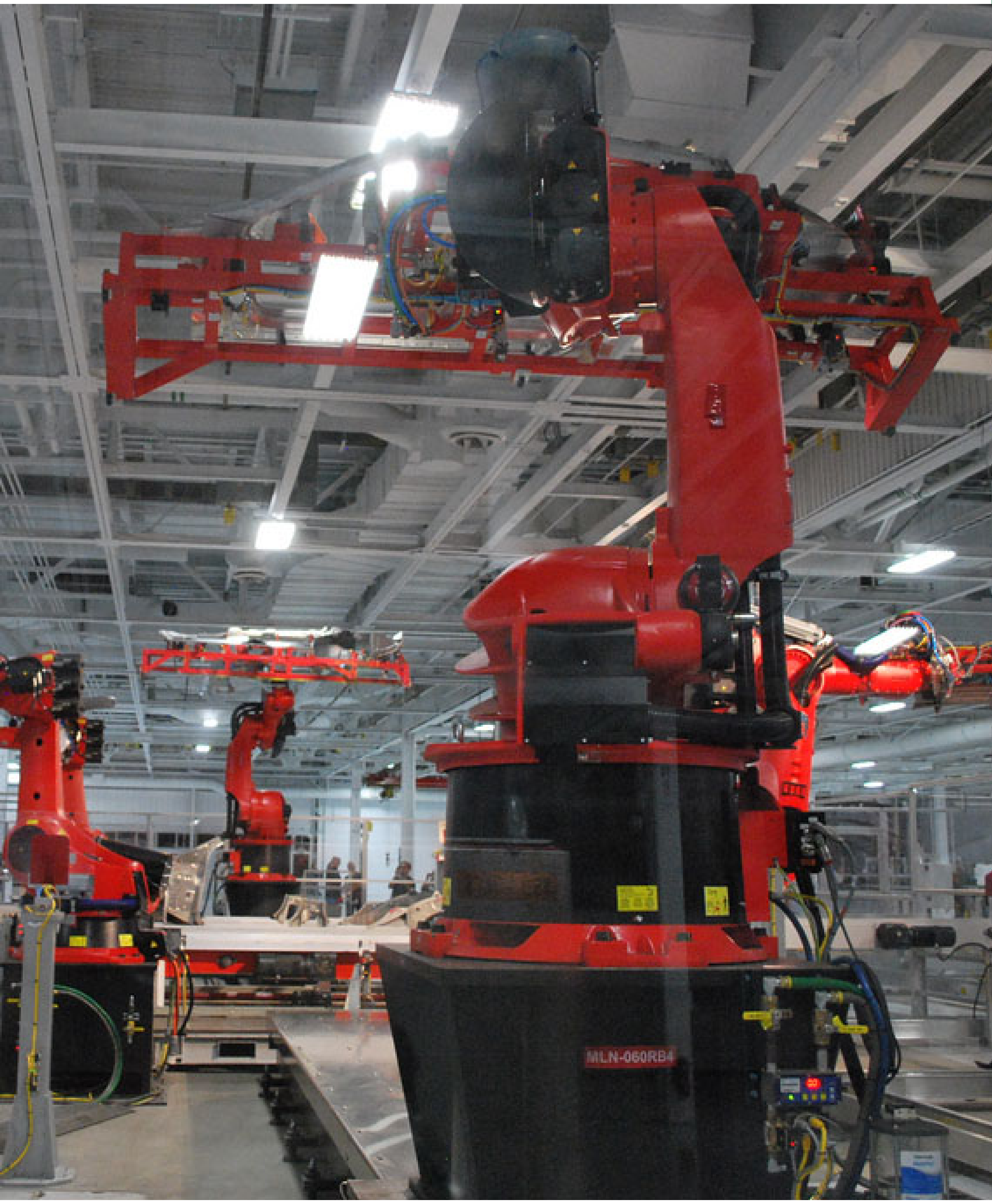
House of Commons Library

BRIEFING PAPER

Number 7363, 10 November 2015

Policy on Small Firms 1997-2015

By Marguerite Page



Inside:

Contents

Summary

This Paper describes government initiatives between 1997 to 2015 which in some way or another addressed the special needs and requirements of small and medium-sized enterprises (SME). It covers the 1997-2010 Labour Government and the Conservative Liberal Democrat Coalition Government from 2010-2015. It covers all material introduced in the Budgets reports, pre-Budget reports and Autumn Statements. Most measures were effected by subsequent Finance Bills. Other measures are referred to where relevant.

The measures divide broadly between schemes designed to provide direct access to funding and schemes providing non-financial support to businesses (for example, training and mentoring).

Other sources of support can be found in the relevant Library papers on

Business Rate Relief, Local Enterprise Partnerships, Enterprise Zones, Regional Growth Funds and the *Small Business, Enterprise and Employment Act 2015*.

1. Introduction

The shortage of investment funds for SMEs has been an issue for successive governments for several decades. The Bolton Report of 1971[1] noted this problem, addressing the difficulty SMEs had in accessing finance and the resultant problems this caused.[2]

Despite the passage of time this continues to be a live issue for SMEs in the UK. A 2012 report from the Department for Business, Innovation and Skills (BIS) stated that

> Most businesses can obtain the finance they need, but there are a number of structural market failures affecting the supply of both debt and equity finance to SMEs. This leads to some potentially viable businesses being refused finance, which is sub optimal for economic growth. [3]

There are two types of funding gap which are normally seen as problematic: start-up funding in the form of loans and grants, and long-term equity funding, which is usually for more established SMEs. The main difference is that loans are repayable whereas equity finance is a share of the profits of the firm. The issue for many entrepreneurs is that equity finance is welcome, as it does not place a burden on the company's cash flow, but it means a dilution in control and ownership of the venture which many entrepreneurs are unhappy with.

The financial crisis of 2008 and the subsequent regulatory requirements for banks to hold more capital added the latest chapter to complaints about banks' unwillingness to lend, especially to smaller and start-up firms.

1 *Committee of Inquiry on Small Firms* (the Bolton Committee Report); Cmnd 4811 November 1971
2 HL Deb; 21 February 1973; cc133-48
3 Department Business, Innovation & Skills, Economics Paper 16; *SME Access To External Finance',* January 2012 p8

2. Equity Investment

2.1 Introduction

Equity funding is the process of raising capital through the sale of shares in a company. Investors take an equity stake in the company with the aim of selling at a profit when the company has expanded. It can be used for both start-up and more established businesses. In 2012 a paper by BIS stated that

> There is an under supply of equity finance to young high growth potential businesses due to the divergence of private and social benefits from investing in these businesses.[4]

The Government has, over time, introduced various schemes to encourage equity funding through tax relief and other means.

2.2 Enterprise Investment Schemes

Enterprise Investment Schemes 'help smaller higher-risk trading companies to raise finance by offering a range of tax reliefs to investors who purchase new shares in those companies.'[5]

There are two schemes designed to encourage equity investment.

The Enterprise Investment Scheme

In the 1998 Budget the Government announced the creation of a new Enterprise Investment Scheme (EIS). Its main features were:

- an increase of 50 per cent, to £150,000 per year, in the amount an individual could invest under the new EIS scheme and qualify for income tax relief;
- abolition of the limit of £1 million on the amount that could be raised each year;
- preservation of the best parts of the existing reliefs:
- up-front income tax relief, exemption from tax on gains after five years, and relief for losses against income or chargeable gains for outside investors and business angels who subscribed for shares;
- unlimited deferral relief where chargeable gains were reinvested in newly-issued shares; and
- participation limited to investment in companies with gross assets of less than £10 million before an investment and no more than £11 million after it.[6]

The 2006 Budget announced the provision of incentives for long-term investment in small companies facing the most severe barriers to accessing equity finance. These measures included:

4 Department Business, Innovation & Skills, Economics Paper 16; *SME Access To External Finance',* January 2012 p8
5 HM Revenue & Customs; Enterprise Investment Scheme; 7 October 2013
6 HM Treasury; Budget 1998; section 4.38, HC 620; 17 March 1998

- a refocusing of the 'gross assets test' to £7 million immediately before investment and £8 million afterwards, to focus on the companies most in need of improved access to finance;
- in response to industry representations, an increase in the minimum holding period for new shares in VCTs to five years to incentivise more stable, longer term investments; and
- a doubling of the annual EIS investment limit eligible for income tax relief to £400,000, to incentivise greater investment in growth companies.[7]

The 2008 Budget

- increased the investor limit of the EIS from £400,000 to £500,000 (subject to state aid approval);
- began a consultation on how best to simplify the operation of the scheme; and
- increased the individual option grant limit from £100,000 to £120,000.[8]

The Seed Enterprise Investment Scheme

The Seed Enterprise Investment Scheme (SEIS) was announced in the Autumn Statement 2011. It initially offered

> 50 per cent income tax relief on investments, and will offer a capital gains tax exemption on gains realised in 2012–13 and then invested through SEIS in the same year.[9]

The 50% tax relief applied to investments up to £100,000 a year. In the 2014 Budget it was stated that "Over 1,600 companies have raised over £135 million from the SEIS since April 2012".[10] It also announced that the SEIS would be made permanent.[11]

In its pre-election Budget 2015, the Government announced changes to Seed Enterprise Investment Scheme, Enterprise Investment Scheme and Venture Capital Trust to bring them in line with new EU legislation. The changes included:

- a requirement that companies must be less than 12 years old when receiving their first EIS or VCT investment, except where the investment would lead to a substantial change in the company's activity;
- the introduction of a cap on total investment received under the tax-advantaged venture capital schemes of £15 million, increasing to £20 million for knowledge-intensive companies; and

---

7 HM Treasury; Budget 2006 page 57; HC 968; 22nd March 2006
8 HM Treasury; Budget 2008, page 43; HC388; 12 March 2008
9 HM Treasury; Autumn Statement 2011, page 7, Cm 8231; 29 November 2011
10 HM Treasury; Budget 2014 page 32; HC 1104; March 2014
11 HM Treasury; Budget 2014 page 68; HC 1104; March 2014

- an increase in the employee limit for knowledge-intensive companies to 499 employees, from the current limit of 249 employees.[12]

More information about SEIS can be found at its dedicated website.

2.3 Enterprise Capital Fund

Enterprise Capital Funds (ECF) are "funds that combine private and public money to make equity investments in high growth businesses".[13]

The ECF was first announced in the 2010 Budget. It was aimed at SMEs with potential for high growth and provided £37.5 million in equity finance; £25 million from government and £12 million from private co-investors.[14]

In October 2013 the operations and staff of the delivery agency for the ECF finances were transferred to the British Business Bank.[15]

12 HM Treasury; Budget 2015 page 52; HC 1093; March 2015
13 Source : British Business Bank
14 HM Treasury; Budget 2010 page 28; HC 61; June 2010
15 Source: Capital For Enterprise

3. Small Firm Lending

There has been a long standing problem for UK SMEs in accessing finance, recognised at least as far back as the Bolton Committee Report in 1971.[16] Funding comes in various forms: overdrafts, loans and grants from government, private sources, financial institutions and non-traditional lenders including, recently, crowdfunding platforms.

3.1 Funding for Lending

The Bank of England and HM Treasury launched Funding for Lending in July 2012. It aimed to incentivise banks and building societies to increase lending by providing funding to financial institutions linked to the lending performance of the institution. Following later extensions of the scheme, participating institutions could borrow until January 2016.[17]

The original aim of the scheme was to increase bank lending by up to £70 billion.[18]

3.2 Start-Up Loans Scheme

The 2012 Budget announced a pilot trial to help young people start a business through a programme of enterprise loans.[19] This became the Start-Up Loans Scheme (SUL). It takes the form of a personal loan provided by a delivery or finance partner of the company. The 2013 Budget widened the age limit eligibility for the scheme from 24 to 30 and announced £30 million in additional funding.[20]

The 2014 Budget announced that more than 14,000 entrepreneurs had been supported through SUL.[21] More information about SUL can be found on its dedicated website.

3.3 Small Firms Loan Guarantee Scheme

The Small Firms Loan Guarantee Scheme (SFLG) was a loan support scheme which ran from 1981 to 2009 when it was replaced by the Enterprise Finance Guarantee Scheme in January 2009.

The 2003 Budget announced the extension of the SFLG for businesses requiring debt finance to previously excluded sectors such as retail and catering.[22]

The 2006 Budget announced more accredited lenders.[23]

[16] *Committee of Inquiry on Small Firms* (the Bolton Committee Report); Cmnd 4811 November 1971
[17] Source: Bank of England
[18] Source: BBC News
[19] HM Treasury; Budget 2012 page 46; HC 1853; March 2012
[20] HM Treasury; Budget 2013 page 28; HC 1033; March 2013
[21] HM Treasury; Budget 2014 page 32; HC 1104; March 2014
[22] HM Treasury; Budget 2003; section 3.45, HC500; 9 April 2003
[23] HM Treasury; Budget 2006 page 57; HC 968; 22nd March 2006

The 2008 Budget announced a temporary 20 per cent increase in the funds available through the SFLG. It also extended eligibility for SFLG to businesses with growth aspirations over five years old.[24]

3.4 Enterprise Finance Guarantee Scheme

The Enterprise Finance Guarantee Scheme (EFGS) was launched in January 2009. Its initial aim was to provide participating banks with a 75 per cent government guarantee on individual loans to viable businesses with less than £25 million turnover.[25] It replaced the Small Firms Loan Guarantee Scheme.

In the 2010 Budget the EFGS was increased by £200 million to £700 million and extended to 30 March 2011. A processing deadline of 20 business days was introduced for all major lenders participating in the EFG.[26]

The 2012 Budget announced the raising of the levels of lenders' EFGS portfolios eligible for guarantee from 13% to 20% for the financial year 2012-13. The aim of this was to incentivise lenders to loan money to SMEs.[27] The EFG is now overseen by the British Business Bank.[28]

3.5 British Business Bank

Budget 2013 set out the strategy for a British Business Bank, which aimed to bring £1 billion of new capital to the market to help SMEs. Its aims were to

- increase the supply of finance available to smaller businesses where markets don't work well;
- create a more diverse and vibrant finance market for smaller businesses, with a greater choice of options and providers; and
- build confidence in the market by increasing smaller businesses' understanding of the options available to them.[29]

Due to the financial crisis the implementation timetable of the Business Bank was accelerated. It announced that it would

- launch a £300 million investment scheme in spring 2013 to invest alongside private investors in financial institutions and non-bank lending channels to help diversify and expand the supply of lending to SMEs and mid-sized businesses;
- provide £75 million of new funding for venture capital through an extension to the Enterprise Capital Fund programme and an expanded Business Angel Co-

24 HM Treasury; Budget 2008, page 43; HC388; 12 March 2008
25 HM Treasury; Budget 2009, page 74; HC407; 22 April 2009
26 HM Treasury; Budget 2010 page 28; HC 61; June 2010
27 HM Treasury; Budget 2012 page 44; HC 1853; March 2012
28 Source: British Business Bank
29 Source: British Business Bank

investment Fund to support start-ups and early stage companies; and

- support more lenders to increase SME lending through the Enterprise Finance Guarantee by maintaining the generous guarantee cap introduced at Budget 2012. Through the trade credit pilot, Kingfisher aims to support an additional £30 million of credit to SMEs.[30]

The British Business Bank is responsible for the pilot 'Help to Grow' programme, to increase the supply of growth loans to firms that need between £500,000 and £2 million to achieve their potential, announced in the pre-election Budget in March 2015.

The 2015 pre-Election Budget announced a request for proposals to deliver the pilot, which will facilitate up to £100 million of finance for growing businesses.[31] The scheme will make growth finance available for high-potential firms. The pilot scheme was described in more detail here.

The pre-election Budget 2015 announced that the 'British Business Bank programmes had supported £3bn of finance for businesses, including over £140m for more than 27,000 Start Up Loans.'[32] More information can be found in its 2015 Annual Report.

3.6 Legislative Intervention

The Budget 2014 announced a new consultation on legislating to help match SMEs who are turned down for a loan with alternative lenders in order to broaden the sources of finance available to small businesses.[33]

The response to this consultation was published in August 2014. One outcome was that the Government created a legislative intervention to help match SMEs that are seeking finance with credit providers who are looking to offer finance. This will apply only to credit providers over a certain size. It is subject to data protection legislation to protect the SMEs against unsolicited and potentially damaging offers of credit. This measure was enacted in the Section 5 of the *Small Business, Enterprise and Employment Act 2015.*[34]

3.7 Regional Growth Funds

Regional Growth Funds were announced in the Labour Budget of 2010 and have been continued under the two subsequent Governments. Their initial policy proposal was:

> A regional growth fund will be established by the Regional Development Agencies (RDAs) within their capital budgets for 2011-12, to promote high-value investment in support of regional and national growth and industrial policy to 'promote high-value investment in support of regional and national growth and industrial policy.'[35]

30 HM Treasury; Budget 2013 page 48; HC 1033; March 2013
31 HM Treasury; Budget 2015 page 52; HC 1093; March 2015
32 HM Treasury; Budget 2015 page 35; HC 1093; March 2015
33 HM Treasury; Budget 2014 page 36; HC 1104; March 2014
34 *Small Business, Enterprise and Employment Act 2015*, c26, Part 1, Section 5
35 HM Treasury; Budget 2010 page 62; HC 451; March 2010

The Coalition Government remodelled the RDAs:

> to help areas and communities particularly affected by reductions in public spending make the transition to private sector-led growth and prosperity, the Government will create a Regional Growth Fund in 2011-12 and 2012-13. This Fund will operate in England only and support increases in business employment and growth.[36]

RDAs provide grants to projects and programmes through a mixture of public and private funding. They have invested £2.85 billion as of February 2015.[37] More information can be found in Commons Briefing Paper 'Regional Growth Funds'.

3.8 Access to Non-Traditional Lending

Non-traditional lending is a way of small businesses accessing finance from sources other than mainstream financial providers. Sources of non-traditional lending include peer-to-peer lending and crowdfunding. Peer-to-peer lending sees "cash-rich investors bypass banks and lend directly to borrowers, often through online peer-to-peer lending platforms."[38] Examples of peer-to-peer lending companies in the UK include ZOPA and RateSetter.

Crowdfunding is a system whereby a large number of people each lend a small amount of money, facilitated through an online platform. Examples of this include Kickstarter.

The Labour 2010 Budget announced that the Government would take 'steps to help companies diversify sources of finance to non-bank lending channels.'[39] This included working through the Department for Business, Innovation and Skills (BIS) to 'increase awareness of the diverse sources of finance available, working with companies, Business Link, the Association of Corporate Treasurers (ACT), and the industry.'[40]

In the Autumn Statement 2011 the Chancellor announced the launch of the Business Finance Partnership which would invest £1 billion through non-bank channels.[41] This was increased in the 2012 Budget by a further £200 million to £1.2 billion. £100 million of this was to be distributed through non-traditional lenders such a peer-to-peer platforms.[42]

The Government announced that from Budget Day 2014 the major banks had agreed to process most claims for a 'deed of priority' or 'waiver' within 7 working days, and for each bank to provide standardised documentation to simplify the process. The aim of this is to

---

36 HM Treasury; Budget 2010 page 30; HC 61; June 2010
37 BIS; Regional Growth Fund; February 2015
38 Financial Times/Lexicon
39 HM Treasury; Budget 2010 page 35; HC 451; March 2010
40 HM Treasury; Budget 2010 page 43 HC 451; March 2010
41 HM Treasury; Autumn Statement 2011, page 7 Cm 8231; November 2011
42 HM Treasury; Budget 2012 page 6; HC 1853; March 2012

ease and speed up the process of SMEs seeking finance from alternative financial providers.[43]

[43] HM Treasury; Budget 2014 page 85; HC 1104; March 2014

4. Non-Financial Support

Although crucial in many cases, it is not just finance that small firms need. The ability to turn a good idea or process into a viable business requires many different business and commercial skills. Entrepreneurs frequently don't have all these skills and hence the provision of support and advice networks is often crucial at various stages of the firm's life cycle.

4.1 Small Business Service

The 1999 Budget announced the establishment of the Small Business Service (SBS). Its aim was to act as a focal point within government for providing both regulatory, tax and payroll advice and business support to small firms and to give them easier access to the advice and support they need.

The 1999 Pre-Budget Report described the main tasks of the SBS as follows:

- to help small firms deal with regulation and ensure small firms' interests are properly considered in future regulation. This will involve working with regulators and other Departments to minimise burdens on small business and ensure that clear guidance is available;
- to simplify and improve the quality and coherence of Government support for small businesses. This will include an early review of all Government support available to small business; and
- to act as a strong voice for small business at the heart of Government. The Chief Executive of the Small Business Service will have direct access to Ministers.[44]

The SBS would work to:

- improve help to SMEs in complying with regulations, taking on responsibilities from - and working closely with - the Better Regulation Unit;
- improve the quality and coherence of delivery of government support for small firms including the Business Link programme and the new DTI Enterprise Fund;
- establish a new automated payroll service for new small employers to reduce the burden of complying with the tax system;[45]
- simplify and improve the quality and coherence of Government support for small businesses; and
- help small firms deal with regulation and ensure small firms' interests are properly considered in future regulation by working with regulators and other Departments to minimise burdens on small business and ensure that clear guidance is available.[46]

---

44 HM Treasury Pre Budget Report, 1999 ; Section3.53; Cm4479; November 1999
45 HM Treasury; Budget 1999 page 41 section 3.47;HC298; March 1999
46 HM Treasury; Budget 2000 page 41 section 3.24;HC346; March 2000

The SBS created six 'investment readiness' demonstration projects to provide intensive education to SMEs, raise their awareness and understanding of the different financing options available and how best to access them.[47]

As a distinct body it closed on 1st April 2007 and its functions were transferred to the Regional Development Agencies. Its policy areas are now covered by an internal body within BIS called the Enterprise Directorate.

4.2 Procurement

The 2005 Budget announced the introduction of a mandatory requirement that at least 2.5% of public sector, extra-mural R&D would be with SMEs.[48] The SBS published further details in 2005 of how this goal would be met, including:

- with the involvement of RDAs, OGC and SBS would roll out measures nationwide to improve SMEs' ability to tender effectively for public sector contracts, building on the success of pilot projects in the West Midlands and Haringey which involved 1,600 businesses, increasing the number of SMEs competing for public sector projects and increasing the overall success rates of SMEs, including ethnic minority-owned businesses. In the West Midlands pilot, 14 per cent of SMEs had won government projects at the project start – by the end, SMEs had won 26 per cent of contracts awarded through the pilot portal, improving competition and innovation;
- the OGC and the SBS would launch a national portal for low-value contracts in the summer, making it easier for SMEs to compete for business;
- to improve the coverage and quality of information available on SMEs' participation in procurement opportunities, the SBS would publish an annual review of departments' spending, and explore how to extend that to local government. Furthermore, the SBS, OGC and others would review SME and other procurement information gathering across government to investigate opportunities for efficiencies and more robust data;
- the first phase of research commissioned by the SBS, 21 providing evidence on the costs and benefits of SME involvement in public sector markets; and
- in response to particular concerns from SMEs on the public sector's use of third-party assessment providers to pre-qualify suppliers, the OGC and SBS would research the effect that was having on potential suppliers and identify options to reduce any barriers to SMEs' participation.[49]

In the Labour 2010 Budget the Government agreed departmental targets to increase the amount of procurement going to SMEs by 15%

---

47 HM Treasury; Budget 2003; section 3.45, HC500; 9 April 2003
48 HM Treasury; Budget 2005; page 64; HC 372; 16th March 2005
49 HM Treasury; Budget 2005; page 61, HC 372; 16 March 2005

throughout the supply chain. This announcement, which it was hoped would produce up to £15 million of businesses for SMEs, built on the recommendations given by the Glover Committee.[50] These included:

- requiring departments to publish contracting and sub-contracting opportunities through a single portal that suppliers would be able to access free of charge;
- challenging departments to make more use of SMEs, including flagging contract opportunities as SME-friendly and increasing training to institutionalise SME-friendly procurement practices;
- providing direct support to SMEs through the free-to-use training package, Winning the Contract; and
- working with main contractors to open up supply chains to SMEs.[51]

In the 2010 Budget the Government introduced a free, online directory – Contracts Finder - of all government tenders to encourage transparency in the way it does business.[52]

4.3 Payroll Assistance and Online Payment

The 1998 Budget announced the launch of a new payroll service to help businesses, especially those taking on employees for the first time. It offered

> a range of advice to new employers including help with the employer's first pay-day, and one-to-one assistance with a wide range of other subjects such as Statutory Sick Pay, Statutory Maternity Pay, expenses, and benefits in kind.[53]

The 1999 Budget announced the introduction of a new government supported standard for payroll software so that small employers could be confident that the software they bought met the requirements for effective communications with all parts of government.[54]

Measures in the 2000 Budget to encourage small businesses to use online payroll services included the creation of 100% allowances for investment in information and communications technology (ICT) equipment, new discounts for e-filing and using internet payroll services, and new resources to inform small businesses of the benefits of internet services and provide training and support to them.[55]

Also included were the development of a range of other forms of support for new and small employers to give further help to minimise the cost of complying with payroll obligations. These built on the existing New Enterprise Support Initiative (NESI) which included:

50 HM Treasury; Accelerating the SME economic engine: through transparent, simple and strategic procurement; November 2008
51 HM Treasury; Budget 2010; page 28, HC 451; March 2010
52 HM Treasury; Budget 2010; page 27, HC 61; June 2010
53 HM Treasury; Budget 1998; section 4.49, HC 620; 17 March 1998
54 HM Treasury; Budget 1999; section 3.21; HC298; March 1999
55 HM Treasury; Budget 2000; section 3.26; HC 346, March 2000

- the publication of a payroll software standard which will reassure small employers that accredited software will meet their payroll commitments;
- an increase in both the size and scope of the work carried out by the NESI helpline for new employers and the doubling of the size of the Inland Revenue Business Support Teams. These would offer new employers a detailed visit by Business Support Team to take them through various payroll issues; and
- an extension of the quarterly PAYE scheme to benefit an additional 80,000 employers. Following the £400 rise in the last Budget, the threshold for quarterly payments would be raised from £1,000 to £1,500 a month, saving employers up to £150 a year.[56]

It announced an investment of £60 million to help SMEs understand what getting online meant for their business; to help them get online; and to help them get the right services once they were. This included:

- £10 million for a major boost to awareness, advice and training for small firms on using IT, through an expansion of the DTI's Information Society Initiative;
- £20 million for a new call centre and web-based advice and information services, to help answer the basic questions people have when starting or running a small firm and give value-added support;
- £30 million to build a comprehensive infrastructure for a secure electronic interface with government, businesses and citizens; and
- 100% first year capital allowances for small enterprises investing in ICT equipment for the next three years, to help them gear up and succeed in the knowledge economy.[57]

The 2002 Budget introduced measures to ease payroll burden. This included the promotion of electronic filing (while recognising the difficulties faced by smaller companies) it announced a three stage move towards universal e-filing:

- the largest employers, with 250 or more employees, would be required to file electronically for the year 2004-05 onwards;
- employers with 50 or more employees would be required to file electronically from the year 2005-06; and
- incentive payments to encourage smaller employers, with fewer than 50 employees, to file electronically would commence for 2004-05, at a level of £250, tapering to £75 by 2008-09. The Government proposed that electronic filing of employer returns should become a universal requirement from 2010, for the filing of 2009-10 returns.[58]

[56] HM Treasury; Budget 2000; section 3.26 - 27; HC 346, March 2000
[57] HM Treasury; Budget 2000; section 3.58; HC 346, March 2000
[58] HM Treasury; Budget 2002; section 3.35, page 50, HC 592; June 2002

4.4 Employee Share Scheme

An Employee Share Scheme offers tax advantages on the purchase of company shares by employees.

The 1999 Budget announced the creation of a new all-employee share scheme to encourage companies to give free shares to their employees. This enabled employees to buy shares from their pre-tax salary, which would be matched with shares given by the company. It also included tax incentives to encourage longer-term shareholding.[59]

This has since become the Share Incentive Plan or SIPs, which has similar tax incentives. Broadly, the shares are tax free if kept for more than five years.[60]

The Enterprise Management Incentive is a tax free scheme which allows employees to 'buy shares of up to £250,000 without paying Income Tax or National Insurance on the difference between what is paid for the shares and what they're actually worth.'[61]

4.5 Business Link

This was announced in the 2004 Budget. The Business Link online advisory service was a one-stop shop where businesses could access advice on starting-up, regulatory requirements, exporting, accessing finance for growth, and other information.

It also announced that the Business Link website would include an online training directory. This would be promoted in partnership with the main high-street banks which offer a range of online courses and a directory of 750,000 other courses across the UK that can help businesses to succeed.[62] Business Support Services were merged with Business Link in 2009.

The Labour 2010 Budget announced a personalisation of the Business Link website, including better access to relevant tax documentation and advice.[63]

Business Link was overseen by a series of regional advisors administrated by the Regional Development Agencies until 2001. The website and phone line remained active until the website was replaced with the gov.uk portal in 2012. The phone line now exists as the Business Support Helpline.

4.6 The Business Volunteer Mentoring Association

This was announced in the 1999 Pre-Budget Report. This was a national network of mentors who were available for new and early stage

59 HM Treasury; Budget 1999 section 3.47; page 41; HC298; March 1999
60 Gov.uk, Share Incentive Plans
61 Gov.uk, Tax Employee Share Schemes
62 HM Treasury; Budget 2004; page 55, HC 301; March 2004
63 HM Treasury; Budget 2010; page 53; HC 451; March 2010

businesses.[64] In 2013 it was announced that 15,000 mentors had been recruited and that they could be accessed through a national mentoring portal run in association with the British Bankers Association called mentorsme.co.uk.[65]

4.7 Deregulation

There have been a large number of 'red tape' initiatives during the period and an equally large number of 'Units', 'Commissions' and 'Executives' promoting them.

The 1999 Budget announced the launch of an investigation by the Better Regulation Task Force to investigate the impact of regulation on growth and productivity.[66]

The 2003 Budget announced the introduction of a package of deregulatory reforms to ease burdens on SMEs, including raising the company law definitions of small- and medium-sized companies to the maximum possible under EU regulations. As a result of this:

- all firms falling under the revised small company threshold became subject to the existing less onerous accounting and reporting regime;
- firms falling under the revised medium-sized company threshold became eligible for the 40 per cent plant and machinery allowance; and
- firms also falling under the revised small company threshold became eligible for the 100 per cent ICT allowance until it expired on 31 March 2004.[67]

The 2004 Budget announced a change in legislation so that any regulatory proposal likely to impose a major new burden on business would require clearance from the Panel for Regulatory Accountability[68] chaired by the Prime Minister, based on an impact assessment of the proposal agreed by the Cabinet Office Regulatory Impact Unit, before a proposal was put to wider Ministerial approval.[69]

The 2005 Budget announced a commitment to remove unnecessary regulation from businesses including a guarantee to:

- always explore options for removing unnecessary and outdated regulations as part of the Regulatory Impact Assessment process when new regulations were being proposed. The Prudential Regulation Authority would expect to scrutinise proposals for simplifications alongside new regulations, and might reject proposed regulations

64 PQ 114391[on the Business Volunteer Mentoring Association], 16 March 2000
65 BIS; *Business mentors are ready and waiting to support SMEs*, 30 January 2013
66 HM Treasury; Budget 1999; section 3.85, HC298; March 1999
67 HM Treasury; Budget 2003; section 3.45, HC500; 9 April 2003
68 HM Treasury/BERR, Small Firms Impact Test : Guidance for Policy Makers, January 2009
69 HM Treasury; Budget 2004; page 50; HC 301; March 2004

unless the scope for off settings implications had been addressed;

- always respond, in detail and within 90 days, to suggestions made to government by businesses and business groups for regulatory simplifications; and
- include from April 2005 appropriate objectives on better regulation and reducing bureaucracy in the personal objectives of civil servants and, as set out in the 2004 Pre-Budget Report, take part in a new award for civil servants who delivered innovative and deregulatory solutions to policy problems.[70]

The 2006 Budget announced the reduction of business support services from around 3,000 now, to no more than 100 by 2010 to decrease confusion and duplication of effort.[71]

The 2008 Budget announced a new policy framework to encourage business growth. This was set out in a supplement to the 2008 Budget: *Enterprise: unlocking the UK's talent*.[72] A summary of the document can be found here. The strategy was built around 'five enablers':

> The new enterprise policy framework, set out in this document, groups these factors together within five separate, but closely inter-linked themes or 'enablers'; Culture, Knowledge and Skills, Access to Finance, Business Innovation, and Regulatory Framework.[73]

The Framework was taken forward by the Better Regulation Delivery Office (part of Department for Business, Innovation and Skills).

Outside of Budget measures, the *Regulatory Enforcement and Sanctions Act 2008* established the Local Better Regulation Office; for the co-ordination of regulatory enforcement by local authorities and the development of 'primary authorities' single sources of interpretation of regulations. This was extended by the *Enterprise and Regulatory Reform Act 2013* to groups like trade associations etc.

4.8 Growth Vouchers

The Growth Voucher scheme was announced in the 2013 Budget. It was worth £30 million and enabled SMEs to access advice on a variety of specific issues such as applying for finance or increasing the number of employees. The aim was to take innovative approaches to help SMEs overcome barriers to achieving growth, such as limited use of external advice.[74] The scheme closed in April 2015.

[70] HM Treasury; Budget 2005; page 48; HC 372; March 2005
[71] HM Treasury; Budget 2006; page 56; HC 968; 22nd March 2006
[72] HM Treasury/BERR; *Enterprise: unlocking the UK's talent*, March 2008
[73] HM Treasury/BERR; *Enterprise: unlocking the UK's talent;* (Summary), p7; March 2008
[74] HM Treasury; Budget 2013; page 49; HC 1033; March 2013

4.9 Other Measures

The 2002 Budget announced the Government's plan to promote an environment that encouraged enterprise and supported people who took opportunities and risks as a crucial ingredient of productivity improvement. The measures introduced in relation to this included:

- the provision of support for small and new businesses, encouraging business start-ups and promoting a culture of entrepreneurship; and
- the extension of the enterprise culture throughout the country by tackling the obstacles to business growth and investment in Britain's most disadvantaged areas.[75]

The 2003 Budget announced the development of a new package of training and support for SMEs produced in partnership between government and the high street banks. This included a one-stop web-based training directory to raise awareness of public and private sector training opportunities and provided access to on-line counselling and mentoring services.[76]

The 2006 Budget announced that a structured programme of intensive coaching and assistance for high-growth SMEs which would be rolled out by Regional Development Agencies.[77] Selected RDAs would also create Women's Enterprise Units:

> to pilot different approaches to supporting the start-up and growth of female-owned businesses.[78]

The 2010 Labour Budget announced the creation of the Small Business Credit Adjudicator.[79] The aim of this was ensure that SMEs were treated fairly when applying for credit, and it had statutory powers to enforce its judgements.[80]

However, it was cancelled as part of the cost savings announced by BIS after the 2010 General Election, where the measure was described as "low priority projects like the SME Adjudicator".[81]

The 2013 Budget announced a commitment from the card payment industry to use the Faster Payment System to help decrease the length of time it took for money to reach small businesses from card payments.[82]

75 HM Treasury; Budget 2002; section 3.25; page 47; HC 592; June 2002
76 HM Treasury; Budget 2003; section 3.43, HC500; 9 April 2003
77 HM Treasury; Budget 2006; section 3.52; page 56; HC 968; 22nd March 2006
78 HM Treasury; Budget 2006; section 3.70; page 59; HC 968; 22nd March 2006
79 HL Deb 25th March 2010, c1064
80 HM Treasury; Budget 2010; page 59; HC 451; March 2010
81 BIS *Press Release*; 24 May 2010
82 HM Treasury; Budget 2013; section 2.248; page 93; HC 1033; March 2013

BRIEFING PAPER
Number , 10 July 2015