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Support for small businesses



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Summary

The [British Business Bank](#) oversees the provision of Government lending and investment programmes, delivering direct to small businesses or delivering to them through third parties. Established in 2014, it aims to increase the supply of finance available to smaller businesses. It is a publicly funded development bank, owned by the Department for Business and Trade, but with operational independence. It does not operate as a direct competitor to commercial banks.

Lending and direct finance

There are several lending and direct finance schemes available to UK businesses.

The Government's [Start Up Loans](#) scheme offers personal loans, mentoring and advice to entrepreneurs.

The [Recovery Loan Scheme](#) is a Government-backed loan scheme designed to support access to finance for UK businesses.

The [ENABLE Programmes](#) support financial institutions to lend to smaller businesses by using Government-backed guarantees. They include a scheme for smaller housebuilder finance.

The Government-funded [Help to Grow: Management Course](#) offers leadership training and individual mentoring to small and medium-sized businesses, delivered by business schools accredited by the [Small Business Charter](#).

Brexit

The [SME Brexit Support Fund](#), which ran from February to June 2021, offered financial support to businesses that were new to importing and exporting, to help with training and advice.

Investment funding

The Government offers several schemes designed to encourage equity investment, which is the process of raising capital through the sale of shares in a company. Some schemes work by offering tax relief to investors.

The [Seed Enterprise Investment Scheme](#), a tax-based venture capital scheme, offers tax reliefs to individual investors who buy new shares in an early-stage company. The [Enterprise Investment Scheme](#) does the same for a start-up company. [Venture Capital Trusts](#) encourage indirect investment in a range of unquoted smaller, higher-risk trading companies, in return for tax reliefs.

[Enterprise Capital Funds](#) raise venture capital for early-stage small businesses with potential for long-term growth, combining private and public money to make investments. The [Angel CoFund](#) makes equity investments via syndicates of ‘business angels’ (a group of investors), to support businesses with strong growth potential.

Public procurement

Successive Governments have introduced measures to encourage start-ups and small businesses to bid for public sector contracts. The current Government pledged to continue this in its 2019 manifesto. The Gov.uk [Contracts Finder](#) offers information about Government contracts worth over £10,000 and there are dedicated [public sector procurement](#) websites for Wales, Scotland and Northern Ireland.

Small Business Commissioner

The [Small Business Commissioner](#) service was launched in December 2017. The Small Business Commissioner is a UK-wide, independent public body, set up by statute. It deals with complaints from small businesses about unfair payment practices in the private sector, including late payment.

General advice and information

A Government-run [business support helpline](#) provides information about funding and other sources of help for new and existing businesses. There are separate helplines for England, Wales, Scotland and Northern Ireland. The helplines complement a Government [business support portal](#), which offers a search engine for specific funding and advice schemes. Via the helplines, it is also possible to get help with tax, exporting, and advice on writing a business plan.

In England, [Local Enterprise Partnerships](#) and their local growth hubs also provide support to businesses. In August 2023, the [Government announced that central government support \(core funding\) for LEPs is to be withdrawn](#) from April 2024 and their functions transferred to local and combined authorities.

1 Background

1.1 Definition of an SME

The Companies Act 2006 defines a large company being determined by its staff headcount threshold: over 250 staff, and either its annual turnover exceeding £36m or its balance sheet total exceeding £18m. However, in relation to its procurement activities, the UK Government currently defines Small and Medium Enterprises (SMEs) in accordance with Table 1 below.¹

SMEs make up an essential component of the private sector business landscape. According to the [2021 Business Population Estimates](#) there were almost 5.6 million businesses in the UK at the start of 2021. SMEs accounted for 99.9% of the total number. Importantly SMEs employed 61% of the private sector workforce which was 16.3 million employees. They also earned 52% of the turnover of UK plc which is equivalent to £2,300 billion.²

Size of business	Staff headcount	Annual turnover	Balance sheet total
Medium	Under 250	Under £50m	Under £43m
Small	Under 50	Under £10m	Under £10m
Micro	Under 10	Under £2m	Under £2m

Source: Department for Business, Energy and Industrial Strategy, [BEIS small and medium enterprises \(SMEs\) action plan: 2022 to 2025](#), 26 January 2023

1.2 Types of business support

The Government provides general advice and information to businesses through websites and telephone helplines. These are outlined in Section 2 of this paper.

¹ Department for Business, Energy and Industrial Strategy, [BEIS small and medium enterprises \(SMEs\) action plan: 2022 to 2025](#), 26 January 2023 (accessed 27 October 2023)

² Department for Business, Energy and Industrial Strategy, [BEIS small and medium enterprises \(SMEs\) action plan: 2022 to 2025](#), 26 January 2023 (accessed 27 October 2023)

Lending

Lending to small businesses, and in turn to lenders themselves, usually takes place through programmes run by the [British Business Bank](#). The Government provides a number of schemes for lending to small businesses, and for supplying them with direct finance. These are outlined in Section 3 of this paper.

Equity investment

Equity investment 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. There are a number of tax incentives to encourage equity investment. These schemes are outlined in Section 6.

Non-financial support

Some Government initiatives provide non-financial assistance to businesses. These include help with Government procurement and the services of the Small Business Commissioner in relation to unfair payment practices.³

Role of British Business Bank

The [British Business Bank](#) (BBB), established in 2014, aims to increase the supply of finance available to smaller businesses. It is a publicly funded development bank owned by the Department for Business and Trade and with operational independence.

It does not operate as a direct competitor to commercial banks. Instead it oversees lending and investment programmes, with funds delivered through third parties.⁴

³ [Small Business Commissioner website](#) (accessed 27 October 2023)

⁴ [British Business Bank website](#) (accessed 27 October 2023)

2 Advice and information

The Government provides advice and information to small businesses via websites, helplines and its [Help to Grow campaign](#). Advice and information is also available from Local Enterprise Partnerships working in partnership with local authorities. Information is also available from other sources; these include the [Grantfinder](#) database hosted by the Library and available to Members of Parliament and their staff via the [Resources](#) page of the Library website.

2.1 Help to Grow campaign

The Government's [Help to Grow campaign](#) provides “news, information and advice from the Government on starting or growing your business”. It also provides advice and information about exporting, and has a section about business support which covers funding, employment and training. The website includes links for finding support in [Scotland](#), [Wales](#) and [Northern Ireland](#).⁵

2.2 Government portal

The Department for Business and Trade search engine [Finance and support for your business](#) gives information for local and national Government schemes.⁶ It allows for searching by type of support, business stage, industry, number of employees, and region.

2.3 Government helplines

The Gov.uk page [Get help and support for your business](#) links to Government helplines which complement the portal.⁷

There are also some links on this page for [help with tax](#), [help with exporting](#) and [advice on writing a business plan](#).

⁵ Scottish Government, [Find Business Support](#) (accessed 27 October 2023); Welsh Government, [Business support](#) (accessed 27 October 2023); [NI Business Info website](#) (accessed 27 October 2023)

⁶ Gov.uk, [Finance and support for your business](#) (accessed 27 October 2023)

⁷ Gov.uk, [Get help and support for your business](#) (accessed 27 October 2023)

The helplines, which offer free advice, serve the countries of the UK as follows:

England

- [Business Support Helpline \(England\)](#)

Telephone: 0800 998 1098
enquiries@businesssupporthelpline.org

The helpline is also available on X (Twitter), Facebook, YouTube and via webchat.

Scotland

- [Find Business Support Scotland](#)

Telephone: 0300 303 0660; [Email form](#)

The helpline is also available via [live chat](#).

Wales

- [Business Wales](#)

Telephone: 03000 6 03000; [Email form](#)

It is also possible to ask quick questions via X (Twitter), Facebook and Instagram.

Northern Ireland

- nibusinessinfo.co.uk

This is a free service offered by [Invest Northern Ireland](#).

Telephone: 0800 181 4422; [Email form](#)

Bedford Square, Bedford Street, Belfast BT2 7ES

2.4

Local Enterprise Partnerships and Growth Hubs

In England, [Local Enterprise Partnerships](#) (LEPs) and their local [Growth Hubs](#) provide advice, guidance and information about support for businesses.⁸

⁸ [LEP Network website](#) (accessed 27 October 2023)

There are currently [36 Local Enterprise Partnerships](#). They have been in existence since 2011.⁹

In August 2023, the Government announced that central government support (core funding) for LEPs is to be withdrawn from April 2024 and their functions - namely, business representation, strategic economic planning, and the delivery of government programmes - transferred to local and combined authorities. The Government confirmed this in a [joint letter](#) to LEP chairs, combined authority mayors, local authority leaders and the Mayor of London.¹⁰

The [LEP Network Team and Management Board](#), referring to Paragraph 17 of Government guidance referenced in the joint letter, states that:

Some LEPs may choose to continue operations without core funding, either until a devolution deal is agreed for their area or in perpetuity. Government will not provide any further core funding to LEPs in their existing form. If an upper tier local authority or authorities wish to continue using the LEP as a vehicle to continue delivery of these core functions, or if they wish in due course to pursue integration of a LEP, they are free to do so – the nature and status of such arrangements are a decision for them to make. Any future contracting that is not in place before 1 April 2024 would, in most cases, be subject to normal commercial procedures.¹¹

2.5 Local authorities

Many local authorities already have business support teams. The Local Government Association provides an [A-Z of councils online](#) (England and Wales) which links to each council's website. COSLA, the national membership organisation for Scottish Local Government, provides the same information for [Scotland](#) and the [Welsh Government website](#) for Wales.

2.6 Grantfinder database

The [Grantfinder](#) database is available to Members of Parliament and their staff via the [Resources](#) page of the Library website. Online guidance and training are also available. Grantfinder provides information about business funding schemes taken from a wide variety of sources.

⁹ [Local Enterprise Partnerships](#), Commons Library Briefing Paper 5651, 28 March 2019 (accessed 27 October 2023)

¹⁰ Department for Business and Trade, [Transfer of Local Enterprise Partnership \(LEP\) core functions to combined and local authorities](#), 4 August 2023 (accessed 27 October 2023)

¹¹ Department for Business and Trade, [Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions](#), 4 August 2023 (accessed 27 October 2023)

3 Government programmes for lending to small businesses

The programmes discussed here are overseen by the [British Business Bank](#).¹² Some of the programmes are directly available to businesses, and others to entities that support them, particularly lenders.

3.1 Start Up Loans scheme

The Government's Start Up Loans scheme offers personal loans, mentoring and advice to individual entrepreneurs. The programme is delivered by the Start Up Loans Company, part of the British Business Bank.

Some brief information about the scheme is highlighted below. There is detailed information on the [Start Up Loans Company website](#).¹³

What does the scheme offer?

A Start Up Loan is a Government-backed personal loan with a fixed interest rate of 6% per annum. All owners or partners in a business can individually apply for up to £25,000, with a maximum of £100,000 available to any one business. The loan is unsecured.

The scheme also offers free mentoring and discounts on business products to successful applicants, for one year.¹⁴

Who can apply?

To be eligible for a Start Up Loan, an entrepreneur must be starting a new business or have been trading for less than three years (36 months). They must be unable to secure finance from other sources, and able to pass [credit checks](#) and [afford to repay the loan](#).

They must be in a [business type](#) and with a [loan purpose](#) which is eligible under the terms of the scheme. Detailed eligibility criteria are available on the Start Up Loans Company website.¹⁵

¹² British Business Bank, [Our programmes](#) (accessed 27 October 2023)

¹³ [Start Up Loans Company website](#) (accessed 27 October 2023)

¹⁴ Start Up Loans Company, [What is a Start Up Loan?](#) (accessed 27 October 2023)

¹⁵ Start Up loans Company, [Am I eligible?](#) (accessed 27 October 2023)

How to apply

The website includes an [application page](#) with information about the process, and a series of [online registration forms](#). The process involves an eligibility check followed by registration; completion of an application form, a credit check and submission of a business plan; and review and finalisation of business (including planning) documents, with the help of an advisor.¹⁶

New Enterprise Allowance scheme

The Start Up Loans scheme originally made loans to individuals taking part in the [New Enterprise Allowance](#) scheme. New referrals to the New Enterprise Allowance scheme ended on 31 December 2021 whilst participants already on the programme will receive support until October 2023.¹⁷

3.2 Recovery Loan Scheme

The [Recovery Loan Scheme](#) replaced the Government's three main Covid business loans schemes in April 2021.¹⁸

These were the Coronavirus Business Interruption Loan Scheme, the Coronavirus Large Business Interruption Loan Scheme and the Bounce Back Loan Scheme. Some information about them remains on the British Business Bank website.¹⁹ A Commons Library briefing, [Coronavirus: Business loans schemes](#) also provides some background.²⁰

Administered by the British Business Bank, the Recovery Loan Scheme is now in its second extension and is due to run until 30 June 2024. In his [Budget statement](#) of 6 March 2024 the Chancellor, Jeremy Hunt, announced a further extension to the Scheme. It is being renamed the Growth Guarantee Scheme and has been extended until the end of March 2026.²¹

The [British Business Bank website](#) provides information about the current scheme.²² Information about previous iterations may be found in the Bank's [Recovery Loan Scheme - FAQs \[Comparison to previous schemes\]](#).²³ A

¹⁶ Start Up Loans Company, [How to apply for a Start Up Loan](#) (accessed 27 October 2023); Start Up Loans Company, [Applying for a Start Up Loan](#) (accessed 27 October 2023)

¹⁷ [PQ 105535](#) [on New Enterprise Allowance], 20 January 2022 (accessed 27 October 2023)

¹⁸ British Business Bank, [Recovery Loan Scheme](#) (accessed 27 October 2023)

¹⁹ British Business Bank, [Coronavirus Business Interruption Loan Scheme](#) (accessed 27 October 2023); British Business Bank, [Bounce Back Loan Scheme](#) (accessed 27 October 2023)

²⁰ [Coronavirus: Business loans schemes](#), Commons Library briefing, 21 March 2023 (accessed 27 October 2023)

²¹ [HC Deb 6 March 2024 c841](#); HM Treasury, [Spring Budget 2024](#) (PDF), March 2024, HC 560, para 5.99

²² British Business Bank, [Recovery Loan Scheme](#) (accessed 27 October 2023)

²³ British Business Bank, [Recovery Loan Scheme - FAQs \[Comparison to previous schemes\]](#) (accessed 27 October 2023)

Commons Library briefing, [Coronavirus: Business loans schemes](#) also provides some background to the scheme.²⁴

In its new iteration it is a “Government-backed loan scheme designed to support access to finance for UK businesses as they look to invest and grow”. Key features of the scheme are outlined on the [British Business Bank website](#), which also provides detailed information.²⁵

Some brief information about the scheme is highlighted below.

What does the scheme offer?

The [Recovery Loan Scheme](#) is a Government-backed loan scheme for smaller businesses with a turnover of up to £45 million. This would be on a group basis, where the business is part of a group. It works only through British Business Bank [accredited lenders](#), providing a guarantee to the lender, whilst the borrower remains 100% liable for the debt. A lender is provided with a 70% Government-backed guarantee against the outstanding balance of the loan facility.

The maximum amount of a loan facility provided under the scheme is £2 million per business group for borrowers outside the scope of the Northern Ireland Protocol, and up to £1 million per business group for Northern Ireland Protocol borrowers. The scheme supports a wide range of financial products, and different term lengths.²⁶

Interest rates and fees charged to businesses by lenders will vary, but “lenders are required to pass on the economic benefit of the guarantee to the business after accounting for its [the lender’s] costs”.²⁷

Who can apply?

As stated above, a business or business group must have a turnover not exceeding £45 million. A business must not be in difficulty, and must have a borrowing proposal considered viable by the lender. It must generate more than 50% of its turnover from trading activity in the UK.²⁸

Eligibility in relation to type of business and business sector is outlined in a series of [Recovery Loan Scheme FAQs](#). The FAQs also outline other eligibility criteria.

²⁴ [Coronavirus: Business loans schemes](#), Commons Library briefing, 21 March 2023 (accessed 27 October 2023)

²⁵ British Business Bank, [Recovery Loan Scheme](#) (accessed 27 October 2023)

²⁶ British Business Bank, [Recovery Loan Scheme](#) (accessed 27 October 2023); British Business Bank, [Recovery Loan Scheme - FAQs](#) (accessed 27 October 2023)

²⁷ British Business Bank, [Recovery Loan Scheme - FAQs](#) (accessed 27 October 2023)

²⁸ British Business Bank, [Recovery Loan Scheme - FAQs](#) (accessed 27 October 2023)

How to apply

The FAQs include a section on the [application process](#). A business should approach an [accredited lender](#) direct. All facilities are provided at the discretion of the lender.²⁹

A business is not restricted to an application to one lender:

Not every accredited lender provides every type of finance, and the amount of finance offered varies between lenders. Please see the lenders' websites for more information on the amounts and type of finance they can offer.³⁰

Lenders are required to undertake standard checks, including credit and fraud checks, and they need evidence that a business can afford a loan repayment. There is more information about this on the [British Business Bank website](#).³¹

Enterprise Finance Guarantee scheme

The [Enterprise Finance Guarantee](#) scheme was established to facilitate lending to viable smaller businesses which had insufficient security to meet a lender's normal security requirements.³² It provided a lender with a Government-backed guarantee of up to 75% against the outstanding facility balance.

The programme is currently paused and the British Business Bank advises anyone interested to refer to the Recovery Loans Scheme instead.

3.3

ENABLE programmes

The [ENABLE programmes](#) are open to providers of finance to smaller businesses. They are overseen by the British Business Bank.³³

ENABLE Guarantees

Enable Guarantees is a programme which gives lenders a Government-backed guarantee to cover credit losses that they may incur above a certain level when they make loans to small businesses. The lender pays a fee to receive the guarantee.

The programme is open to all UK banks as well as a wide variety of other lenders. The British Business Bank's [Enable Guarantees Programme: a request](#)

²⁹ British Business Bank, [Recovery Loan Scheme for businesses](#) (accessed 27 October 2023)

³⁰ British Business Bank, [Recovery Loan Scheme for businesses](#) (accessed 27 October 2023)

³¹ British Business Bank, [Recovery Loan Scheme for businesses](#) (accessed 27 October 2023)

³² British Business Bank, [Enterprise Finance Guarantee: Facilitating lending to the UK's smaller businesses](#) (accessed 27 October 2023)

³³ British Business Bank, [Wholesale solutions – our ENABLE Programmes](#) (accessed 27 October 2023)

[for proposals](#) outlines the application process and provides further information.³⁴

ENABLE Build

ENABLE Build offers up to £1bn of guarantee support for smaller housebuilder finance across the UK. The British Business Bank works with Homes England to deliver it. Homes England is a Non-Departmental Public Body which is the Government's housing and regeneration agency.

The programme is open to UK incorporated banks and UK branches of overseas resident banks that provide, or intend to provide, development finance to viable SMEs operating in the UK. For more information, see the guidance [ENABLE Build Programme: a request for proposals](#).³⁵

ENABLE Funding

The ENABLE Funding programme aims to improve the provision of asset and lease finance to smaller businesses.

Institutions providing asset or lease finance, or peer to peer lenders, should look at the guidance [Enable Funding Programme: a request for proposals](#).³⁶

³⁴ British Business Bank, [ENABLE Guarantees Programme: a request for proposals](#) [PDF], May 2019 (accessed 27 October 2023)

³⁵ British Business Bank, [ENABLE Build Programme: a request for proposals](#) [PDF], April 2019 (accessed 27 October 2023)

³⁶ British Business Bank, [ENABLE Funding Programme: a request for proposals](#) [PDF], 25 October 2019 (accessed 27 October 2023)

4 Other Government schemes

4.1 Help to Grow: Management Course

The Government-funded [Help to Grow: Management Course](#) is aimed at small and medium-sized businesses, that is those employing between 5 and 249 people.³⁷ Business schools accredited by the Small Business Charter deliver courses at over 50 locations across the UK, offering 50 hours of leadership training across 12 weeks, and ten hours of individual mentoring. Government funding covers 90% of the costs; there is a joining fee of £750.

There is more information about eligibility, costs, registration and detail of the course in a set of [FAQs](#).³⁸

4.2 Help to Grow: Digital scheme

The Government's [Help to Grow: Digital](#) scheme, which offered businesses advice about using technology, and vouchers towards pre-approved software, closed to new business applications on 2 February 2023.³⁹ The scheme did not have the expected take-up. A Department for Business, Energy and Industrial Strategy press release of 15 December 2022 states that:

The scheme has supported businesses to grow, but with take-up lower than expected, the government cannot justify the continued cost of the scheme to the taxpayer. The decision has been taken to refocus efforts towards other support mechanisms for small businesses, ensuring businesses get the backing they need in the most efficient and productive way possible.⁴⁰

4.3 Made Smarter initiative

The [Made Smarter](#) initiative was created following an industry-led review, the [Made Smarter Review](#), which set out proposals to Government for the

³⁷ Small Business Charter, [Help to Grow: Management Course](#) (accessed 27 October 2023)

³⁸ Small Business Charter, [Help to Grow: Management Course – Frequently Asked Questions](#) (accessed 27 October 2023)

³⁹ Department for Business, Energy and Industrial Strategy, [Final opportunity for businesses to access Help to Grow: Digital scheme](#), 15 December 2022 (accessed 27 October 2023)

⁴⁰ Department for Business, Energy and Industrial Strategy, [Final opportunity for businesses to access Help to Grow: Digital scheme](#), 15 December 2022 (accessed 27 October 2023)

increased use of Industrial Digital Technologies across the manufacturing sector.⁴¹

The Government's [Made Smarter Adoption](#) programme includes the provision of funding for small and medium-sized manufacturing and engineering businesses to help with the adoption of digital technology. Currently, these businesses must have manufacturing premises across six English regions: North West, North East, West Midlands, East Midlands, Yorkshire and the Humber, West of England.⁴²

4.4 SME Brexit Support Fund

The [SME Brexit Support Fund](#) was introduced in February 2021 for businesses new to importing and exporting, offering up to £2,000 to help with training or professional advice. Applications closed on 30 June 2021.⁴³

It applied to businesses with up to 500 employees, and no more than £100 million annual turnover. There is more information about the Fund's purpose and eligibility criteria in a HM Revenue and Customs press release of 15 April 2021.⁴⁴

⁴¹ [Made Smarter website](#); [Made Smarter Review 2017](#) [PDF] (accessed 27 October 2023)

⁴² Made Smarter, [Adoption](#) (accessed 27 October 2023)

⁴³ HM Revenue and Customs, [Apply for a grant to help small and medium-sized businesses new to importing or exporting](#), 15 April 2021. Withdrawn 12 July 2021. (accessed 27 October 2023)

⁴⁴ HM Revenue and Customs, [Apply for a grant to help small and medium-sized businesses new to importing or exporting](#), 15 April 2021. Withdrawn 12 July 2021. (accessed 27 October 2023)

5 Regional funding

The British Business Bank also oversees the delivery of regional investment funds, which provide combinations of microfinance (small business loans), debt finance and equity finance.

5.1 Nations and Regions Investment Funds

As part of the 2021 Spending Review, the Government awarded £1.6bn to a new generation of [Nations and Regions Investment Funds](#). The British Business Bank is responsible for administering these funds on behalf of the UK Government.⁴⁵ The distribution of the funding is outlined on the [British Business Bank website](#).⁴⁶

The Nations and Regions Investment Funds includes three previously existing regional funds, the [Northern Powerhouse Investment Fund](#), the [Midlands Engine Investment Fund](#) and the [Cornwall and Isles of Scilly Investment Fund](#). The funding for the Northern Powerhouse Investment Fund is designed to include an expansion into the North East of England.

The first new fund, the [South West Investment Fund](#), launched in July 2023 and is planned to build on the Cornwall and Isles of Scilly Investment fund.

The Government's financial commitment also includes provision for new funds for the devolved countries of the UK:

- [Investment Fund for Scotland](#), launched on 5 October 2023
- [Investment Fund for Northern Ireland](#), “on course to be launched in autumn 2023”
- [Investment Fund for Wales](#), “on course to be launched in autumn 2023”

For more information about geographic coverage, funding and eligibility, please refer to the individual fund websites.⁴⁷

⁴⁵ British Business Bank, [Annual report and accounts 2023](#) [PDF], 25 September 2023 (accessed 27 October 2023)

⁴⁶ British Business Bank, [Nations and Regions Investment Funds](#) [PDF] (accessed 27 October 2023)

⁴⁷ British Business Bank, [Nations and Regions Investment Funds](#) [PDF] (accessed 27 October 2023)

6 Equity investment

Equity funding involves a business raising capital by selling its company shares, either to existing shareholders or to a new investor. Investors take an equity stake in the company with the aim of selling at a profit when the company has expanded. The British Business Bank provides background information about [Equity financing](#) and some of its more common forms, including [Venture capital investment](#) and angel investment.⁴⁸

Governments have, over time, introduced various schemes to encourage equity funding through tax relief and other means. Three HM Revenue and Customs [venture capital schemes](#), which offer tax reliefs to individual investors who buy and hold new shares in small businesses, are outlined below.⁴⁹

Two of the British Business Bank's equity programmes, Enterprise Capital Funds and the Angel CoFund, are also outlined.

6.1 HM Revenue and Customs venture capital schemes

HM Revenue and Customs operates three [Venture capital schemes](#) designed to help small and medium sized companies to grow the business by offering tax reliefs to individual investors.⁵⁰ They are the [Enterprise Investment Scheme](#), aimed at start up companies; the Seed Enterprise Investment Scheme, aimed at early stage companies; and Venture Capital Trusts, aimed at small unquoted companies.⁵¹

⁴⁸ British Business Bank, [The Finance Hub: what is equity financing?](#) (accessed 27 October 2023); British Business Bank, [The Finance Hub: venture capital](#) (accessed 27 October 2023)

⁴⁹ HM Revenue and Customs, [Use a venture capital scheme to raise money for your company](#), 25 May 2023 (accessed 27 October 2023)

⁵⁰ HM Revenue and Customs, [Use a venture capital scheme to raise money for your company](#), 25 May 2023 (accessed 27 October 2023)

⁵¹ HM Revenue and Customs, [Apply to use the Enterprise Investment Scheme to raise money for your company](#), 31 January 2023 (accessed 27 October 2023)

What do the schemes offer?

The schemes offer tax reliefs to individuals who buy and hold new shares, bonds or assets for a specific period of time.⁵² Government guidance provides information about tax reliefs offered by the schemes.⁵³

Who can apply?

The company must have a [permanent establishment](#) in the UK.

The investment must be used for a qualifying trade. Government guidance states that “most trades will qualify, including any research and development which will lead to a qualifying trade”.⁵⁴ However, some trades do not qualify if they represent more than 20% of the company’s trade. There is information about [excluded activities](#) in the HM Revenue and Customs Venture Capital Schemes manual.⁵⁵

The company must be unlisted at the time of investment. It must not be controlled by another company.

It must also meet the specific conditions of each individual scheme.

How to apply

There is a system of [advance assurance](#) for these schemes.⁵⁶ This is a system for asking HM Revenue and Customs if they agree that an investment would meet the conditions of a venture capital scheme. However, any advance assurance “should not be read as a general endorsement by HMRC or an indication of potential investment performance. Investors should always consider conducting their own due diligence before making an investment.”⁵⁷

The company must complete an online compliance statement and submit this to HMRC. There is more information under the individual schemes, below.

Enterprise Investment Scheme

The Enterprise Investment Scheme offers tax reliefs to individual investors who buy new shares in a start-up company.

⁵² HM Revenue and Customs, [Use a venture capital scheme to raise money for your company](#), 25 May 2023 (accessed 27 October 2023)

⁵³ HM Revenue and Customs, [Tax relief for investors using venture capital schemes](#), 6 October 2023 (accessed 27 October 2023)

⁵⁴ HM Revenue and Customs, [Use a venture capital scheme to raise money for your company](#), 25 May 2023 (accessed 27 October 2023)

⁵⁵ HM Revenue and Customs, [Venture Capital Schemes manual](#), 18 August 2023 (accessed 27 October 2023)

⁵⁶ HM Revenue and Customs, [Apply for advance assurance on a venture capital scheme](#), 6 April 2023 (accessed 27 October 2023)

⁵⁷ HM Revenue and Customs, [Tax relief for investors using venture capital schemes](#), 6 October 2023 (accessed 27 October 2023)

Companies should refer to the HM Revenue and Customs guidance, [Apply to use the Enterprise Investment Scheme \(EIS\) to raise money for your company](#) and from there to the [HMRC Venture Capital Schemes Manual](#).⁵⁸

Using the scheme, a company can raise up to £5 million each year, and a maximum of £12 million in the company's lifetime. This includes amounts received from other venture capital schemes; please see the guidance for more information.⁵⁹

The company and any qualifying subsidiaries must:

- not have gross assets worth more than £15 million before any shares are issued, and not more than £16 million immediately afterwards.
- have less than 250 full-time equivalent employees at the time the shares are issued.⁶⁰

Knowledge-Intensive Funds

A fund manager can seek approval for its investment fund to be an “approved knowledge-intensive fund”.⁶¹ The rules for this changed on 6 April 2020. The guidelines are still in draft, dated 11 July 2019.⁶²

How to apply

After issuing shares, a company must complete a [Compliance statement \(EIS1\)](#) and send this to HMRC, with a number of accompanying documents. Its investors will be able to claim tax relief only if it meets these conditions.

The documents and information required are listed at Gov.uk, [Apply to use the Enterprise Investment Scheme \(EIS\) to raise money for your company](#).

Seed Enterprise Investment Scheme

The Seed Enterprise Investment Scheme offers tax reliefs to individual investors who buy new shares in an early-stage company, that is one which is starting to trade. It offers a higher rate of tax relief than the Enterprise Investment Scheme.

⁵⁸ HM Revenue and Customs, [Apply to use the Enterprise Investment Scheme to raise money for your company](#), 31 January 2023 (accessed 27 October 2023); HM Revenue and Customs, [Venture Capital Schemes Manual](#), 18 August 2023 (accessed 27 October 2023)

⁵⁹ HM Revenue and Customs, [Apply to use the Enterprise Investment Scheme to raise money for your company](#), 31 January 2023 (accessed 27 October 2023)

⁶⁰ HM Revenue and Customs, [Apply to use the Enterprise Investment Scheme to raise money for your company](#), 31 January 2023 (accessed 27 October 2023)

⁶¹ HM Revenue and Customs, [The Enterprise Investment Scheme: draft guidelines for the approval of knowledge-intensive funds](#) [PDF], 11 July 2019 (accessed 27 October 2023)

⁶² HM Revenue and Customs, [Enterprise Investment Scheme draft guidelines for the approval of knowledge-intensive funds](#), 11 July 2019 (accessed 27 October 2023)

A company cannot use the Seed Enterprise Investment Scheme if it has received investment through the Enterprise Investment Scheme or from a Venture Capital Trust.⁶³

Companies should refer to the HM Revenue and Customs guidance, [Apply to use the Seed Enterprise Investment Scheme to raise money for your company](#) and to the [HMRC Venture Capital Schemes Manual](#).⁶⁴

A company may receive a maximum of £250,000 through Scheme investments but there are provisos to this, specified in the guidance.⁶⁵

A company and any of its subsidiaries must:

- not have gross assets over £350,000 when the shares are issued
- not be a member of a partnership
- have less than 25 full-time equivalent employees in total when the shares are issued⁶⁶

How to apply

After issuing shares, a company must complete a [Compliance statement \(SEIS1\)](#) and send this to HMRC, with a number of accompanying documents. Its investors will be able to claim tax relief only if it meets these conditions.

The documents and information required are listed at Gov.uk, [Apply to use the Seed Enterprise Investment Scheme to raise money for your company](#).⁶⁷

Venture Capital Trusts

A Venture Capital Trust is a company, approved by HM Revenue and Customs, which invests in, or lends money to, small unquoted companies.⁶⁸

Trusts and their investors receive tax reliefs, summarised in the [HMRC Venture Capital Schemes Manual](#).⁶⁹

⁶³ HM Revenue and Customs, [Apply to use the Seed Enterprise Investment Scheme to raise money for your company](#), 25 May 2023 (accessed 27 October 2023)

⁶⁴ HM Revenue and Customs, [Apply to use the Seed Enterprise Investment Scheme to raise money for your company](#), 25 May 2023 (accessed 27 October 2023); HM Revenue and Customs, [Venture Capital Schemes Manual](#), 18 August 2023 (accessed 27 October 2023)

⁶⁵ HM Revenue and Customs, [Apply to use the Seed Enterprise Investment Scheme to raise money for your company](#), 25 May 2023 (accessed 27 October 2023)

⁶⁶ HM Revenue and Customs, [Apply to use the Seed Enterprise Investment Scheme to raise money for your company](#), 25 May 2023 (accessed 27 October 2023)

⁶⁷ HM Revenue and Customs, [Apply to use the Seed Enterprise Investment Scheme to raise money for your company](#), 25 May 2023 (accessed 27 October 2023)

⁶⁸ HM Revenue and Customs, [Use a venture capital scheme to raise money for your company](#), 25 May 2023 (accessed 27 October 2023)

⁶⁹ HM Revenue and Customs, [Venture Capital Schemes Manual](#), 18 August 2023 (accessed 27 October 2023)

Companies should refer to the HM Revenue and Customs guidance, [Use a venture capital scheme to raise money for your company](#) and to the [HMRC Venture Capital Schemes Manual](#).⁷⁰

There is also some background information in the HM Revenue and Customs document [Venture Capital Trusts: introductory note](#).⁷¹

Venture Capital Trusts have similarities with ‘ordinary’ investment trusts and are managed by fund managers ‘who are usually members of larger investment groups’:

The VCT scheme is designed to encourage investment in small unquoted companies. Individuals invest by holding shares in a VCT. The VCT invests in a spread of small unquoted companies, enabling investors to spread their risk, just as they do by holding shares in an ordinary investment trust company.⁷²

VCTs are similar to investment trusts and are managed by fund managers who are usually members of larger investment groups. Investors subscribe for shares in a VCT, which then onward invests in qualifying trading companies, providing them with funds to help them develop and grow.⁷³

6.2 Enterprise Capital Funds

The British Business Bank’s [Enterprise Capital Funds](#) programme helps raise venture capital funds for early-stage small businesses with the potential for long-term growth. Its aim is to help prospective fund managers to establish funds.⁷⁴

The British Business Bank provides more [information about the programme](#).⁷⁵

The Bank invests ‘alongside venture capital funds’, combining public and private money. It aims to encourage venture capital funds to “operate in a part of the market where smaller businesses are not able to access the growth capital they need”. It invests on terms “which improve the outcome for private investors when those funds are successful”.⁷⁶ There is detailed

⁷⁰ HM Revenue and Customs, [Use a venture capital scheme to raise money for your company](#), 25 May 2023 (accessed 27 October 2023); HM Revenue and Customs, [Venture Capital Schemes Manual](#), 18 August 2023 (accessed 27 October 2023)

⁷¹ HM Revenue and Customs, [Venture Capital Trusts: introductory note](#). Official Statistics. 18 December 2020 (accessed 27 October 2023)

⁷² HM Revenue and Customs, [Venture Capital Schemes Manual - VCT: overview of the VCT scheme](#), 18 August 2023 (accessed 27 October 2023)

⁷³ HM Revenue and Customs, [Venture Capital Trusts: introductory note](#). Official Statistics. 18 December 2020 (accessed 27 October 2023)

⁷⁴ British Business Bank, [Our partners: Enterprise Capital Funds](#) (accessed 27 October 2023)

⁷⁵ British Business Bank, [Our partners: Enterprise Capital Funds](#) (accessed 27 October 2023)

⁷⁶ British Business Bank, [Enterprise Capital Funds: how we invest](#) (accessed 27 October 2023)

guidance on the Bank's website, via the [Enterprise Capital Funds resources](#) page.⁷⁷

Since the programme is about “helping prospective fund managers to establish funds”, the Bank is unable to respond to enquiries from individual companies looking for equity funding via this programme. Companies should approach fund managers direct through the Bank's [scale-up](#) pages.⁷⁸ These pages provide an option to list the Bank's partners by participation in its programmes, that is, in this case, by participation in equity investment.⁷⁹

6.3 Angel CoFund

The British Business Bank page [Angel investors](#) explains the concept of angel investment, stating that “An angel investor is someone who invests their own money in a small business in exchange for a [minority stake](#) (usually between 10% and 25%)”. It goes on to say that angel investors “usually invest together as a syndicate”, that is they “work together to pool their money and experience”. It also outlines some of the benefits and risks of angel investment.⁸⁰

The Angel CoFund is a British Business Bank equity programme, and one of its core finance programmes, which provides:

Equity co-investment alongside business angel syndicates to increase the volume of early-stage finance available to smaller businesses.⁸¹

The [Angel CoFund](#) makes equity investments of between £100,000 and £1 million in smaller businesses in the UK, investing alongside syndicates of business angels to support businesses.⁸²

There is more information on the [Angel CoFund website](#), which a business angel syndicate should visit for information about the fund and the process for securing co-investment. This includes information about investment limits.⁸³

It is not possible for a business seeking investment to approach the Angel CoFund direct. Such a business should first secure the interest of a business

⁷⁷ British Business Bank, [Enterprise Capital Funds: guidance for prospective managers](#), September 2021 (accessed 27 October 2023)

⁷⁸ British Business Bank, [Enterprise Capital Funds: resources](#) (accessed 27 October 2023); British Business Bank, [Enterprise Capital Funds: how to apply](#) (accessed 27 October 2023)

⁷⁹ British Business Bank, [The Finance Hub: scale-up](#) (accessed 27 October 2023)

⁸⁰ British Business Bank, [The Finance Hub: what is angel investment?](#) (accessed 27 October 2023); British Business Bank, [The Finance Hub: what is equity financing?](#) (accessed 27 October 2023)

⁸¹ British Business Bank, [Annual report and accounts 2023](#) [PDF], September 2023 (accessed 27 October 2023)

⁸² British Business Bank, [Our partners: Angel CoFund](#) (accessed 27 October 2023)

⁸³ [Angel CoFund website](#) (accessed 27 October 2023)

angel syndicate or network. The [UK Business Angels Association](#) provides information about syndicates and networks.⁸⁴

⁸⁴ British Business Bank, [Our partners: Angel CoFund](#) (accessed 27 October 2023); [UK Business Angels Association website](#) (accessed 27 October 2023)

7

Non-financial support

7.1

Procurement

Procurement rules regulate public authority purchases of supplies, services and public works from the private sector. About a third of public sector spending goes towards procurement.⁸⁵

UK legislation sets out the principles and rules that should be followed in choosing suppliers for public sector procurement contracts.⁸⁶

Procurement reform

To make procurement more accessible to small businesses, successive governments have implemented a range of measures, for example, simplifying bidding procedures, making contract opportunities easier to find and paying suppliers promptly.⁸⁷

The 2019 Conservative manifesto pledged to “support start-ups and small businesses via government procurement”.⁸⁸

The following year, capitalising on the opportunity to change the current EU law-based rules, the Government started a procurement reform. Its objective is to create a [simpler, faster, more flexible and transparent public procurement regime](#), “that better meets our country’s needs” while remaining compliant with the UK’s international obligations. The reform also aims to open the market for public contracts to new entrants, including small and local businesses.⁸⁹

A Procurement Bill started its passage through Parliament in April 2022. In October 2023, it received Royal Assent as [Procurement Act 2023](#). The rules are

⁸⁵ Commons Library research briefing, CBP-9317 [Procurement statistics: a short guide](#)

⁸⁶ Crown Commercial Service, [Public sector procurement policy. Guidance](#) (accessed 4 December 2023)

⁸⁷ HM Government, [Making public sector procurement more accessible to SMEs: consultation document](#) (PDF), 19 September 2013 (accessed 4 December 2023) ; Crown Commercial Service, [Reforms to make public procurement more accessible to SMEs](#) (PDF), Procurement Policy Note 03/15, 18 February 2015 (accessed 4 December 2023)

⁸⁸ The Conservative and Unionist Party, [Get Brexit done: unleash Britain's potential: manifesto 2019](#) (accessed 4 December 2023)

⁸⁹ Cabinet Office, [Simpler, more flexible and transparent procurement](#). Procurement Bill factsheet, 12 May 2022; Cabinet Office, [Green Paper: Transforming public procurement](#), December 2020

expected to change from October 2024, when the Procurement Act 2023, its implementing legislation and guidance will fully enter into force.⁹⁰

Further background of procurement reform, the Procurement Bill, its passage through Parliament and relevant amendments are summarised in Commons Library research briefings:

- [Procurement Bill 2022-23](#)
- [Procurement Bill: Progress of the Bill](#)

Opening public contracts to SMEs

The Procurement Act 2023 introduces several measures [aimed at making procurement more accessible to SMEs](#), including:

- a duty for contracting authorities to “have regard” to removing barriers experienced by SMEs. Smaller businesses will be exempt from certain audit and insurance requirements as the conditions of participation in a procurement.⁹¹
- a single digital platform will allow bidders to register and submit their core credentials only once so they can be used for multiple bids.⁹²
- [to increase transparency](#), contracting authorities will have to publish ‘notices’ about the entire procurement lifecycle, from pipelines of future tenders and current opportunities, to contract awards and contract performance.⁹³
- a statutory duty for contracting authorities to pay suppliers within 30 days and report on their payment compliance. This duty will be passed down the public sector supply chains requiring primary contractors to pay their subcontractors, often SMEs, promptly.⁹⁴
- a new Procurement Review Unit’s powers will include investigating individual suppliers’ or potential suppliers complaints about poor public sector procurement practice – currently the work of the [Public Procurement Review Service](#).⁹⁵

Finding contract opportunities

The Government [Contracts Finder website](#) has details of contract opportunities worth over £12,000 with the government and its agencies in

⁹⁰ [Procurement Act 2023](#)

⁹¹ [Explanatory Notes to the Procurement Act 2023](#) (PDF), 26 October 2023, para 25

⁹² As above, para 28

⁹³ Cabinet Office, [Policy paper Transforming Public Procurement - our transparency ambition](#), 30 June 2022

⁹⁴ As above, para 29

⁹⁵ [HC Deb 9 February 2023 Procurement Bill \[Lords\] \(Seventh sitting\)](#) cc 231, 236

England.⁹⁶ [Find a Tender](#) website brings together high value public sector contracts, usually above £138,760.

There are a range of other websites that show public sector contracts, including a useful list on the GOV.UK page, [Sell goods or services to the public sector](#).⁹⁷

Scotland, Wales and Northern Ireland have their own dedicated public sector procurement websites:

- Scottish Government, [SME access to public contracts](#)⁹⁸ and [Public Contracts Scotland](#)⁹⁹
- Business Wales, [Sell2Wales - selling to the public sector](#)¹⁰⁰ and [Tendering](#)¹⁰¹
- Northern Ireland Department of Finance, [eTendersNI](#)¹⁰² and [eSourcing NI](#)¹⁰³

The current procurement rules are summarised in section 1.4 of our briefing on the [Procurement Bill 2022-23](#).¹⁰⁴ [Government guidance on public procurement policy](#) provides a full overview of these rules.

For more information on finding procurement data see the Commons Library research briefing, [Procurement statistics: a short guide](#).¹⁰⁵

7.2

Small Business Commissioner

The [Office of the Small Business Commissioner](#) (OSBC) is a UK-wide, independent public body set up by Government under the Enterprise Act 2016. It deals with complaints from small businesses about unfair payment practices, part of a package of measures to tackle late payment and unfavourable payment practices in the private sector:

The Office of the Small Business Commissioner (OSBC) considers complaints from small businesses (that is businesses with fewer than 50 staff) about payment problems they have with their larger business customers (with 50 or

⁹⁶ Cabinet Office, [Requirements to publish on Contracts Finder](#), Procurement Policy Note 01/23, 18 January 2023 (accessed 1 December 2023)

⁹⁷ GOV.UK, [Sell goods or services to the public sector](#) (accessed 1 December 2023)

⁹⁸ Scottish Government, [SME access to public contracts](#) (accessed 4 December 2023)

⁹⁹ [Public Contracts Scotland website](#) (accessed 4 December 2023)

¹⁰⁰ Business Wales, [Sell2Wales - selling to the public sector](#) (accessed 4 December 2023)

¹⁰¹ Business Wales, [Tendering](#) (accessed 4 December 2023)

¹⁰² Northern Ireland Department of Finance, [eSourcing NI](#) website (accessed 4 December 2023)

¹⁰³ Northern Ireland Department of Finance, [eTendersNI](#) website (accessed 4 December 2023)

¹⁰⁴ Commons Library research briefing, CBP-9402 [Procurement Bill 2022-23, section 1.4](#) (PDF)

¹⁰⁵ Commons Library research briefing, CBP-9317 [Procurement statistics: a short guide](#)

more employees), making non-binding recommendations on how the parties should resolve their disputes.¹⁰⁶

The Office of the Small Business Commissioner also provides “general advice and information to small businesses on matters such as:

- resolving disputes and dealing with an unpaid invoice
- checking contracts and getting invoices right
- signposting small businesses to existing support and dispute resolution services”¹⁰⁷

There is more information on the [OSBC website](#).¹⁰⁸

¹⁰⁶ Office of the Small Business Commissioner, [About us](#) (accessed 27 October 2023)

¹⁰⁷ Office of the Small Business Commissioner, [About us](#) (accessed 27 October 2023)

¹⁰⁸ [OSBC website](#) (accessed 27 October 2023)

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