

Will Government SME Policy Help Tourism Businesses?

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As I was saying before I was rudely interrupted*...

**On 1st April 2019:*

- **Theresa May** was Prime Minister (she announced resignation in May)
- **Political and economic uncertainty** dominated, **Brexit Deal** not agreed, **Meaningful Votes** led the news
- **Thomas Cook** was still going
- **Game of Thrones** final season was about to start
- **Pitch at Palace** was in full swing... (Emily Maitlis interview in November)
- **AI and Tik Tok** were unknown / **Skype** was the 6th most-downloaded app of the decade
- There was an exciting new '**Energy Price Cap**' – avg bills were c£1k pa (now almost £2k)
- **Four more PMs** would follow... **Seven Culture Secretaries**... (too scared to count tourism ministers...)
- No one had a clue what '**COVID**', '**social distancing**', '**lockdown**', '**furlough**' or '**lateral flow**' meant (<12 months from empty international skies/seas; domestic tourism -> a policed "daily walk")

- *But hey - at least we're not still talking about UK/EU relations... and we've got great economic growth... and a quiet stable domestic politics... and no Trump in the White House...*

Today I'll cover...

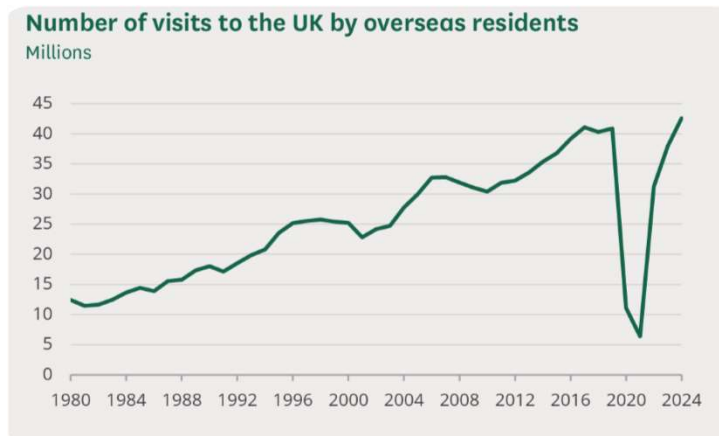
1. The **importance** - of tourism to UK economy (and small business to tourism)
2. Our **evidence** - FSB tourism, hospitality and high streets research
3. The **opportunities** and **threats** – policy areas and tactics:
 - Small Business Plan – stopping late payments
 - Employment Rights Bill – impact on jobs, growth, regulation
 - Autumn Budget
 - Some suggestions to help

1. Importance

- 42.6 million overseas visits to the UK, spending £32.5bn in GB
- 1.2 billion day trips and 117 million overnight trips spending £83.2 billion in GB
- £58bn direct economic value, £145.8bn indirect (1.6 million direct jobs, 3.9 million indirect)

- 328,000 UK tourism businesses (6.6%)
- 76% are 'micro-businesses' (0.34% are large)

- BUT economy is weak – 2026 GDP forecast +0.9%
- Consumer spend forecast only up +1% (cost of living/inflation)
- 3% visits growth forecast (losing hard-won market share vs W.Europe 5%, and vs global 8%)
- Plus poor price competitiveness AND demand stimulation £ cut to GREAT/VisitBritain



2. Evidence

FSB tourism, hospitality and high street research

FSB, *A Menu for Recovery*, June 2021:

- 67% of small hospitality businesses who receive Small Business Rates Relief say they would not survive without it
- 24% of small manufacturing businesses supply to businesses in the hospitality and tourism sector.
- 63% of small hospitality businesses feel concerned about the decline of their local high street

FSB, *The Future of the High Street*, August 2024

- High street small businesses see the biggest opportunities for their local high street as:
 - Introduction of **new local businesses and services** (49%)
 - Establishment of **new tourist attractions or cultural events** (45%)
- 57% of high street small businesses say a diverse range of independent businesses is one of the most important factors for the long-term sustainability/ future of their high street



Latest evidence

FSB Small Business Index

Q3 2025 data for hospitality businesses

Headline figure from SBI (How do you view business prospects over the next three months, compared with the previous three months?):

- Negative 38% for small businesses on average (15% improving vs 53% getting worse)
- Negative 59% for small businesses in accommodation and food services (4% improving/63% getting worse)

What are the growth expectations for your business over the next 12 months?

- 18% said to grow and 30% said contract/sell/shut (-12%), this is the lowest score we've had since starting this survey in 2014
- In accommodation and food services: 8% said to grow and 42% said contract/sell/shut (-34%)

Latest evidence

FSB Small Business Index

Q3 2025 data for hospitality businesses

Operating Costs: What has been the overall change in the cost of running your business over the past three months, compared with the same period last year?

- All small businesses: 86% say costs have increased, 25% say costs have increased significantly (ie more than 10%)
- In accommodation and food services: 93% say costs have increased, 41% say costs have increased significantly

Main causes of cost increases:

- Labour costs
- Tax
- Input costs (materials, equipment, overheads)
- Utilities

3. Opportunities and threats:

Small Business Plan – stopping late payments

- Small Business Plan and major consultation on **audit committees** scrutinizing large companies on payment practices (**60 days; automatic interest**)
- Collaborated on launch in Swindon in July with **No.10/PM**
- Government must follow through with **primary legislation** in the next King's Speech in May 2026 - toughest late payments regime in the G7

The problem:

- In the 3 months from July to September: **68% of small businesses experienced late payments** – tourism biz's in here (where income is from large firms or public, as opposed to visitors)
- Based upon a structural **imbalance of power** – UK is among the worst
- Small businesses facing late payment are twice as likely to have needed to **apply for credit** than those who didn't (not finance for expansion, but to survive)
- Government estimates: businesses spend an average of **86 hours** per year chasing late payments, costing the economy **£11bn** per year and closing down **38 businesses** each day

Opportunities and **threats**:

Employment Rights Bill – hitting jobs

- Survey from last year demonstrates the depth of **small business concern** – 92% are worried – particularly stark for hospitality. 28 major measures
- Implementation will **deter businesses from hiring and from growing** – 67% will reduce recruitment; 32% will cut headcount. Employment becomes more expensive, and riskier (small business owners fear being sued/don't have HR Departments/tribunals have 2 years backlog).
- Undermines **inactivity plans** / inflates the benefits bill / prevents SME providing jobs in local communities
- In October 2025, [government published a survey on business regulation](#): 64% of small businesses say employment law is already **the most challenging regulation** to comply with (vs 58% including large employers). Equal to health and safety compliance.
- **Unfair Dismissal Day 1** moved to the back of the queue as most difficult – not before 2027; **SSP** is April 2026
- Reassurance message from Govt is unconvincing – “**we can sort it out in secondary**” re 9-month light-touch redundancy period. This is a tactic to pass the Bill.
- FSB upgrading our services to help those worried – **free 24/7 helpline** is now getting record call levels
- B5 collated concerns and wrote together (rare); **13 Business groups** successfully pushed UFD amendment

Employment Rights Bill - Which of the following measures, if any, are you concerned about as an employer? (FSB survey, November 2024)

Measure in Employment Rights Bill	Small business employers	Hospitality small employers
Right for employees not to be unfairly dismissed from day one	75%	73%
SSP being payable from the first day of absence	74%	91%
Workers to have a right to a guaranteed-hours contract for those who work regular hours over a 12-week reference period	28%	59%
Workers on zero and low contract hours contracts to be given ' reasonable notice ' of changes in shifts or working time	14%	40%
Workers on zero and low contract hours contracts to be given compensation for shifts cancelled or curtailed at short notice	21%	55%
The number of changes being proposed to employment law	65%	70%
None of the above	7%	0%

Employment Rights Bill - What would your likely response be? (FSB survey, November 2024)

Likely response	Small business employers	Hospitality small employers
Recruit fewer staff	67%	73%
Reduce number of employees before measures are introduced	32%	60%
Cancel / scale down plans for investing in/expanding the business	56%	64%
Reduce other aspects of rewards / benefit package (e.g. health insurance, gym pass, etc.)	33%	36%
Automate jobs to reduce staff headcount	24%	23%
None of the above – not likely to change current employment / recruitment plans	9%	7%

Opportunities and threats:

Budget Topline

- **Cut spend** (and improve spend to get better value – small business procurement targets for each Dept)
- **Don't target tax rises on small business/self-employed** – broad-based; protect/shelter (but recognise there will be other narrow areas)
- **Intervene on behalf of the smallest** – disproportionately/more easily get widespread growth, and local jobs
- **Need Treasury** to make rest of Government Departments grasp importance of small biz and work for them (beyond warm words)

Opportunities and threats:

Budget Measures

1. Labour Market Costs – **Employment Allowance**, **SSP Rebate**, paid **placements** (jointly announced @ conference)
2. **Business Rates rebalance** from big to small (40% RHL/SBRR/multipliers); shared spaces; childcare
3. **VAT threshold** up
4. **Energy Bills** fixed costs
5. **New Traders Allowance** to turn inactivity -> self-employed small biz (5.5m -> 6 million); **side-hustle** tax allowance increase
6. Broaden statutory tax-deductibility of **training**
7. HMRC to be given a **growth mission** (future funding dependency)
8. **Export growth grants** a la Australia and Canada
9. **Apprenticeship SME incentive** and non-levy payer protection
10. **Entrepreneurs' Relief** (BAD) reduction phasing
11. **IHT family/agricultural** threshold up
12. Review case for **VAT-free international shopping**

Opportunities and threats:

Suggested areas/tactics to help

- **Late payments**/Small Business Bill – May 2026
- **25% regulatory costs cut** – provides moment to press every Government Department and Minister; and every Agency (eg Companies House). Similarly - **Procurement** spend across each Department
- Access to **finance** – Personal Guarantees
- **Employment Bill**/plans could lead to reassurance/easing
- National Visitor Economy Strategy (-> **King's Speech 2026 - Tourism Bill?**)
- **Visitor Levies** – six stopped or paused in Scotland
- Lay ground for **future Budgets/Spending Reviews/King's Speeches** – this is a long game
- **Reshuffle** - new Ministers, not appointed as shadows/manifesto, need to define their top 3 legacies
- **Agenda venn diagram** – What do you want that this **Labour Government/your new Minister** also want?
- **What can you 'offer'** within a trusted relationship you've built? (Shouting is tempting but gets nowhere [ultimatums/exasperation/'they just don't get it'])
- Not just Westminster! **Mayors** still aren't engaged with well enough; **Wales** and **England locals**
- Can you use the **2026 political landscape** – they'll be thinking about it (be sensitive re other parties)

For support
For protection
For business

Thank you

fsb⁸