the roastery side of the business. The company employed specialists across marketing, customer service, website management and fulfilment.

"It was really lovely to have those individuals with their specific skills," Cozens says. "You're working as a team. Now we have a smaller team, people across the business, including me, have had to take on multiple roles and cover different areas. That brings additional pressure and means everyone has to be much more adaptable."

Cozens now covers areas including marketing, HR, customer service and website management alongside the wider team. When the website went down recently, she used AI to troubleshoot the problem faster than waiting for tech support in the US. "The resources out there to tap into technology are immense," she says. "But it still takes human input and time."

The challenges facing Perky Blenders reflect wider pressures on Britain's high streets. While independent cafés continue to open, established operators with multiple sites face an increasingly difficult balancing act.

"You can be an owner-operator and find ways to make it work," Cozens says. "But if you want to operate multiple sites, grow your business and employ more people, that has become so much more challenging."

She believes one policy change could ease the pressure: cutting VAT on hospitality from 20% to 10%. This is a campaign they have supported alongside Tom Kerridge #VATsTheProblem, and she encourages others to sign that petition too. "Paying VAT each quarter is increasingly difficult," Cozens says. "A reduction to 10% would give us some breathing space. It's not about putting more money into business owners' pockets.

> **"We have had to absorb rising costs within our own retail price rises, and this is not sustainable. A VAT reduction will help us to keep our retail pricing reasonable for our customers."**

She argues the focus on saving pubs, while welcome, misses a crucial point. "Cafés and coffee shops are community hubs too. Save the British pub, yes, but save the high street and the small independents too."

"We grew really successfully," she reflects. "We've worked hard to build a sustainable business, but the pressures facing hospitality today make it increasingly difficult. Independent businesses should be cherished, and anyone can help support us by choosing to visit our shops, or our online shop perkyblenders.com and enjoying our coffee at home or in their workplace."

Confidence about cash flow shows who is at risk

We also asked how small businesses would prefer to receive business support. 47% said face to face, with email on 33%, online portals on 23% and video calls on 17%.

We asked each business how confident it felt about its cash flow over the next 12 months. The answers divided the sample more sharply than size or sector did. Among the 36% not confident, 86% had delayed growth, against 50% of confident businesses. 62% had cut investment, 45% had paused hiring and 48% had considered closing, against 34%, 25% and 12%.

Government can use that confidence question to aim finance, advice and relief at the small businesses most likely to fail.

What government should do

Government has made a strong start on each of the problems this survey identified. These six recommendations build on it.

1. Decide on hospitality VAT at the Budget, and design any cut around what small businesses would do with it

What it is:
We propose government outlines its position on a reduced VAT rate for hospitality at the Budget on 28 October. If it cuts the rate, government should design the cut as help to stay open. Small businesses told this survey they would use the saving to cover other costs and to invest. The effect on prices, wages and hiring should be measured from the start.

The problem it solves:
VAT was the top-ranked pressure in this survey and the top ask, and 85% supported a reduced rate on hospitality food and drink. The Prime Minister backed a 10% rate before taking office, and the campaign for one has passed 300,000 signatures. The Treasury has said only that any cut must be fully funded [23][24].

How government should implement it:
First, decide, and say so on 28 October. Even a no, with reasons, lets small businesses plan.

Second, be candid about what a cut buys. Small businesses told us they would keep the saving, using it to steady margins and fund investment they had put off. Those are sensible uses of the money, and they differ from cutting menu prices or adding jobs. Government should state what the cut is for, and judge it against that purpose.

The UK ran this experiment in the pandemic. At its peak, only 20% to 50% of the temporary cut showed up in lower prices, and prices drifted back within two months [22].

If ministers want prices to decrease or employment to increase, the cut needs companion measures. HM Treasury should publish, within a year of any cut, an assessment of what the cut did to prices, wages and hiring.

Third, cover the small businesses a rate cut misses. 32% of respondents were not VAT-registered, rising to 75% of sole traders, and their top ask was grants. Recommendation 3 sets out how to reach them.

2. Raise the Small Business Rate Relief thresholds at the Budget, and pilot payments to landlords who re-let empty shops

What it is:
We propose a two-part package. Government should design the Small Business Rate Relief reform promised for the Budget, so it reaches the smallest high street premises. It should also pilot a payment to landlords who re-let long-empty units at reduced rents.

The problem it solves:
67% of high street businesses paid rates, against 21% elsewhere. Four rates decisions since January have all selected businesses by sector. No national scheme yet rewards a landlord for filling a unit at a rent a small business can pay.

How government should implement it:
HM Treasury and MHCLG should deliver the package. The Small Business Rate Relief reform is a decision for the Budget, and government has already promised to return to it on 28 October [2].

The proposal already in play would take more small premises out of business rates [23]. Today a business with a rateable value below £12,000 pays no rates, and partial relief runs up to £15,000. The proposal raises those two thresholds to £18,000 and £21,000.

Analysis by the property tax firm Ryan puts the cost to the exchequer at around £880m a year [25]. More than 140,000 small premises would stop paying business rates and keep that money instead. Extending the taper protects the small businesses just above the £18,000 threshold, which is where many small shops sit.

Our survey backs that design. 48% of high street respondents already received Small Business Rate Relief or a similar discount, so raising the threshold reaches the businesses closest to losing the relief they have. That matches what Enterprise Nation asked for at the spending review [26].

The landlord payment belongs in the High Streets Strategy, which government has promised to publish this year [27]. A strategy about empty shops should say who fills them and what they get for doing it. This pilot would give it a tested answer.

Government should fund the pilot from the £301m High Street Innovation Partnerships fund, which it has not yet allocated [28]. Councils should pay a landlord only when the landlord signs a lease with an independent business at below the market rent. If the unit falls empty again within a year, the council takes the money back.

The auction powers already move landlords, as Broxtowe showed [8]. No one has tested whether a payment fills units faster, so the pilot should sit beside the auctions and answer that question.

High streets start from different places, with city centre vacancy running from 7.4% in London to 19% in Newport [29]. The Strategy should let each place choose whether its share goes on filling units or on drawing people back to the street.

3. Pay the next round of cost support as flat grants through councils

What it is:
We propose a delivery rule that needs no new legislation and no new channel. Whenever government next funds direct cost support for small businesses, pay it as flat grants through councils using the business rates list. Registration should replace the application form.

The problem it solves:
Relief on any single tax helps only a minority, and a VAT rate cut cannot reach the 32% below the registration threshold. For those businesses grants remained the top ask, and the current offer is loans and guarantees [30].

How government should implement it:
Adopt the rule now, owned by MHCLG with HM Treasury. Councils distributed £22.6bn through 4.5 million pandemic grant payments, and the National Audit Office found the channel worked when eligibility was checked before payment [31].

The Republic of Ireland built this design on purpose, tying a €257m grant to the rates bill with registration instead of applications [32]. The money moved fast but only reached half the businesses it was built for [33]. Plan how small businesses will hear about a grant at the same time as the grant itself.

A grant tied to the business rates list can only reach businesses with premises on that list. Two-thirds of this sample have premises on the list, but only a quarter of sole traders do. Small businesses without premises would need to be paid through HMRC or the Business Growth Service instead, and government's main job there is telling them the support exists [34].

If the Budget creates room, government could fund one such grant straight away. The Valuation Office Agency holds the rates list, so it can cost a grant for the smallest rate-paying businesses within days. The grant would pay flat rates tiered by rateable value, as the Republic of Ireland did. Government has already named two funding sources for business rates support: reviewing reliefs on premises that add nothing to a high street, and tax compliance revenue from online marketplaces [2]. It has earmarked that revenue for improvements to the rates system, and this grant fits that purpose.

4. Fund enforcement of the late payment law, and name the businesses that break it

What it is:
We propose government backs the Commercial Payments Bill in full and settles three questions the Bill leaves open. Fund the enforcement properly, publish every business that is sanctioned, and state now what would trigger the promised move from 60 days to 45.

The problem it solves:
Away from the high street, 41% of the businesses we surveyed were paid mostly by bank transfer or invoice. Late payment costs the economy almost £11bn a year and closes 38 businesses every day [17].

How government should implement it:
The Bill caps payment terms at 60 days, sets statutory interest at 8% above base, and gives the Small Business Commissioner power to investigate, adjudicate and fine persistent offenders [35][36]. It completed its Lords committee stage on 21 July with its core provisions intact, and awaits report stage [37].

Government should give the Small Business Commissioner the budget to start investigations herself. She does not need to wait for a small business to complain. Large companies must already publish, twice a year, how quickly they pay their suppliers, so the worst payers are visible in public data. The Bill lets her investigate them on her own initiative [35].

Penalty revenue should fund that enforcement, so the worst payers pay for the policing of the rest.

Publish every sanction. France requires publication by law and inspected 766 businesses in 2023, issuing more than €58m in fines and pre-fines [38]. Japan's regime names violators [39]. The UK has already set the interest rate, and government still has to show it will enforce the cap.

When government consulted, it said it intended to move the cap from 60 days to 45 within five years [36]. It has not said what would trigger the move, so it should state the trigger now. Set a review two years after the Act takes effect, and cut the cap to 45 days if reported payment times have not fallen. The impact assessment suggests that move would bring around 350,000 more small businesses inside the cap as payers [40].

The move should wait, because many of the small businesses the Bill protects also pay their own suppliers on invoice. A stated trigger still works as a warning to the worst payers. The EU proposed a 30-day cap and its member states have blocked it [41]. A 60-day cap the UK enforces will do more than a 30-day cap the EU cannot pass.

The Department for Business, Innovation, Science and Trade (BIST) owns this work, through the Bill's remaining passage and the Small Business Commissioner's next funding settlement. Strengthening the law on late payments can add meaningful value to the bottom line for many small businesses immediately.

5. Back more small business lending through non-bank and community lenders

What it is:
We propose government helps more lenders lend to small businesses. It should put more of its Growth Guarantee Scheme through lenders other than the big banks. It should also open up the data that lets a lender judge a small business on its sales record.

The problem it solves:
Access to capital was the joint-biggest barrier to growth in this survey, at 29%, and no tax cut can fix it. Around 130,000 small businesses apply for bank loans each year, roughly half are declined, and another 130,000 are put off applying at all [20].

Square's polling of 813 of its sellers found 70% had never applied for external finance, with cost, collateral and credit history the leading barriers [21].

How government should implement it:
The British Business Bank should set and publish a rising share of Growth Guarantee lending that goes through non-bank, community and fintech lenders [19][30]. Those lenders already lend to many of the small businesses the big banks turn down.

Government should take forward CFIT's recommendations on data sharing, so a lender can assess a small business on its trading record rather than its collateral [20]. A card-taking business generates that record every day.

Strengthen the bank referral scheme, so a business turned down by one lender is offered a route to others [20]. Promote it through the Business Growth Service, face to face and online, the channels small businesses told us they use.

6. Roll out the West Midlands Business Energy Advice Service across England

What it is:
We propose a national energy audit and grant service for small businesses. It scales the West Midlands Business Energy Advice Service government built and evaluated, delivered through the Business Growth Service.

The problem it solves:
Energy price rises cut margins by at least a tenth for 45% of the small businesses we surveyed. Only 25% knew that grants or reliefs exist, and only 24% had ever had expert help. A small business looking to government for energy help today finds a website, the UK Business Climate Hub, and a £2m efficiency fund through the Made Smarter Adoption Programme [42].

How government should implement it:
Fund a national rollout through the Business Growth Service at the Budget, run jointly by DESNZ and BIST. The pilot cost £40.0m for 2,178 audits and returned £46.9m in modelled benefits [16].

Start with a costed design phase that fixes what the pilot got wrong. Require participating businesses to return meter data, so savings are measured rather than modelled. Hold auditors to a single accredited standard, and aim grants at the smallest businesses for the measures that pay back in three to four years [16].

Ireland and Scotland already run this model as permanent national services, with the audit free and finance attached [43][44]. That is the shape an English service should take.

Alongside the rollout, DESNZ should confirm the smart meter rule it consulted on [13]. The proposed rule starts in January 2027. From then, an energy supplier could only sign a business onto a new fixed-term contract if the business has, or agrees to have, a smart or advanced meter. We want DESNZ to confirm that rule and set the start date.

Energy suppliers have asked for twelve months between the decision and the start date, and they should have it [45]. Waiting longer to decide helps no one, because small businesses cannot plan around a rule government has not confirmed.

Conclusion

Small businesses covered this year's costs with next year's growth. Plans to hire and invest waited, and on parts of the high street owners pondered whether to stay open at all.

None of this asks government to start from scratch. It has run and evaluated an energy advice service that works, and it holds new powers that have already filled their first empty shop.

Parliament is passing the strongest late payment law in a generation. Government has promised a decision on small business rates at the Budget, and a High Streets Strategy this year. It has not yet said whether it will cut hospitality VAT, and this survey shows what a cut would do.

Government has two chances this year to act on this evidence.

At the Budget on 28 October, government should decide on hospitality VAT and raise the Small Business Rate Relief thresholds. It should also fund a grants channel through councils and back more lending through non-bank lenders.

In the High Streets Strategy, government should pilot the landlord payment and set out how empty units get filled. It should also commit to rolling out the energy advice service across England through the Business Growth Service.

The respondents to this survey have said what a hard year looks like from the inside. The coming months offer opportunities for the Government to ensure that 2027 will be a better year for the UK's small business community.

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