



STREETS AHEAD

HOW SMALL BUSINESSES ARE
SAVING THE HIGH STREET

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WHO WE ARE

The Federation of Small Businesses (FSB) is the UK's leading business organisation. Established over 40 years ago to help our members succeed in business, we are a non-profit making and non-party political organisation that's led by our members, for our members. Our mission is to help smaller businesses achieve their ambitions. As experts in business, we offer our members a wide range of vital business services, including legal advice, financial expertise, access to finance, support, and a powerful voice in government.

FSB is the UK's leading business campaigner, focused on delivering change which supports smaller businesses to grow and succeed. Our lobbying arm starts with the work of our team in Westminster, which focuses on UK and English policy issues. Further to this, our expert teams in Glasgow, Cardiff and Belfast work with governments, elected members and decision-makers in Scotland, Wales and Northern Ireland.

STREETS AHEAD

HOW SMALL BUSINESSES ARE SAVING THE HIGH STREET

What would make the biggest difference to small businesses on the high street?



74% of small businesses on the high street have seen bank branches close

How do you feel about your local high street?



	Urban small business	Rural small business
Net positive	35%	50%
Net negative	75%	64%

Most common small business payment methods on the high street



37%
Chip and pin



25%
Cash



17%
Bank transfer

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FOREWORD

Small businesses are at the heart of the transformation of high streets. Changes in consumer behaviour as well as seismic technological shifts mean that high streets across the UK are rapidly changing. And small businesses are at the very heart of this transformation. Yes, well known household brands such as BHS and Mothercare have closed, but barbers, nail salons, and independently run gyms have flourished. Independents, many of whom are smaller businesses, are leading the way in capitalising on new and exciting opportunities on the high street through a combination of clever utilisation of mixed business models, with some branching into offering new services and experiences and increasingly using online methods to engage with customers.

Many more small businesses have the potential to do this with the right support. Our research shows many small businesses on the high street want to contribute to the leadership of their local high street and setting its future direction. Put simply, they want to be part of the solution. Capturing this insight from those on the ground is critical, if we are to find creative ways of resolving the challenges facing high streets across the country.

However, the value of high streets cannot be understood solely through the prism of retail economics. High streets are at the heart of our local communities. They and the small businesses that reside on them are often a touch point for some of the most vulnerable groups in our society, as well as providing employment opportunities for a plethora of labour market disadvantaged groups.

There is no one silver bullet that can overcome the challenges facing the high street. Each high street is unique. They each embody a unique local ecosystem – influenced just as much by local government policy on parking and potholes as by national government policy on planning and taxation. The right economic and regulatory environment for each local area must be created. It is only when actors from across all levels come together in a coordinated effort that real progress can be made.

The Government clearly recognises that high streets need urgent help. Over the course of the last few years we have seen substantial funding made available through the Stronger Towns Fund and the Future High Streets Fund. There has also been some important progress on tackling business rates, with the current government delivering on the commitment to increase the ‘Retail Discount’ from 33% to 50% from April 2020. However, given the scale of the challenges faced by the high street more needs to be done – particularly in relation to reducing the burden of business rates on small businesses and removing planning constraints that stifle the creation of innovative mixed business models by small businesses. Just as importantly we believe every local authority in England should create and implement a High Streets Strategy containing interventions that can be delivered locally.

With the right support at the local and national level, small businesses can be at the vanguard of the transformation of our high streets. Now is the time to act to make this happen.



Michael Weedon
FSB Retail Policy Chair

EXECUTIVE SUMMARY

High streets are hard to miss. Virtually every town, most villages, and all cities have at least one or more high streets. Some, particularly in rural areas, may comprise of just a small handful of shops and services, whereas others extend for kilometres. The longest high street in Britain is 2,983m located in Southend-on-Sea¹. High streets are also vitally important for small businesses, with just over one third (34%) of small businesses located on or next to the high street.

The scope of this report includes proposals that are UK wide and proposals for both the UK Government and local authorities in England.

Generally, a high street can be thought of as the main shopping area of a village, town or city, where a concentration of shops, banks and other services can be found. For the purposes of this report, we have allowed our members to self-identify high streets, as enforcing a strict identification could unduly discount candidates and misrepresent the highly varied nature of high streets across the UK. We have also grouped together those businesses identifying as being on the high street with those adjacent to the high street. This is because although a small business may not be on the primary high street, secondary high streets are strongly dependent on the same factors for success.

This research report draws upon the insights of FSB members across the UK and includes empirical quantitative analysis based on survey results and qualitative analysis based on semi-structured interviews including with FSB members.

This report is divided into seven sections. The first section explores small businesses perceptions of their high street as well as looking at the variety of business models of small businesses on the high streets and their contribution to employment. Later in the report we focus on the importance of local small businesses taking an active role in determining the shape and future of their high street, and how they can work with local authorities in England to tackle the issues that have the most significant impact on their areas. These issues can range from parking through to potholes.

These challenges need to be considered within the wider context of how to ‘level-up’ our high streets and make them more environmentally sustainable. Finally, we move on to ‘bread and butter’ issues related to taxation, access to cash and external finance. This includes focusing on business rates, banking and the importance of cash to small businesses on our high streets. This report sets out a series of recommendations for national policy makers and local authorities in England to consider.

The recommendations in this report fall into two categories, the first of which is what we want to see in a High Streets Strategy. We believe every local authority in England should create and implement a High Streets Strategy containing interventions that can be delivered locally. The second category comprises of interventions which we want to see delivered by the UK Government.

¹ <https://www.ordnancesurvey.co.uk/blog/2019/06/os-and-ons-release-report-on-the-geography-of-britains-high-streets/>

KEY FINDINGS

Small businesses perceptions of their high streets

- Small businesses in rural areas have a greater proportion of small businesses which are positive about their high street (50%) than those small businesses in urban locations (35%).
- Yorkshire, Humber and the North East regions have the largest proportion of small businesses who are negative towards the high street (75%), with, London and the South West the most positive (56%).
- At a national level, England has the largest proportion of small businesses who are positive about the state of their high streets (42%), with Wales having the largest proportion of small businesses who have a negative perception (81%).

Small business models on the high street

- 38 per cent of all small businesses sell only or mainly goods, with this rising to 52 per cent for small businesses on the high street.
- 52 per cent of all small businesses sell only or mainly services, with this falling to 36 per cent for small businesses on the high street.
- 17 per cent of all small businesses mainly sell goods, but also sell some services. This rises to 25 per cent for those small businesses which are on the high street.
- 84 per cent of small businesses on the high street engage customers online, as well as through their physical premises.

Contribution of small businesses to employment

- Over two thirds (68%) of small businesses on the high street employ up to nine people (micro businesses).
- 17 per cent of small businesses on the high street employ between 10-49 staff (small businesses).
- Two per cent of small businesses on the high street employ 50- 249 staff (mid-sized businesses).

Empty properties

- 40 per cent of all small businesses state that making vacant units available for rent was one of the biggest changes that should be made to help their high street.
- 26 per cent of all small businesses say more flexibility in planning rules would help to bolster their high street.

Small businesses and their local communities

- 30 per cent of small businesses on the high street feel they form part of the local leadership of their high street, with 17 per cent considering they are not currently part of the local leadership but hoping that they would be so in the future.
- Of those smaller businesses that identify as being engaged in the local leadership of their high street, the most common method of involvement is via their local authority (45%).

Parking

- 70 per cent of small businesses on the high street say that enhancing parking availability would make one of the biggest differences to their high street.

Taxation for small businesses on the high street

- If business rates relief were to be removed, 67 per cent of small businesses on the high street which are currently in receipt of these reliefs, would close down their premises, or reduce the hours worked by their staff.
- Over half (54%) of small businesses on the high street say they would not survive were it not for the reliefs. This proportion rises steeply to 74 per cent for applicable small businesses in Scotland.
- 28 per cent of small businesses on the high street, currently in receipt of reliefs, would commit to capital investment in their business (equipment, training, stock) if the level of the reliefs were to be increased.
- 17 per cent of small businesses in receipt of reliefs on the high street say they would expand their business if the level of relief were to be increased.
- 42 per cent of small businesses on the high street do not understand their business rates bill.
- Of those smaller businesses that have queried their bill, the most common method for doing this is via a local authority (57%).

Relationship between small businesses and banks on the high street

- 74 per cent of small businesses on the high street have seen bank branch closures on their high street.
- 43 per cent of small businesses on the high street value the face-to-face relationship they have (or had) with their local bank.
- 59 per cent of small businesses on the high street require a local bank to make regular cash deposits.

Use of cash by small businesses on the high street

- The most commonly used method of taking payment for small businesses on the high street is cards, with cash the second most common.
- Bank transfer is the most common method of payment for all small businesses, irrespective of location.

RECOMMENDATIONS

High Street Strategy (England Only - Local Authority recommendations)

- Each local authority in England should develop a strategy for how to bolster the economically active populations of high streets, considering immediate surrounding residential areas, as well as local offices, services and other concentrations of economically active populations.

Property and planning

- Local authorities should put together renewal plans for the largest retail and commercial spaces on their high street, so that if these properties were to suddenly become vacant, a plan already exists to make the space available to smaller businesses should no obvious alternative be forthcoming.
- A list of empty commercial properties should be regularly published and updated by local authorities. This should be complemented with initiatives to bring long-term empty commercial units back into use.
- Local authorities and community groups should be able to access pots of funding to bring long term empty units into use, which may involve converting them into new uses.

Working with local businesses

- Local authorities should establish strong networks and relationships between themselves and small businesses on the high street.

Smart Parking and infrastructure

- Local authorities should encourage a ‘greener’ high street by working to improve traffic flows and encourage zero or low emission transport methods.
- Local authorities must make it easy for people to park by embracing new technologies, such as digital payments and accounts, while maintaining accessibility.
- Local authorities should directly reinvest any profit generated by parking activity back into the local economy, and do this in consultation with local businesses.
- Local authorities should trial schemes designed to encourage customers to shop in small businesses on their high streets by giving parking discounts to those which do.

Connectivity and Banking

- Local authorities should review the connectivity of the high street with the goal of helping small businesses make the most of online opportunities including through the use of social media.
- Local authorities should assess the availability of cash and banking services for small businesses on the high street. They should consider introducing discretionary reliefs, cash depositing services and other mechanisms to ensure that small businesses and consumers can continue to access and use cash.

UK Government recommendations

Jobs

- The UK government should use the upcoming Budget to uprate the Employment Allowance from £3,000 to at least £4,000 per annum, to help smaller businesses mitigate some of the rising costs of employment.
- The UK government should undertake a review to identify planning and regulatory barriers to innovation on the high street in England.

Parking & Roads (England only)

- The secondary legislation required to ensure that progress can be made following the passage of two important pieces of primary legislation on parking must be made.
- More funding must be made available from central government for local authorities to improve traffic flows into and around the high street.

Taxation (England only)

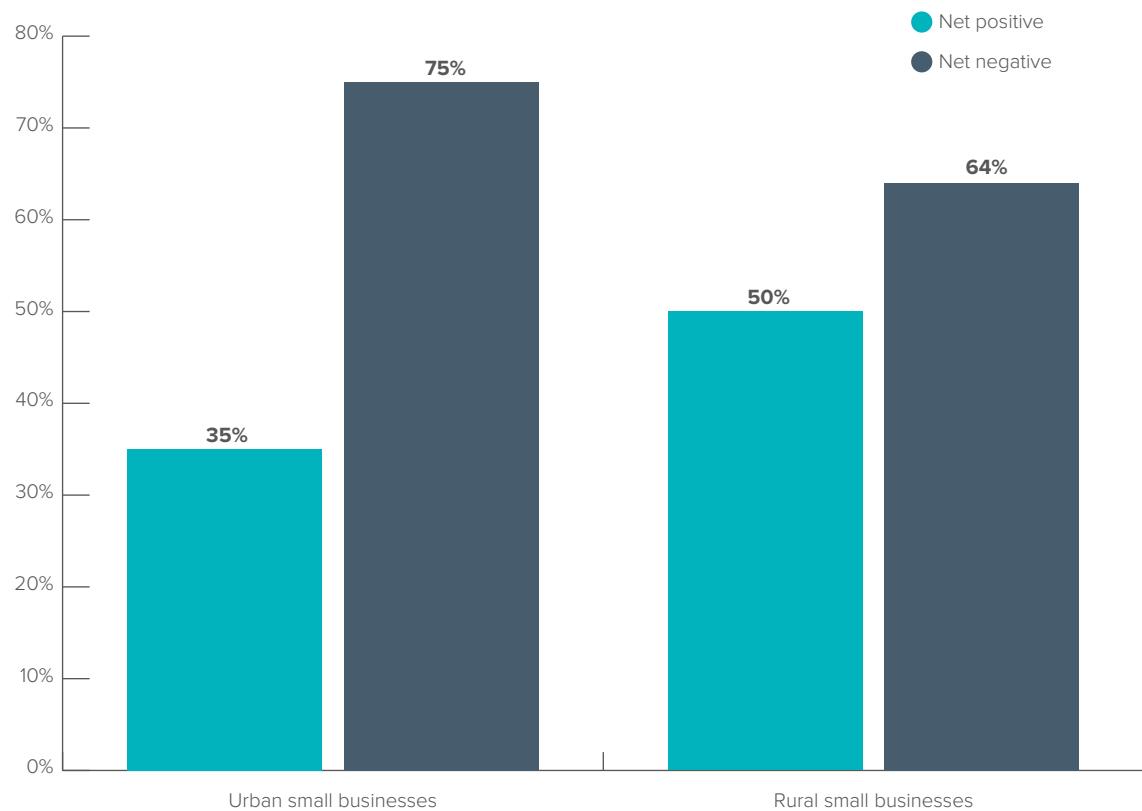
- Extend the ‘Retail Discount’² relief in England until the promised review of business rates is completed, and recommendations for reform implemented.
- Expand the scope of the ‘Retail Discount’ in England to better reflect the diverse nature of small businesses on the high street. This could result for example, in the inclusion of gyms. The ‘Retail Discount’ should be made as simple as possible for local authorities to implement.
- The promised review on business rates, as prefaced in the Conservative Party manifesto of 2019, should have a clear objective of reducing the overall burden of business rates on small businesses.
- Discourse surrounding taxation should clearly delineate between business rates and a tax aimed at online businesses.
- Remove the rateable value ceiling of £2,899 on second properties in England.
- The business rates billing process must be simplified and made uniform across England, thus making it easier for small businesses to understand. There should be a robust communications campaign to support the next revaluation due in 2021.

² Retail Discount gives businesses on the high street 33% off their business rates bill until April 2021

SMALL BUSINESS ON THE HIGH STREET

High streets are highly diverse and therefore it is not surprising that small business perceptions of and sentiment towards their high streets is varied. Small businesses in rural locations are more likely to have a positive view of their high street (50%) than those businesses in urban areas (35%). There are a number of possible reasons for this difference including lower business rates, greater concentration of independent businesses, business models that are less reliant on footfall or just the effect of the countryside itself. The fact that rural businesses are more upbeat about their high street compared to urban small businesses, suggests that perhaps the challenges affecting small businesses on urban high streets are qualitatively different from those impacting businesses on rural based high streets. However, it is important to note that despite these differences, overall, a higher proportion of small businesses in both urban and rural areas have a negative perception of their high street as opposed to a positive view.

Figure 1: Proportion of positive and negative attitudes about the high street - by small businesses in urban vs. rural areas



Source: FSB High Streets Survey 2019

Small businesses across a range of sectors have struggled with the rising costs of doing business. Small businesses on the high street are not immune from these same pressures. It is well established small businesses are overwhelmingly the route back into employment for those who have recently lost jobs, or are classified as long term unemployed³. However smaller businesses have found it challenging to continue to employ (including from labour market disadvantaged groups), when measures such as the Employment Allowance have not kept pace with increasing wage levels and inflation. Local authorities must also consider their role in supporting small businesses on the high street, by making sure that there is a diverse range of employment opportunities available on the high street, with an economically active population present.

High streets in different areas of the UK play different functions or roles, depending on their local ecosystem. For example, a high street in central London will be qualitatively different in nature to those in towns such as Mansfield. This is attributable to a number of factors, such as localised economies, market demands, capacity for footfall and infrastructure. These differences, as suggested

³ https://www.ippr.org/files/publications/pdf/Small-firms-giant-leaps_Apr2014.pdf

by the urban rural split, are built into the business models of small businesses on different types of high streets.

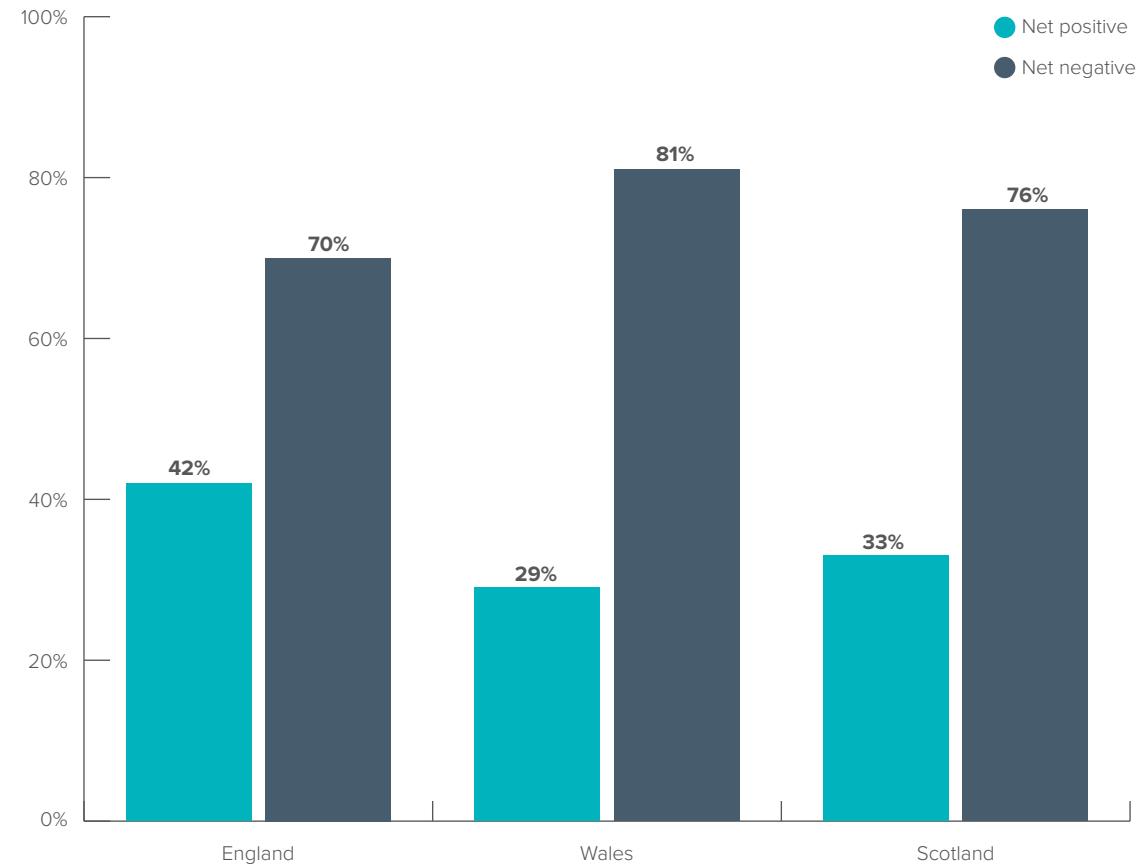
This is reflected by the positive, or less negative, views towards the high street in different regions in England. For example, in the East Midlands, 74 per cent of small businesses felt negatively towards their high street in some form or another, whereas only 33 per cent had something positive to say. Small businesses in London are least likely to be negative towards their high street (56%), with Yorkshire, the Humber and the North East the most negative (75%), and the Midlands not far behind on 74 per cent. Only two regions in England surpassed the 50 per cent mark when it came to positivity around the high street (the South West and London).

This clearly demonstrates that amongst small businesses within England, views of the high street are eclectic and often depend upon the region in which the small firm is located. Therefore, it is logical to conclude that most solutions need to be local, as what works in the South West may not work in the North East.

The perception of high streets across the devolved nations is also negative, with a higher proportion of small businesses in each nation reporting a negative perception of the high street as opposed to a positive perception.

Small businesses in England are the least likely to have a negative sentiment towards their high streets (70%), whereas small businesses in Wales are significantly more likely to have a negative outlook on the high street (81%), with 76 per cent of small businesses in Scotland having a negative outlook.

Figure 2: Proportion of positive and negative attitudes towards the high street – by small businesses in England, Scotland and Wales.



Source: FSB High Streets Survey 2019

This regional and devolved nation data is important, as it clearly demonstrates there is no one single solution to resolving the issues on our high streets. Equally no one policy or idea will work for each and every high street. A number of the policy areas that are causal factors for the negative perception of high streets are devolved, not only to national governments, but also to local authorities. High streets should be seen as ecosystems, where the right economic and regulatory environment for each local area must be created. It is only when all actors from all levels come together in a coordinated effort, that the challenges affecting high streets can begin to be resolved.

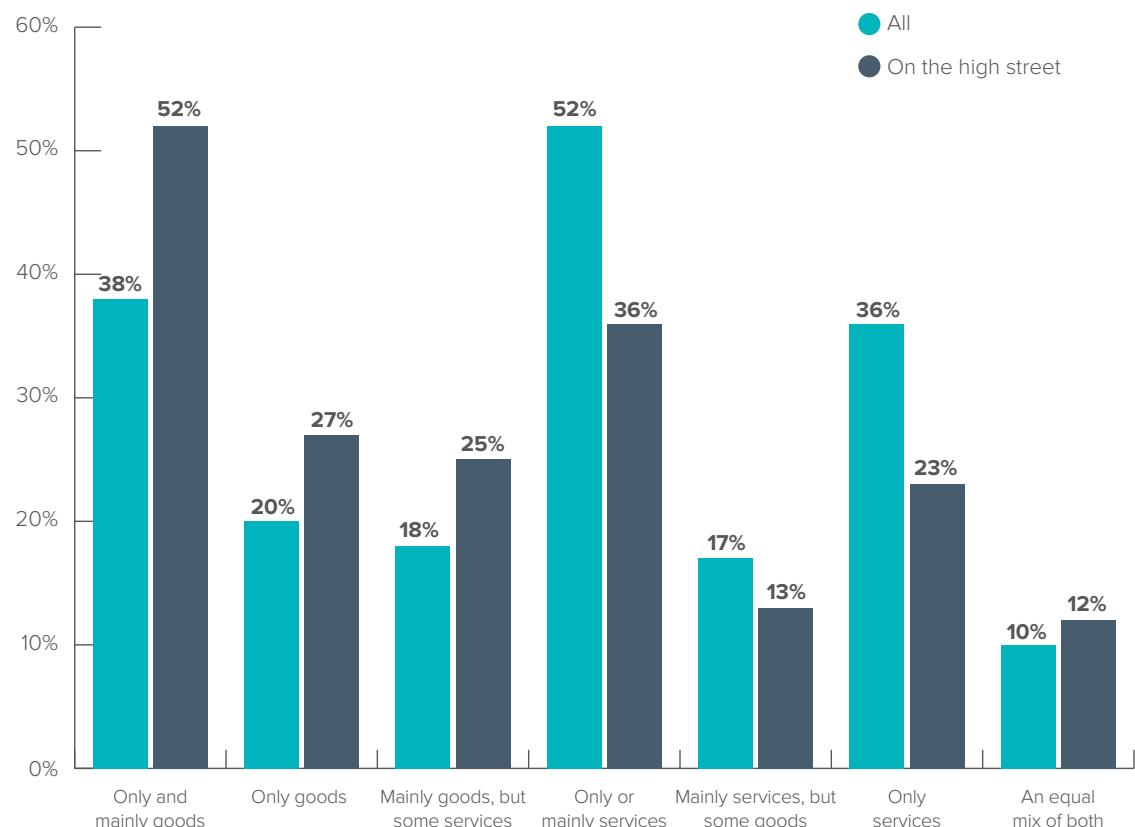
SMALL BUSINESS, BUSINESS MODELS ON THE HIGH STREET

Adapting to wider global trends in relation to the use of technology and how this is changing consumer behaviours, is critical. Our research shows that the largest proportion of small businesses on the high streets sell only, or mainly, goods (52%), in contrast to 38 per cent for all small businesses irrespective of location. This pattern is inverted when we look at the proportion of small businesses who sell only, or mainly, services, with 52 per cent of all small businesses selling only or mainly services and with this proportion falling sharply for small businesses on the high street to 36 per cent.

Interestingly, if we take the proportion of small businesses that sell mainly goods but some services as a proxy for those small businesses that are adapting their business models; the proportion of small businesses doing this on the high street (25%) is materially higher than the proportion of small businesses diversifying in this way irrespective of location (18%).

Our data suggests that a high proportion of small businesses on the high street are dependent on selling goods only, and this does leave them exposed to wider changes in technology and consumer behaviours. However, it is noteworthy that a significant proportion of small businesses on the high street are mainly selling goods but also selling some services. This could be an indicator that some small businesses are adapting and developing business models with a mix of goods and services. Nonetheless many small businesses need help to diversify their business models, with 27 per cent of smaller businesses on the high street only selling goods.

Figure 3: Proportion of small businesses on the high street trading in goods, services or a mix of the two



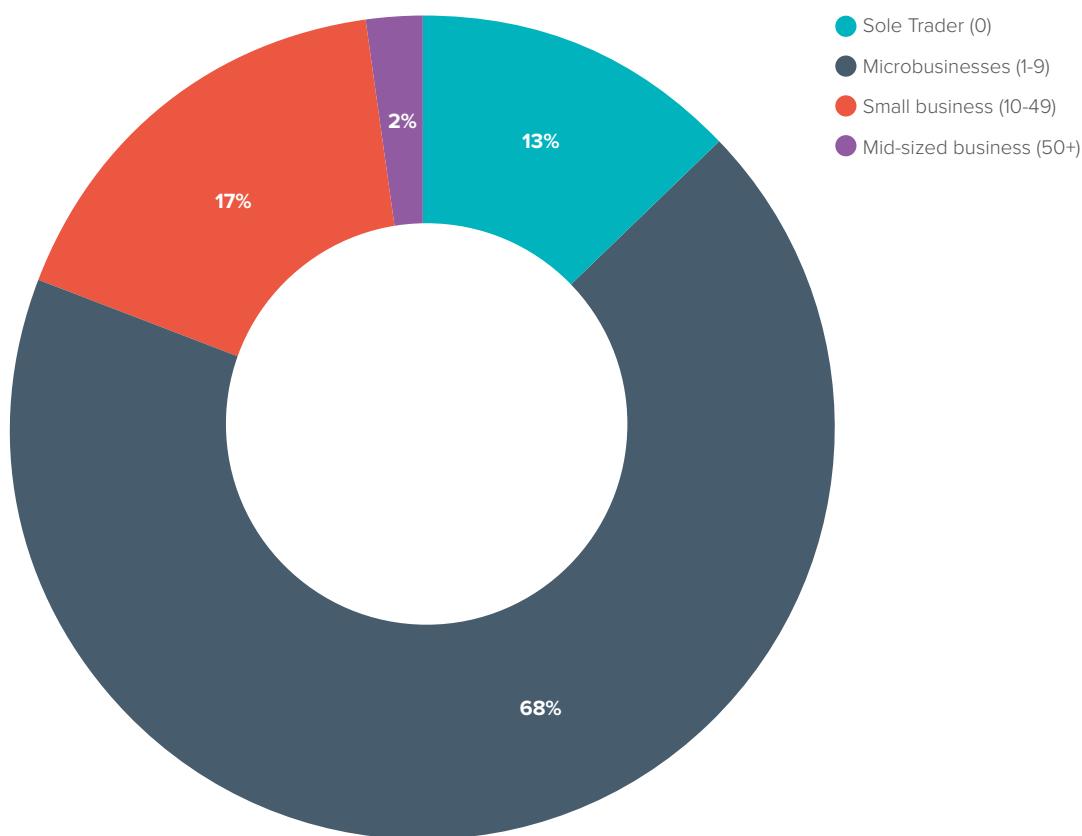
Source: FSB High Streets Survey 2019

EMPLOYMENT ON THE HIGH STREET

With the collapse of each major high street name, thousands of jobs are put at risk, and small businesses on the high street face the loss of an anchor store bringing in footfall. Estimates suggest that 85,000 jobs were lost in retail alone during 2019⁴. The liquidation of major retailers, closing of their high street branches and the subsequent loss of employment, impacts on footfall on the high street and can have a detrimental indirect impact on many smaller businesses. Therefore the jobs losses experienced by businesses on the high street are not only of concern for those individuals directly involved, but also for the high street as a whole. Employment on the high street generates additional economic activity by increasing the overall footfall. As the overall number of people visiting the high street for work or leisure declines, many small businesses on the high street are adversely affected.

Smaller businesses also play an important role in their own right as employers. Our research shows that more than two thirds (68%) of small businesses on the high street employ between one and nine people. Thirteen per cent are sole traders and 17 per cent employ between 10 and 49 people.

Figure 4: Proportion of small businesses on the high streets - by size of business



Source: FSB High Streets Survey 2019

Whether an individual is employed in a large or small retailer, jobs in the retail sector can bring a number of social and economic benefits including flexible working hours and often being located close to home. This may account for the high proportion of female workers in the sector, as caring responsibilities more often fall upon women⁵.

Seventy seven per cent of women working as sales assistants or retail cashiers are part time, with women making up 62 per cent of those working in sales and customer service occupations⁶. As a

4 BRC Estimates based on ONS data - <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentbyoccupationemp04>

5 ONS Women Shoulder the Responsibility of 'unpaid work' article, November 2016 available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/womenshouldertheresponsibilityofunpaidwork/2016-11-10>

6 ONS Data, FSB analysis Employment by Occupation dataset Q2 2018 Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentbyoccupationemp04>

consequence of this, the majority of the job losses in the retail industry are having a disproportionate impact on women. Although there are wider economic and technological changes affecting the retail sector, and jobs lost cannot be replaced on a like for like basis, wider changes to the high street can also create new opportunities for employment.

The creation of office space above retail units, and the location of local authority offices and services on the high street, can help to bring an economically active population back to high streets. This is particularly important during the working week where footfall may generally be lower than core shopping days over the weekend.

The Government should support smaller businesses and independents to both maintain and create further employment opportunities. Small businesses in a range of sectors struggle with the rising costs of doing business, which are often felt even more acutely by small businesses on the high street (particularly in relation to business rates). Further, small businesses are overwhelmingly the route back into employment for those who have recently lost their jobs, or for those who are long term unemployed⁷. However, critical interventions such as the Employment Allowance have not kept pace with increasing wage levels and inflation. This has meant that it is increasingly challenging for small businesses on the high street to create and maintain employment opportunities. This is particularly concerning as it is well established that small business employers are likely to disproportionately employ people from labour market disadvantaged groups. Local authorities must also consider their role in supporting the high street, by making sure that there is a diverse range of employment activity and an economically active population to sustain it.

Case Study: Using office space to complement the high street

Conwy Council made the decision in 2015 to breathe some new life into Colwyn Bay, by building new offices to be occupied by council staff. They aimed to bring back an economically active population to the high street and some much needed regeneration.

The council already had offices in Parkland on the edge of town and a few other offices, but when the tax office closed, they decided to buy the site on the high street, demolish the 1960's building that stood there and start anew.

The new offices had all the council services under one roof, with the hope this would mean more people visiting the high street, as well as those people from the office spending their time and money in the local area, rather than around the business park a few miles away.

Conwy Council

Recommendations

- Support small businesses to create jobs by pledging to drive down the non-wage cost of employment and uprate the Employment Allowance from £3,000 to at least £4,000 per annum in response to the rising costs of employment.
- As part of the High Streets Strategy, local authorities in England should consider the population of the high street, setting out levels of economically active populations. To do this they should take into account the immediate surrounding residential areas, as well as local offices, services and other concentrations of economically active populations.

7 https://www.ippr.org/files/publications/pdf/Small-firms-giant-leaps_Apr2014.pdf

EMPTY PROPERTIES AND THEIR IMPACT

High streets should be seen as an ecosystem where a number of factors converge to create an environment that encourages economic activity and social value for communities. Small businesses on the high street do not exist in isolation, but alongside larger businesses, public libraries, marketplaces, banks and a whole host of other services and traders. However, one of the key trends in the decline of the high street is the disappearance of major retailers, alongside declining public services. Traditionally, these major retailers and public services may have resulted in increased footfall, with positive 'spillover' effects or externalities, namely greater footfall for other small businesses located on the high street.

Data from PWC shows that in the first half of 2019 there were almost 3,000 store closures across the UK, the largest number in the last five years, with fashion retailers one of the most affected sectors⁸.

2019 saw a number of 'big name' high street stores enter administration or close a significant number of units. This has included well-known brands such as Debenhams, Mothercare, Supercuts and Patisserie Valerie⁹. Just as important as the closure of high street stores such as BHS and Toys R Us, is the loss of local bank branches. Bank branches support footfall and they also provide vital business services to small firms.

FSB research has found that those small businesses which had suffered bank branch closures on their high street over the last three years were more likely to have the view that their high street was in decline (61%), compared to those who had seen no change or seen some banks remain open (52%). The occurrence of empty properties on a high street also contributes to the negative sentiment surrounding the high street as well as creating a logistical issue for local authorities to resolve.

Local authorities in England can utilise powers granted under Section 69 of the 2011 Localism Act, to create discretionary reliefs designed to bring long term empty properties back into commercial use. This effectively negates the effect of high business rates normally attached to larger premises and thereby encourages new entrants into that space. However, without structural change to convert larger units into smaller ones, many smaller businesses cannot take advantage of these opportunities even if such reliefs were in place.

The size of space required for most high street smaller businesses rarely equates to the size of an empty property that was previously occupied by a large retailer or bank. It would be encouraging to see owners of large empty properties consider how these units can be repackaged to better attract smaller businesses.

Forty per cent of all small businesses said making vacant units readily available for businesses to let was one of the biggest changes that could be made towards bolstering their high street. Additionally 26 per cent said more flexibility in the planning rules (i.e. use of business premises) would also make a difference towards reviving their high street.

⁸ <https://www.pwc.co.uk/industries/retail-consumer/insights/store-openings-and-closures.html>

⁹ <https://www.theguardian.com/business/2019/nov/06/high-street-crisis-big-names-job-losses-store-closures>

Case Study - Swingers Mini Golf

Even central London isn't immune to the loss of large retailers and the empty space they leave behind. When British Home Store closed its flagship store on Oxford Street, few imagined that it would later become home to the now popular crazy golf venue - Swingers.

After starting as a five month pop-up in 2014/15, the mini-golf outfit swung full time, with their first permanent location in 2016. Swingers operate the whole venue, excluding the food, where they bring in a number of restaurants in a 'food hall' type model to add to the customer experience.

"We started off looking for our first permanent space in 2015, needing around 20,000 square feet in one space, which was a bit of a tall order as there wasn't much on the market.

By early 2017 we were looking to open our second, and the market had changed dramatically. Traditional retail was facing strong headwinds, so there was much more on the market that met our needs. British Home Stores had just closed, so the space behind Oxford Circus was ideal.

We took over half of the first floor, which meant that we had the space we needed, without having to pay a ransom in rates and rent for a lot of street frontage. Concepts like ours and gyms tend to work best in that sort of space, where you don't necessarily need all that frontage.

It's been amazing giving an old retail space a new lease of life, however it wasn't without its challenges.

When we said we wanted to put Swingers into that space we were met with opposition from planners, as that space had previously been retail and the view was that it should remain that way.

We had to make the argument that to attract shoppers and footfall to a high street you have to provide a number of amenities that include leisure, food and drinking establishments. We also had conversations with other businesses in the area, convincing them that we were an asset to the areas and would help drive up footfall.

In the end we went to a planning committee, who luckily saw the value in the plan. It was highly stressful though, as the fate of the whole business rests on a few people and how they perceive it in a meeting."

Matt Grech-Smit, Co-founder and managing director of Swingers

The above case study is London based and therefore will not be applicable everywhere. However, it illustrates how a solution can work if it is compatible with and complementary to the local ecosystem. Oxford Street is one of London's most well-known shopping areas with very high footfall and a strong night time economy. This has made it possible for this type of business to occupy what is quite a large area for a smaller business. However, this solution may not work outside of London or where the ecosystem of the local high street is different. Therefore, while it is important to enable alternative uses for large empty properties, it is equally important that these new uses are compatible with the unique ecosystem of the particular high street in question.

Recommendation

- As part of the High Streets Strategy, local authorities should put together renewal plans for the largest retail and commercial spaces on their high street, so that if the space were to suddenly become vacant, a plan already exists to make the space available to small businesses should no obvious alternative be forthcoming. This should include a number of options, such as breaking up the property into smaller units (if applicable) or looking at other incentives, such as targeted discretionary business rates reliefs to encourage reuse of the property. Where appropriate, local authorities should also consider moving their offices and key services to the high street, so as to drive those seeking these services to the high street, and to foster an economically active population on the high street itself.
- A list of empty commercial properties should be regularly published and updated by local authorities, with initiatives to bring long-term empty commercial units back into use.

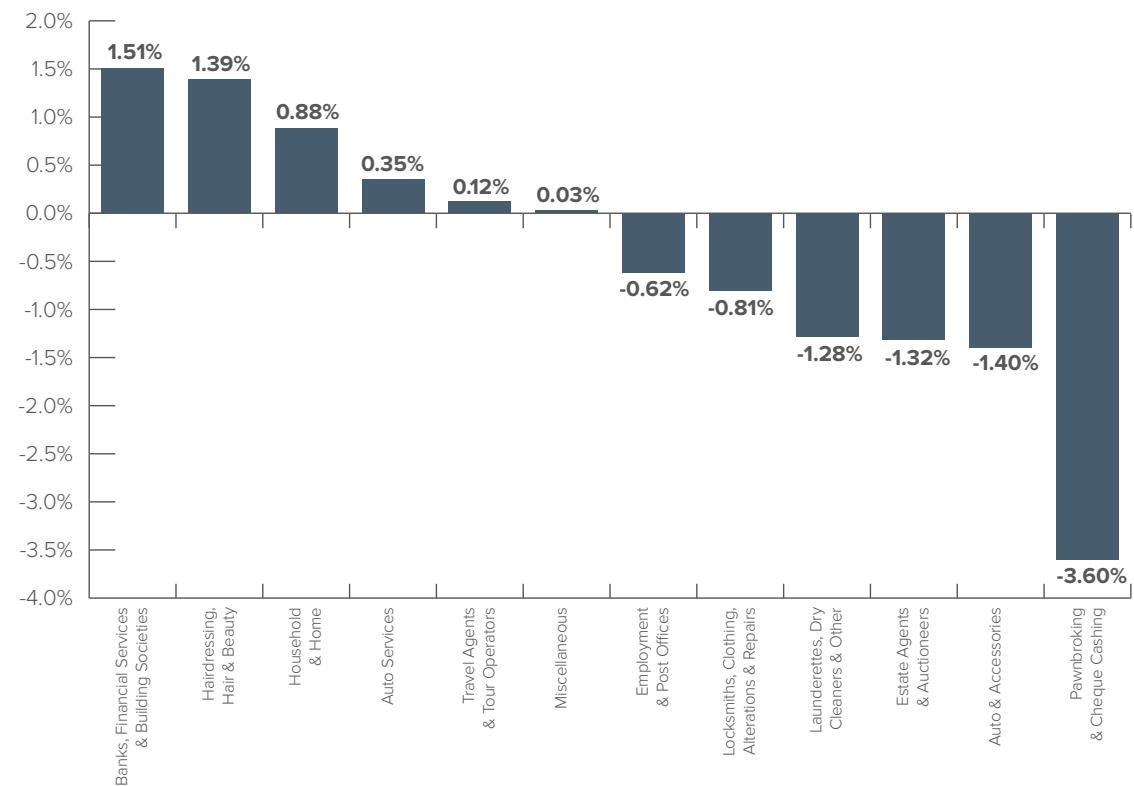
RISE OF THE INDEPENDENT BUSINESSES SPEARHEADED BY SMALLER BUSINESSES

High streets have, in one way or another, been part of the social and economic fabric of all towns, cities and villages across the UK over centuries. However, this fabric has been changing over the last 20 years, as the British high street evolves. We have seen the behemoths of British Home Stores and Woolworths supplanted by coffee shops, gyms, barbers, restaurants and other types of independent businesses.

An independent business is defined as one that is run free from external controls (i.e. investment shareholders), usually privately owned. The vast majority of independent businesses on the high street are likely to be smaller businesses.

The rise of the independent business on British high streets has been one of the defining features of the transformation of high streets over the last five years. Data from the Local Data Company (LDC) shows that barbers, nail and beauty salons were the top three growing retail sectors in 2019, with vegan restaurants being one of the biggest new entrants to the market. Independents outperformed multiples in the first half of 2019, with leisure and service retail becoming some of the highest growing sub-sectors¹⁰.

Figure 5: Percentage net change in independent service categories across GB in H1 2019



Source: Local Data Company

The rise of independent retailers, from barbers to vegan restaurants, is undoubtedly positive for the future of the high street. Although there is significant churn in this sector, this in itself is healthy as new types of business evolve and reinvent themselves. However, they need the necessary support to flourish.

Case study: reinventing traditional businesses

"I made a decision about 10 years ago to change the way we do things. I was a lot more interested in high end, high quality meats that supermarkets don't use. You've got to constantly be changing and looking at market changes or buying trends, like creating oven-ready products. We try to enter a lot of competitions and come up with new products. People don't want to see the same products every week, so we are constantly innovating and coming up with new twists on things. We try to keep it interesting for ourselves and get our staff involved in product development. Just doing the same thing, week in, week out means I'll get bored, my customers will get bored and more importantly my staff will get bored. I'm looking ahead at how I can evolve the way that the business is heading."

James Lally, FSB Member, Shepperton Butchers

This need to adapt can however be hindered by unnecessary local planning restrictions and conditions around uses of properties. Although action has been taken by government to increase the use of permitted development rights, there still remains a significant amount of confusion around changing between use classes. As of May 2019, it is relatively easy to change from A1 to A2 use type (for example changing usage class from shops and retail outlets, to professional services) as this requires no planning approval or prior approval. However, if small businesses in these use classes (A1 or A2) wished to innovate by selling food or beverages, they would need to gain prior approval. This means that if a local bookshop also wished to sell cakes and coffee, it may need to jump through a number of planning hoops before being allowed to do so. We believe this is counterproductive to developing hybrid goods and services business models. At a time when many smaller businesses need to consider mixed business models to both survive and thrive, local planning rules must support, rather than hinder, their endeavours.

Recommendation

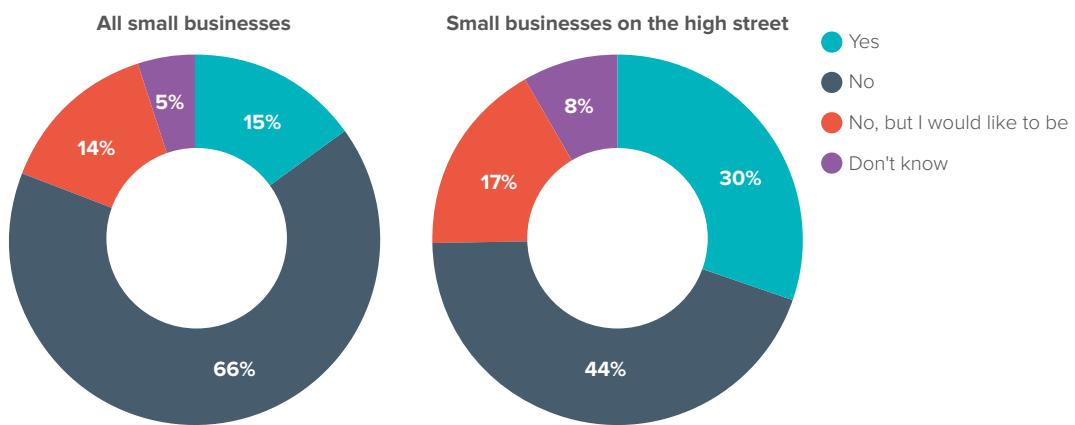
- As part of the High Streets Strategy, local authorities should look at how they can encourage innovation on the high street by making it as easy and frictionless as possible for small businesses to adapt and offer alternative services or goods as part of their business model. This could also include looking again at use class changes.
- Central government should review barriers to innovation on the high street, exploring what unnecessary regulation can reasonably be removed to allow high streets to grow in a less restricted regulatory environment.
- Local authorities and community groups should be able to access pots of funding to bring long term empty units into use, or convert them for new uses.

PART OF THE COMMUNITY

High streets only work when the ecosystem surrounding them allows them to do so. Part of that ecosystem is determined by central government, some by local government, and some only with the direct input of small businesses themselves. Although this research report looks at some of the major issues affecting most high streets, each local high street will have its own specific challenges for resolution. Those very specific challenges cannot best be resolved solely through central government intervention. And, of course, local businesses have agency and a key role to play in shaping the future of their own high street. Each high street should be modelled with those who use it foremost in mind.

Participation can relate to local decision making, such as planned development. It can also include initiatives such as those that encourage the upkeep and ‘look’ of the high street, or a business group organising special events to attract customers to their high street. Almost a third (30%) of small businesses on the high street feel they have an active role in shaping the future of their own high street, with a further one in six wanting to be more involved (17%). This is in sharp contrast to just 15 per cent of all small businesses (irrespective of location) who say they form part of the local leadership in shaping the future of their high street.

Figure 5: Proportion of small businesses that feel they form part of the local leadership of their high street versus those who don’t feel this.



Source: FSB High Streets Survey 2019

Of those already shaping the future of their high street, many do so by coordinating activity between businesses, often with involvement from professional business lobby organisations such as FSB. However the most common methods remains engagement with local authorities (45%) and Business Improvement Districts (BID) (25%). Local Enterprise Partnerships (LEPs) were the least used (11%), however this is perhaps more reflective of the larger areas that LEPs cover, in contrast to BIDs, and the fact that LEPs focus more on wider industrial strategy rather than individual high streets.

Allowing small businesses to make their views known and feel some ownership of the area they trade in is essential, as they can clearly identify the more localised and specific issues faced by individual high streets. They can act as positive, constructive agents of change and engaged interlocutors to find solutions for their area. High streets thrive when local authorities work closely with small businesses and listen to their concerns with the objective of finding appropriate solutions together.

Case Study - Cutting a high street in half

Ashford High Street in Surrey had effectively been cut in two, with the middle section closed, for an estimated 12 weeks due to sewage works taking place for the new Brooklands Development site. This had a devastating impact on the businesses, dramatically reducing footfall as customers could not walk from one end of the high street to the other with all traffic flow diverted. Poor communication meant that many businesses were left unaware of the works until as little as 10 days before the works were due to start. During the works, retailers who rely on passing trade were in some cases reporting between 60% to 90% loss of revenue. Local FSB members, with the help of local development managers, managed to open lines of communication between the developers, local authority and local MP to establish a timeline and any mitigating action that could be taken during the 12-week period. By the business community working together, they managed to get much greater clarity of the works, improve local signage which had been driving customers away from the high street. The road reopened three weeks ahead of plan and free parking into 2020 to encourage trade back into Ashford.

FSB members, Ashford High Street

The above case study illustrates why it is essential that local authorities and businesses on the high street maintain open lines of communication and that this discourse is genuinely ‘two-way’ and meaningful.

Recommendation

- As part of the High Streets Strategy, local authorities should look at how they establish networks and relationships between themselves and small businesses on the high street. This can take the form of an official group with regular meetings, or be incorporated within existing structures and forms of engagement. Whatever the form taken, engagement with small businesses must be meaningful.

GOING GREEN & SMART PARKING

High streets are ultimately about people, whether this be the people running the businesses, those working on the high street or those shopping there. However, along with any influx of people, issues inevitably arise in relation to transport, infrastructure and of course, parking.

Parking remains one of the biggest frustrations of small businesses on the high street, with 70 per cent of small businesses on the high street saying that enhancing free parking would make one of the biggest differences.

Parking is an essential element of transport policy both at a national and local level. The provision of accessible parking, within a sustainable transport plan, is integral to the success of local shops and businesses. It is the first experience that consumers travelling by car have when they arrive, and the last that they have when they leave.

However, the perception of small businesses is that too many local authorities view parking as a source of revenue, rather than an essential facilitating part of the high streets ecosystem. English authorities estimate that almost £1bn (£930m) will be raised in profit from local authority parking activities in the 2019/2020 financial year¹¹.

In 2017, Parliament passed the Parking Places (Variation of Charges) Act, which gave ministers the power to make councils consult before raising parking costs, as well as removing the 21 day notice period for the local authorities who want to suspend or lower parking charges. Further in March 2019 the government passed the Parking (Code of Practice) Act, which would allow the creation of a code of practice for the management and operation of private parking facilities and on street parking.

As of yet, secondary legislation and the publication of a parking code are not forthcoming. Government must see this as an essential priority to secure high street ecosystems. Too often local authorities and parking management systems are run without the best interests of the local ecosystem in mind, with the focus being disproportionately placed towards profitability.

This does not, however, mean that all local authorities have used parking availability to a detrimental effect.

Case Study: AppyParking – Harrogate

High streets in Harrogate Borough Council have seen over 1,600 smart parking sensors installed, allowing users to see where parking is available in real time. Users will be able to utilise a pay-as-you-park service, meaning no more guessing how long you will need a space for and rushing back to the car in the last five minutes - although machine payment will be available for those without the app. Traditional machine parking is also available alongside the app.

"There's plenty of parking around the area and people are willing to pay a bit for it, but it's always been the typical issues such as looking for loose change and worrying about time running out. It only costs 30p more to use the app and you can still use cash and pay at the machine if you want to, which is helpful sometimes if you haven't got 4G on your phone. But it's a much more convenient way of parking and works across multiple car parks across town. That means I don't have to worry about getting a parking ticket. I will use my car in and around town a lot, using a lot of different car parking spaces when I am visiting different businesses and to get to different meetings. It also makes it easy if I want to see my grandson. It has saved me money in the long run as I haven't had a ticket since."

Suzanne Knowles, Café Suzetta, FSB Member

¹¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/812505/Local_Authority_Revenue_Expenditure_and_Financing_2019-20_Budget__England.pdf
<https://www.racfoundation.org/research/mobility/english-councils-parking-income-budget-2019-20>

Although parking availability is a major issue for small businesses, local authorities must also balance this against issues such as traffic congestion and environmental impact. In short, the more people driving their cars to the high street, the more traffic, congestion and increased emissions that are negatively impacting our towns, cities and villages.

This is why in larger towns and cities we have seen the introduction of park-and-ride systems, trams and improved public transport. However this is not an option for many towns and high streets, especially those in more rural locations. In rural areas, the infrastructure simply isn't in place to facilitate or warrant these systems, so people must drive (or walk if close) to their local high street.

Where possible local authorities should be encouraging the use of zero emission vehicles into towns and supporting the high street by providing free parking for these types of vehicles and appropriate infrastructure. In more rural areas where this is not viable, it is vital that appropriate parking remains available and as accessible as possible.

This can best be done by utilising smart parking initiatives, which match parking demand with availability and vehicle type. This allows people to see (via an app or otherwise) what parking is available near their local high street and associated costs. Although these technologies currently exist, local authorities could do more to speed up their adoption.

Local authorities such as those in the London borough of Kensington and Chelsea have adopted this digital agenda by encouraging the use of their PayByPhone app. Using the app, road users can pay for parking on their mobile without worrying about whether they have the correct change. They even have the ability to top up the parking meter remotely via the app, if they need more time. Extending the use of these technologies throughout their services and operations not only saves time for councils and reduces costs, but also improves the customer experience.

When deciding parking options, local authorities should make it as easy and accessible as possible to pay, for example, app based parking may not work where there is a poor signal or the app is not user friendly enough.

Local authorities can also encourage footfall into small businesses, by introducing validation schemes where a discount is applied to a parking fee if that person has shopped in local small businesses.

Recommendations

- As part of the High Streets Strategy, local authorities should look at methods to encourage a greener high street by allowing zero emission vehicles to park freely and increase the number of on street parking opportunities for zero emission vehicles.
- As part of the High Streets Strategy, local authorities should also assess parking accessibility and uses - known as Smart Parking Practice. For example, this could include:
 - Offering free parking on key economic dates (i.e. bank holidays, local celebrations and Small Business Saturday).
 - Reinvesting any profit generated by parking activity directly into the local economy, based on consultation with local small businesses.
 - Making it easy for people to park by embracing new technologies, such as digital payments and accounts, so that parking is less onerous.
 - Trailing schemes designed to encourage shoppers into small businesses by giving parking discounts to those who do.
- More funding must be made available for local authorities to improve traffic flows into and around the high street.

TAXATION ON THE HIGH STREET

Central to the ecosystem in which our high streets operate, is the taxation system in place. Business rates have long been considered regressive as they are not based on the ability to pay, which is why many, including FSB, have called for a review of the business rates system.

Many small businesses have only managed to survive because of the existence of Small Business Rates Relief (SBR) (or in Scotland, Small Business Bonus), which nullifies business rates on properties with a rateable value of £12,000 or less, and tapers the charges between £12,001 and £15,000, in England.

The Scottish Small Business Bonus Scheme operates differently, focusing on aggregate values across multiple properties. The full bonus is given to businesses who have a combined ratable value (i.e. across one or multiple properties) of £15,000, with a 25 per cent bonus applied (per property) to businesses with a rateable value of between £15,001 and £35,000. However, this does not apply to properties with a rateable value above £18,000, and a maximum bonus of £7,350 can be claimed in 2019-20¹².

In Wales, full relief is given to business premises with a rateable value of up to £6,000, and tapered from full relief to zero for business premises with a rateable value between £6,001 and £12,000. An allowance also exists for businesses to claim relief under two possible properties.

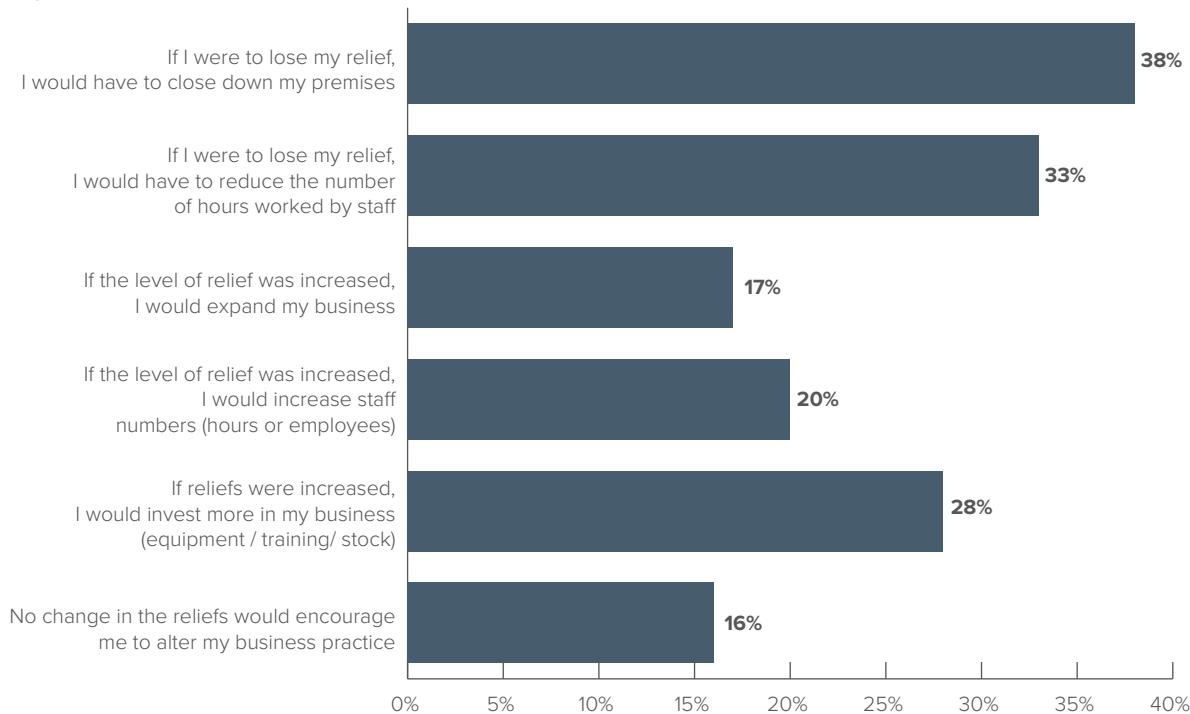
In Northern Ireland, rates are based on the Net Annual Valuation (NAV) of a property, and are calculated based on a regional rate, set by the devolved government at Stormont, and a district rate, set by local councils. The Small Business Rate Relief Scheme is available at 50 per cent to properties with NAV up to £2,000, 25 percent to properties with NAV £2,001-£5,000 and 20 percent to properties with NAV £5001- £15,000. It is not available to businesses with four or more premises and cannot be awarded in conjunction with other reliefs.

With the restoration of the Northern Ireland Assembly and Executive, FSB Northern Ireland is calling for the scheme to be enhanced in recognition of a toughening of conditions for businesses with a physical presence, as well as making the case for the introduction of a 'start-up' relief to encourage new businesses onto the high street.

These reliefs and bonuses are particularly critical to small businesses on the high street who are in receipt of the reliefs / bonus, of whom 38 per cent said that they would have to either close down their premises or reduce the number of hours worked by their staff if they were to lose their small business rates relief. Interestingly 28 per cent of small businesses in receipt of SBR or equivalent said that if the reliefs increased in value, they would increase their capital investment.

¹² <https://www.mygov.scot/non-domestic-rates-relief/small-business-bonus-scheme/>

Figure 7: The impact of changes in the levels of, or ability to, claim Small Business Rates Relief or equivalent on those small businesses currently in receipt of such reliefs who are located on the high street.



Source: FSB High Streets Survey 2019

Reliefs targeted at specific areas, such as the high street, are particularly useful in bridging the gap between those businesses who already qualify under Small Business Rates Relief / Small Business Bonus Scheme, and those outside of this range (i.e. have a rateable value between £12,001 and £51,000).

More than half (54%) of all small businesses on the high street across the UK say that they would not survive were it not for the relief or bonus they receive, with a further 27 per cent saying that although the saving is marginal, the relief/bonus is still important to their business. High street businesses in Scotland however are much more vulnerable to changes in the reliefs, with 68 per cent of small businesses in Scotland located on the high street and in receipt of the Small Business Bonus saying that their businesses would not survive without it. This compared to 54 per cent of high street businesses in England. However it must be noted that reliefs and bonuses to the business rates system are entirely devolved.

These reliefs are vital to supporting small businesses on the high street, which is why FSB welcomes the Government's commitment to increase the level of relief received through the retail discount from 33 per cent to 50 per cent¹³. However, we are keen to see some further adjustments made to the relief to ensure which we hope will be addressed at the next budget.

Recommendations

- The 'Retail Relief' is currently set to expire in April 2021. This means that small businesses will only benefit from the increased level of the discount for one financial year. FSB believes that the increased retail discount thresholds should be maintained until the promised review of business rates is completed, and recommendations for reform implemented.
- The types of applicable businesses that qualify for the 'Retail Relief' should be expanded to other types of businesses, to reflect the diverse nature of small businesses on the high street.
- The forthcoming review on business rates should be designed with the objective of reducing the overall burden of business rates on small businesses.

¹³ https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conervative%202019%20Manifesto.pdf

Clicks vs Bricks

The growth of online retailing is often considered a major causal factor in the decline of the high street, with more people choosing to shop online. This coupled with the fact that business rates are considerably lower for out of town warehouses than they are for high street premises, means that many believe online retailers to have an unfair advantage over high street retailers.

Although online retail sales year-on-year continue to grow, online sales accounted for just 18 per cent of total retail sales in 2018 meaning that the majority of sales still take place away from the internet¹⁴.

Since November 2013 online retailers have been growing, however for the first time since the birth of online shopping, internet sales for November 2019 broadly remained static at 21.5 per cent compared to 21.6 per cent the previous year¹⁵. Although such a marginal fall must be treated with care, it is noteworthy that from November 2018- 2019, internet sales appeared to plateau compared to the previous year and it is the first time this trend has been seen.

An increasing number of high street businesses also have a presence online to complement their physical presence. Our research shows that more than four fifths (84%) of small businesses on the high street engage customers online, as well as through their physical premises.

Although the growth of online retailing has had an effect on small businesses on the high street, when it comes to the ways in which small businesses most frequently engage with their customers, 69 per cent rank face to face or in store as the most common method of engaging with their customers, with 13.3 per cent stating email is the most common method, followed by 8.2 per cent saying over the phone.

Nonetheless, the increasing use of using online mechanisms as a way not only to sell to customers but also engage with them, suggests that small businesses on the high street are, increasingly, using an online presence to complement existing high street premises. The relationship between the high street and online must not be seen as one of Bricks vs Clicks, but Bricks and Clicks. As high streets function in an ecosystem, the adoption of online methods to complement existing physical presence is a necessary evolution.

Case Study: Malton, Yorkshire

A small business in Yorkshire set out as a traditional bricks and mortar general store, valuing the face-to-face relationship with customers, but has used online services to complement its offering and personal service.

"Three years ago, I opened up my gift store in Malton, Yorkshire, after seeing that businesses on the high street there were sticking around and not vanishing after a few months. I wanted it to be an authentic shopping experience, somewhere people could come in, touch the actual products, feel welcome and I could really get to know customers. I didn't want an online website to sell as it didn't feel personal, but we do use Instagram and have taken multiple orders through people leaving comments. I'm still proud to say though that all those customers have at some point been into the shop. By chance I saw a message on social media last Christmas from a customer who had just had a double hip operation, couldn't drive and wondered how they could do their Christmas shopping. I messaged back offering to take her on a Skype journey around the store, so she could decide what she wanted and I'd send it to her. In the end we did about 70 per cent of her shopping in that 30 minute Skype call and she's since posted the experience online, generating more interest and another five Skype shops for Kems. I've just been using my phone to do the calls, nothing fancy, but when we do them next Christmas I will invest in a gimble, headset and microphone to allow better communication."

"As High Street retailers I believe we need to be imaginative and creative in seeking out opportunities to give our customers something different and authentic and new interactive routes to meet customer needs"

Liz Kemp from Kemp General Store, FSB Member, Malton

14 <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drs1>

15 Ibid

Recommendations

- Discourse surrounding taxation should clearly delineate between business rates and a tax aimed at online businesses.
- Local authorities should review the connectivity of the high street with the goal of helping small businesses make the most of online opportunities, including through the use of social media.

Growing the high street

High streets over the last decade have seen the closure of many retailers and businesses, but also the birth of thousands of independent retailers and small businesses providing hope and a viable way forward.

Many successful ventures will seek to expand and open up a second or even a third premises in different towns. However, should businesses in England expand beyond their original premises into a second premises, the small business will almost certainly lose any Small Business Rate Relief after the first year, even if they remain under the £12,000 rateable value threshold (across both properties) - potentially crippling their existing business.

Current rules in England mean that if a high street business was to expand into any other town or village, they would only keep existing reliefs on the first property for the first 12 months, unless none of the properties had a rateable value over £2,899 and the combined value of all properties is less than £20,000¹⁶ or £28,000 in London.

This means that the majority of small businesses growing from one premises to a second will lose any existing small business rates relief. This can have devastating effects on the health of the business, and can add thousands onto monthly operating costs.

The current rules mean that a business can receive full relief if they have a single property with a rateable value of £12,000, while a business with two properties each with a rateable value of £3,000 would not receive any relief. This is despite the total combined rateable value being half that of the £12,000 threshold.

When asked, more than one in six small businesses (17%) in receipt of Small Business Rates Relief / Small Business Bonus on the high street, say they would expand their business if the level of relief was increased. Additionally, over one in four (28%) small businesses on the high street, currently in receipt of reliefs would commit to capital investment in their business (equipment, training, stock) if the level of the reliefs were to be increased.

Small businesses in Scotland are subject to different rules. The combined rateable value can be considered under the rules for the Small Business Bonus Scheme. This means there are no restrictions on the number of business premises, so long as the combined rateable value is under £35,000 and no one single premises has a rateable value greater than £18,000.¹⁷

Case Study: podiatry clinic

When a local podiatrist opened up a second clinic in a neighboring high street, their business rates rapidly increased putting the business under extreme financial pressure, despite remaining within the £12,000 threshold.

"I was asked to expand into a neighboring town because their local podiatrist had died and I knew the area well. That clinic wasn't big, but it was just about large enough for me to open up for a few days a week. What I didn't expect was that I'd be losing my small business rate relief on both this clinic and my original one, meaning I was now facing a bill of thousands of pounds. The two properties have a combined value significantly below the £12,000 SBBR threshold. My first thought when I found this out was whether or not I'd be able to keep my staff, and my responsibility to them and their families. I came close to closing the new practice down almost as soon as it opened, as the risk was too high. Expanding has been hard enough as it is, I won't be doing it again any time soon."

FSB Member, health sector, Lancashire

16 Business Rates <https://www.gov.uk/apply-for-business-rate-relief/small-business-rate-relief>

17 <https://www.mygov.scot/non-domestic-rates-relief/small-business-bonus-scheme/>

Recommendation

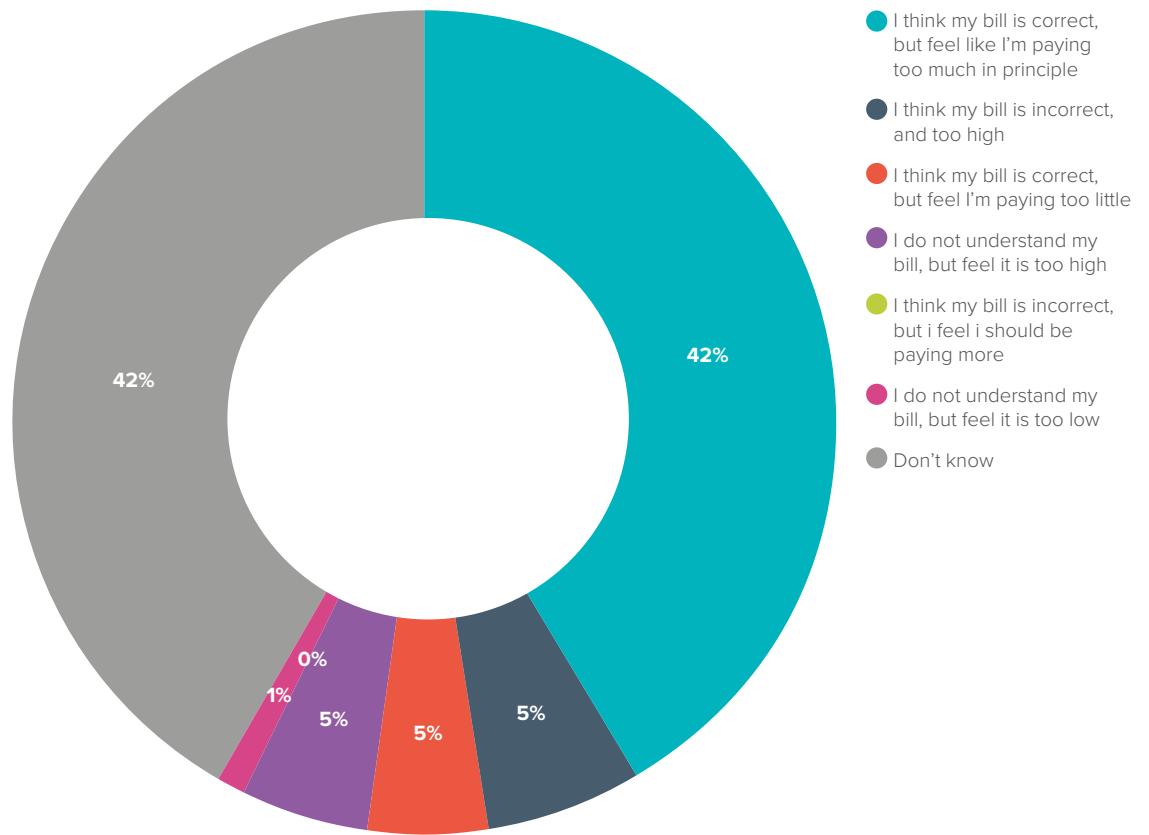
- Remove barriers for small businesses wishing to expand by removing the rateable value ceiling of £2,899 on second properties. This will mean small businesses can expand to a second or more premises, up to the total value of Small Business Rate Relief.

Understanding business rates

Business Rates can seem, at times, almost impenetrable for small businesses to understand. Often the resentment surrounding the taxation is borne out of frustration, a lack of understanding, and its dissociation from any real profit made by the business.

When asked to make a judgement based on their own business rates bill being either too high or too low, more than 40 per cent of small businesses on the high street were unable to. Another 42 per cent felt that although their bill was probably correct, they were paying too much in principle.

Figure 8: Level of understanding that small businesses on the high street have in relation to their business rates bill



Source: FSB High Streets Survey 2019

With such a high proportion of small businesses unable to make a basic assessment of their business rates bill, the methods of communication around revaluations and billing need to be reconsidered. One major issue is the lack of uniformity in business rates bills. Although the Valuation Office Agency (VOA) will provide the base level data (for example, rateable values) each local authority sends out its own designed bill. This means that the way the information is presented to businesses in England could include 343 different permutations of the same information.

Recommendation

The billing process for business rates should either be centralised or a standard template should be set by HMRC (or the VOA) that local authorities must use when sending out business rates bills.

A comprehensive communications campaign should be established for the next revaluation. This should include a full explanation of how the rateable value is derived, what happens to this through the multiplier, and what reliefs / transitional reliefs will be applied automatically and which require the business to proactively apply for.

Challenging business rates

Although understanding a Business Rates bill is far from easy, those who query or challenge their bill are then faced with a further challenge. The official route to resolve issues around business rates is via the Valuation Office Agencies Check Challenge Appeal service, which is designed to guide business rates payers through the process. However, of those small businesses on the high street who felt their business rates bill was incorrect, the majority (57%) attempted to engage with the local authority directly, rather than use the official VOA route.

There could be a number of reasons for this. Firstly, this could be because the billing process is still largely in the hands of the local authority. Therefore when a bill arrives, naturally the first port of call for a business who thinks there may be an issue is their local authority. Secondly, local authorities are the source of discretionary reliefs, meaning that there may be a locally applied relief - however this would not address the fundamental inaccuracy in the bill (if applicable). The complexity and lack of consistency in the way that reliefs are issued, is stark. For example, discretionary reliefs are issued by the local authority to their design, yet small business rates relief is central and automatically issued.

Further, the 33 per cent discount for retailers is an England wide policy, which some local authorities automatically issue to qualifying businesses, whilst other local authorities require small businesses to proactively apply for it. This creates significant confusion when small businesses try and find out which reliefs apply to their business, and which do not.

Recommendation

- Reliefs implemented by local authorities should be made simple to ensure that they flow down to small businesses as quickly and as easily as possible. Where state aid rules are not applicable, small businesses should have these centralised reliefs and discounts applied automatically.

BANKING AND CASH

Losing big names from the high street has a knock-on impact as empty spaces detract from the high street and footfall reduces because that big name has disappeared. However, there is one type of loss from the high street that has a bigger effect on small businesses than any other - the loss of the local bank branch.

Around three quarters (74%) of small businesses on the high street have seen bank branch closures, with only two per cent of businesses on the high street seeing a bank branch open. This has a number of effects, both in relation to potential customers and the impact on footfall, as well as for the functions of the small businesses themselves.

"My customers find it more difficult without a bank and the cash points are closing which makes it impossible for people to obtain cash to spend on the high street and elsewhere like local attractions. Overseas visitors particularly need access to a bank especially when they have out of date notes and £1 coins."

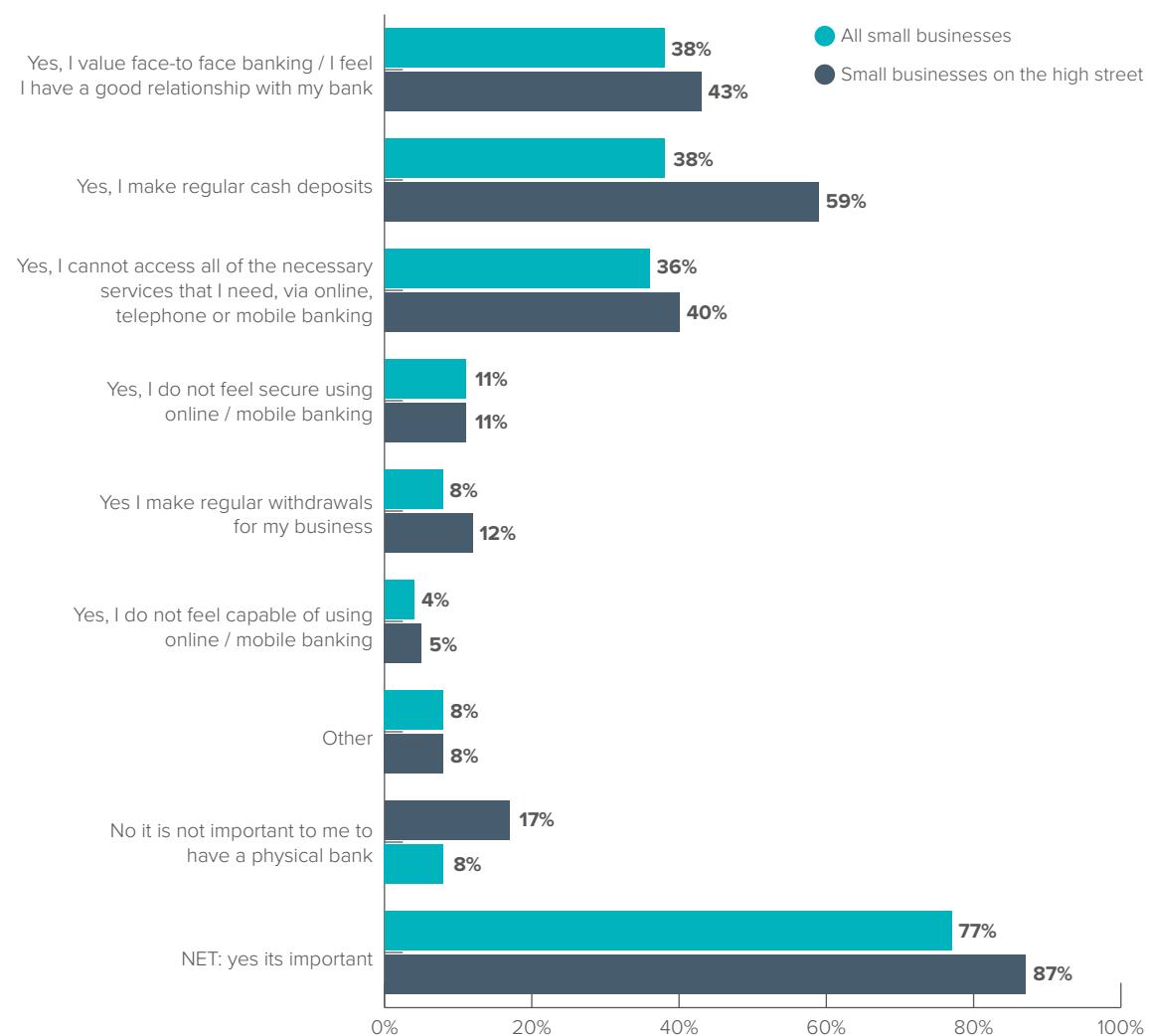
FSB Member

Small businesses value the role of their high street bank for reasons beyond the impact a bank branch has on increasing footfall. Around 43 percent of small businesses on the high street value the face-to-face relationship they have (or had) with their local bank, and 59 per cent of small businesses on the high street require a local bank branch to make regular cash deposits.

"Banks are an important part of the community. The excuse that nobody uses them is because the banks have forced customers away by closing down counters. If the banks had kept their counter services people would still use them. Many people still don't trust the internet for online banking purposes."

Simon Williams, FSB Member, Yorkshire

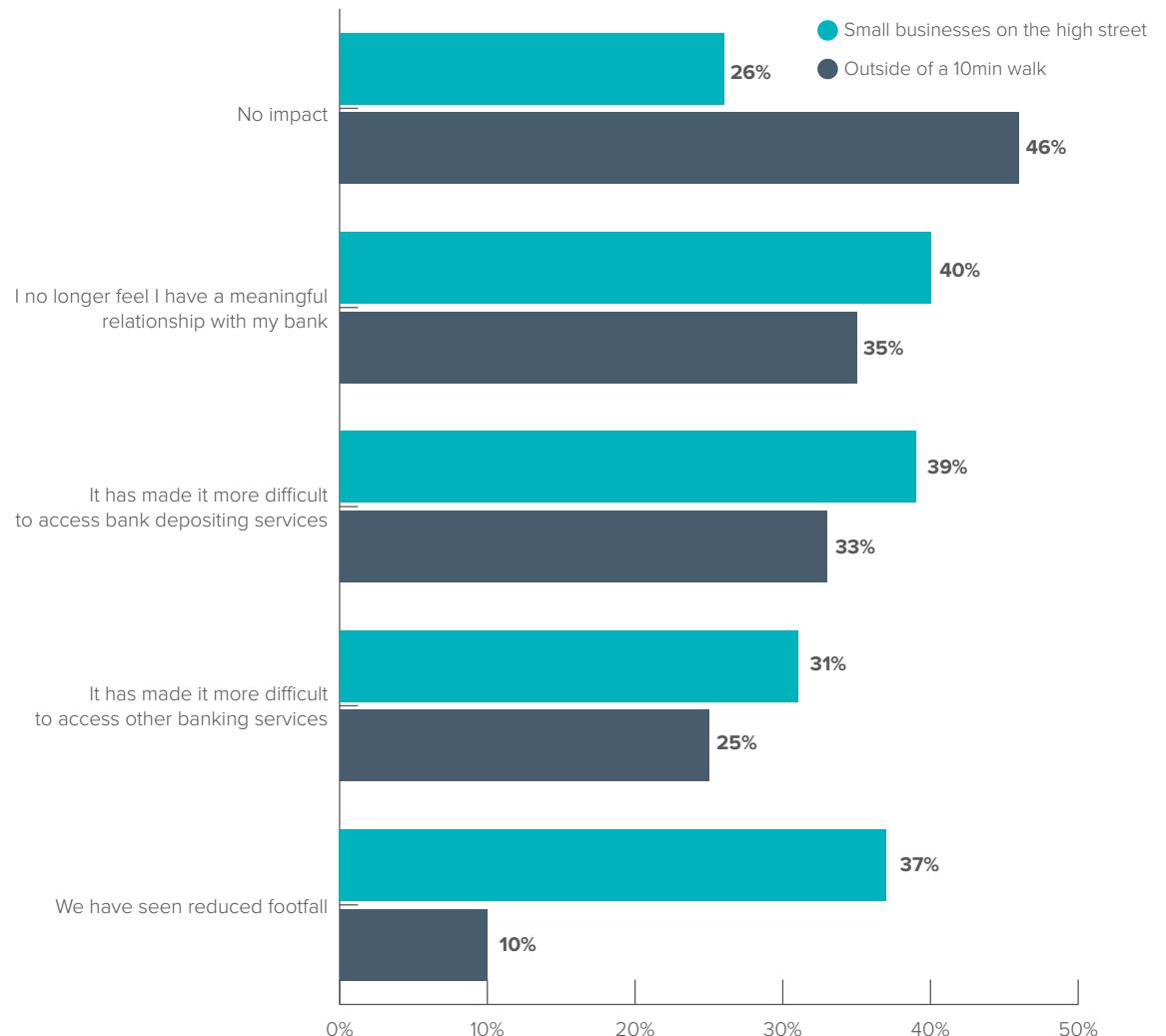
Figure 9: Proportion of small businesses that consider it important vs. not important, to have a local bank branch on their high street



Source: FSB High Streets Survey 2019

Of those small businesses on the high street who have seen bank branches closing, 40% said they no longer feel they have a meaningful relationship with their bank (i.e. bank branch manager), with a similar proportion saying it had made it more difficult or expensive to access bank depositing services.

Figure 10: The impact of bank branch closures on small businesses on the high street vs those small businesses outside of a 10 minutes' walk from their local high street



Source: FSB High Streets Survey 2019

Recommendations

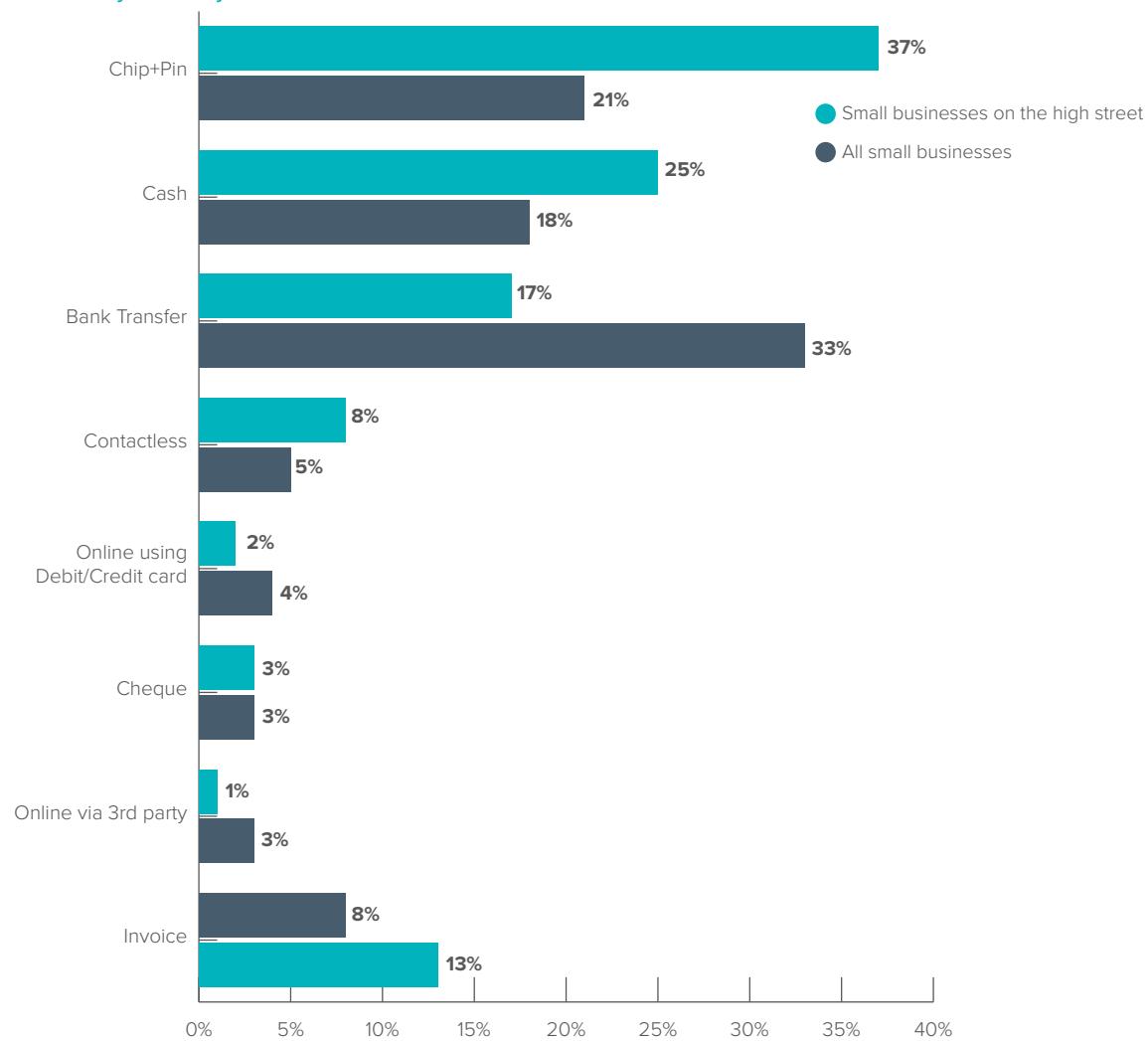
- As part of the High Street local authorities should assess the availability of cash and banking services for small businesses on the high street, this could include:
 - Exploring shared banking services and integration of banking services within other local businesses e.g. post offices or local authority buildings near / close to the high street.
 - Ensuring mobile/remote cash services are vital, especially in harder to reach communities, where personal banking provision is also likely to be low.
 - Assessing the number of ATM machines and the impact on localised business rates.

Cash

High streets are changing, as is the way consumers shop and how they choose to pay for products or services. With better broadband connections, new technologies and a whole host of financing options, there are implications for the use of cash.

Our research shows that the largest proportion of small businesses on the high street state that cash and pin is the most common method of taking payments that they use (37%). The second largest proportion of small businesses (25%), state that cash is the most common payment of taking payments – underlining the importance of cash transactions for small businesses on the high street. For all small businesses irrespective of location, the largest proportion state that bank transfers (33%) are the most common method of taking payments.

Figure 11: The proportion of small businesses that rank different payment methods as the most commonly used by them



Source: FSB High Streets Survey 2019

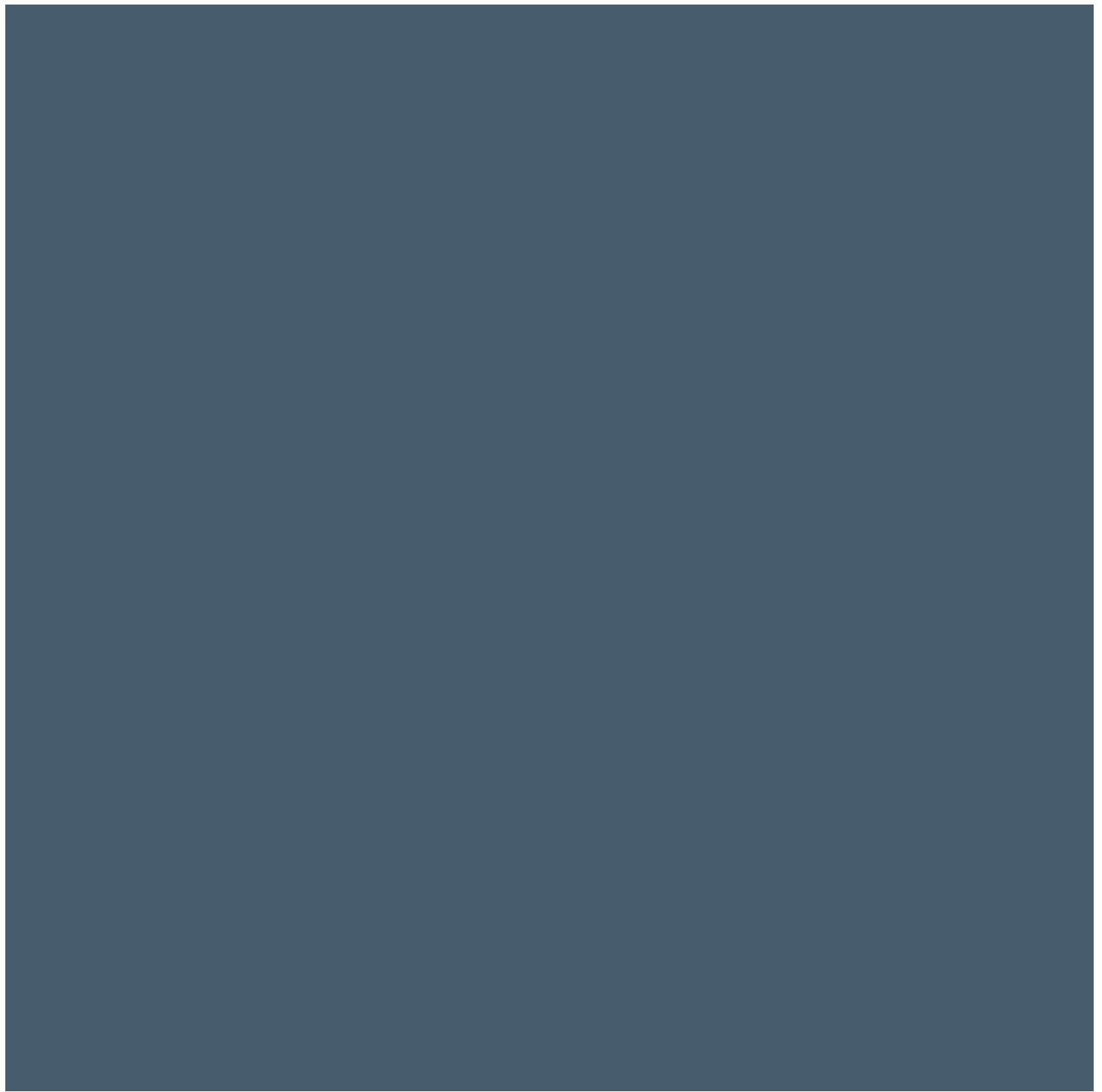
Recent outages from some service providers and a lack of good broadband connections have resulted in some small businesses on the high street returning to more traditional methods of payment. It is clear from our research that a multitude of payment options are available on the high street, but cash still remains one of the most popular choices for smaller businesses. Paying with cash remains an important option for businesses and individuals on the high street. Therefore access to cash depositing and crediting services is also vital to ensuring that this remains a viable method of payment.

Recommendations

- As part of the High Street Strategy, local authorities should consider the accessibility of cash. This could include an assessment of the availability of cash and banking services on high streets in their area. They should also take account of the connectivity of businesses in these areas.
- Local authorities should also make provision for easy access to cash on the high street. This could be done by introducing discretionary business rates relief to cover the costs of installing ATMs in businesses premises.
- Local authorities can also arrange for improved cash depositing services for small businesses on the high street where none other exist.

METHODOLOGY

This report is based on FSB members' experiences and views on their local high street. FSB undertook a mixed method approach for the research consisting of a quantitative online survey a small number of third-party sources, found in the citations of the report. The survey was nationwide in its reach and members were invited to participate in the survey via email and social media channels. The survey was administered by the research agency Verve and was in the field from 11th October – 25th October 2019. The survey questionnaire was completed by a total of 1,050 small businesses. The case studies were specifically selected for the breadth of coverage. The survey findings are all weighted according to FSB membership weighting (to reflect the demographic balance of FSB members throughout the UK). All percentages derived from the survey are rounded to the nearest whole number, which is why some percentages presented in the figures do not add to 100 per cent.



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