HOUSE OF LORDS

Library Note

Debate on 6 May: Actions Taken Following the Publication in 2013 of the Report of the Select Committee on Small and Medium Sized Enterprises

This Library Note briefly describes the background to the establishment of the House of Lords Select Committee on Small and Medium Sized Enterprises (SMEs). It then discusses the Committee's recommendations alongside the Government's responses and examines what developments have occurred since the Government's response was published in May 2013. The Note concludes with a brief statistical digest of SMEs.

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Table of Contents

Relevant Documents

Title	Date	Referenced in Library Note as	QR Code*
House of Lords Select Committee on Small and Medium Sized Enterprises, *Road to Success: SME Exports*, HL Paper 131 of session 2012–13	March 2013	The Committee Report	
HMG, *Government Response to the House of Lords Select Committee on Small and Medium Sized Enterprises Report "The Roads to Success: SME Exports", session 2012–13*, Cm 8628	May 2013	The Government's Response	
UKTI, *Britain Open for Business: The Next Phase*	January 2014	UKTI's January 2014 Update	
Lord Livingston of Parkhead, Minister of State for Trade and Investment, *Update on "The Roads to Success—SME Exports" (HL Paper 131)*, Letter to Lord Cope of Berkeley	March 2014	Government's March 2014 Update	N/A

* QR Codes are graphical representations of hyperlinks which can be read by barcode or QR code scanning applications on smartphones and tablets which are equipped with a camera. The links are read automatically by the device and will download the relevant PDF of the report.

1. Introduction

This Library Note briefly describes the background to the establishment of the House of Lords Select Committee on Small and Medium Sized Enterprises (SMEs). It then discusses the Committee's recommendations alongside the Government's responses and examines what developments have occurred since the Government's response was published in May 2013. The Committee made 23 recommendations. Finally, a brief statistical digest of SMEs is presented.

This Library Note focuses on developments since the Government published its response to the Committee's report in May 2013. The Library has surveyed all publicly available sources to research such developments relating to each one of the Committee's recommendations, and has received an update from the Department for Business, Innovation and Skills (BIS) on UK Trade and Investment Services (UKTI), but where a recommendation is not mentioned in this Note, the Library has been unable to find information pointing to specific developments over the past year. It is recommended that the Government's response is read alongside this Library Note.

There is no set definition of what an SME is. The Department for Business, Innovation and Skills' annual statistical data series on private sector business, *Business Population Estimates*, uses the following definitions:

- Micro: employing fewer than 10 people
- Small: employing between 10 and 49 people
- Medium: employing between 50 and 249 people[1]

The Committee highlight two other, more complex definitions:

> The Companies Act 2006 defines SMEs (for the purposes of accounting requirements) according to number of employees, balance sheet and turnover. For example, a "small" company is one that meets at least two of the following conditions: annual turnover of not more than £6.5 million, a balance sheet total of not more than £3.26 million, and not more than 50 employees. The EU similarly applies a complex test. An SME is a company with fewer than 250 employees, with either a turnover of less than €50 million or a balance sheet of less than €43 million.[2]

However, for the purposes of its report the Committee considered an SME to be any private sector business which employs fewer than 250 individuals.

2. The House of Lords Select Committee on Small and Medium Sized Enterprises

The House of Lords Select Committee on Small and Medium Enterprises was an ad hoc committee established on 29 May 2012. The Committee's remit was to examine what assistance the Government was providing to SMEs to help them in exporting goods and services, and to provide recommendations where it deemed them necessary. The Committee published its report, *Road to Success: SME Exports*, on 8 March 2013 and it was debated in the

[1] Department for Business, Innovation and Skills, 'Business Population Estimates', 23 October 2013.
[2] House of Lords Select Committee on Small and Medium Sized Enterprises, *Road to Success: SME Exports*, 8 March 2013, HL Paper 131 of session 2012–13, p 11

House of Lords Chamber on 26 June 2013.[3] The House of Lords *Companion to the Standing Orders* explains that:

> A committee may be appointed to perform a particular task, on completion of which the committee ceases to exist (an "ad hoc select committee").[4]

The Government published its response on 24 May 2013.[5]

3. Developments Since the Report was Published

This section briefly outlines the Committees' recommendations and describes what developments there have been since the Government's response was published in May 2013.

The Committee's recommendations fall into 5 primary categories.

1. Educating SMEs about the services and advice provided by UK Trade and Industry (UKTI) and UK Export Finance (UKEF), and improving upon and expanding the services offered.
2. Improving access to finance for SME exporters.
3. Addressing the challenge of foreign language barriers and cultural differences in business etiquette.
4. Assisting SMEs in understanding the requirements of foreign regulations as regards exports and helping SMEs understanding their obligations under domestic regulations.
5. Allaying any anxieties created by the Bribery Act 2010.

3.1 Improving the Awareness of UKTI and UKEF Amongst SMEs

Recommendations 2, 4, 8, 9, 10 and 11 all spoke to the role of UKTI and UKEF in providing services to SME exporters.

UKTI is a non-ministerial government department. It provides a range of services and advice to UK based businesses to help them to export. It also provides assistance to overseas companies to help them to expand their businesses into the UK market.[6] UKEF is the UK's credit export agency. It provides guarantees, insurance and reinsurance against loss, taking into account the Government's international policies. UKEF is the operating name of the Export Credits Guarantee Department (ECGD).[7]

The Committee's report summary describes recommendations 11 and 8 as its primary recommendations. Recommendations 11 and 8 are reproduced below:

> We recommend that increasing awareness of UKTI should be a key priority for the Government and that specific attention should be paid to tailored communication with SMEs. This should not be done in isolation, but should be designed and taken forward in collaboration with trade organisations, such as chambers of commerce and the FSB

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[3] Small and Medium-Sized Enterprises, Motion to Take Note, HL *Hansard*, 26 June 2013, cols 800–32.
[4] House of Lords, *Companion to the Standing Orders*, paragraph 11.03, p 220.
[5] HMG, *Government Response to the House of Lords Select Committee on Small and Medium sized Enterprises Report "The Roads to Success: SME Exports", session 2012–13*, May 2013, Cm 8628.
[6] UK Trade and Investment, 'What We Do', accessed 25 April 2014.
[7] UK Export Finance, 'What We Do', accessed 25 April 2014.

> [Federation of Small Businesses], and with professional advisers and their professional bodies, such as accountancy bodies.
>
> (Recommendation 11, p 91)
>
> UKEF services need to be better publicised amongst SMEs and banks. The role of the banks, which are the gateway to the schemes aimed at SMEs, needs to be examined as they share the risk with UKEF. If the banks are not prepared to take on some of the risk then the schemes, as currently structured, are dead in the water. An examination of this should form part of the Government study we recommended earlier (Recommendation 5) on how banks view the risks attached to SMEs seeking to export.
>
> (Recommendation 8, p 90)

The Government response said that dissemination of tailored communication through business organisations was a key part of the National Export Challenge. The National Export Challenge was:

> Launched by the Prime Minister in November 2011, [and] aims to increase by 100,000 the numbers of small and medium-sized businesses, that export by 2020. This underpins UKTI's focus on persuading more companies to become exporters, and existing exporters to export more. The Challenge has brought together all sections of the public and private sector which provide support to exporters. In addition, Export Weeks—three of which have now been held since November 2012—are part of a concerted campaign across the UK to increase the number of British companies exporting. We also support a programme of MP-led seminars for small company exporters, with around 70 events involving some 120 MPs.[8]

In its response to recommendations 8 and 11, the Government also stated that it was soon to launch an advertising campaign entitled 'Exporting is GREAT'. The Government said that whilst the focus of the campaign would be to highlight the services offered by UKTI, this would also increase awareness of UKEF because relevant enquiries would be referred on to it by UKTI.

Exporting is GREAT was launched as a pilot campaign in the North West on 13 May 2013.[9] This was expanded to a national campaign in November 2013 during 'Export Week' by UKTI.[10] Whilst answering an oral parliamentary question, Michael Fallon, Minister of State in the Department for Business, Innovation and Skills, stated that:

> More than 10 million people are expected to see the campaign [Exporting is GREAT] and it should lead to about 3,000 additional businesses working with UKTI.[11]

In January 2014, UKTI published an update to its five year strategy, *Britain Open for Business: The Next Phase*, in which UKTI proposed that it would contact all 8,900 medium-sized businesses by summer 2014, and that it would work more closely with UKEF to better assist medium-sized businesses concerned about the risks of exporting.[12] The aim was that "no MSB [medium-sized

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[8] UKTI, *Britain Open for Business: The Next Phase*, 24 January 2014, p 11.
[9] Department for Business Innovation and Skills, 'Business Export Campaign launches in North West', 13 May 2013.
[10] UKTI, 'Export Week and Exporting is GREAT: Highlights', 14 November 2013.
[11] HC *Hansard*, 6 March 2014, col 1023.
[12] Further details are available on UKTI's pages on GOV.UK, 'All Mid-Sized Businesses to Receive Tailored Trade Advice', 22 January 2014.

business] should fail to grasp the export opportunity because it is not aware of how Government can assist".[13]

In relation to awareness of UKEF amongst SMEs, Michael Fallon, replying to a written parliamentary question, explained that:

> UK Export Finance does not currently undertake its own awareness surveys. However, it contributes questions to the International Trade survey carried out by Trade and Export Finance Ltd. The International Trade Survey showed 49 percent awareness of UKEF products in 2013, up from 42 percent in 2012.[14]

Recommendation 10 spoke of the Committees' concerns regarding the consistency in quality of UKTI Overseas Market Introduction Service's (OMIS) report service. OMIS is a paid for service offered by UKTI which provides a range of services designed to introduce business (with all degrees of exporting experience) to overseas markets. Such services include bespoke research reports and one-to-one mentoring with overseas trade teams.[15] In its March 2014 update to the Committee, the Government stated in relation to OMIS that:

> […] the OMIS quality rating improved in 2013 to 78 percent (up from 75 percent in 2012) and satisfaction from 68 percent to 74 percent […] Independent research shows that nearly eight of every ten business are either satisfied or very satisfied with the service they receive from UKTI.

The March 2014 update also stated that the Government was working on ensuring the upward trend continues.

In regard to the charges made for the OMIS service, recommendation 9 suggested that UKTI should alter the funding structure to be more flexible and provide different options, for example discounts on the first OMIS report that an SME commissions. The Government responded by saying that such a discount scheme, offering 50 percent off the first order, has been in operation since August 2012. UKTI were to review the scheme at the end of 2013. Information provided by BIS to the author stated that:

> For budgetary reasons, the scheme will not continue after 31 March 2014 as continued discounting is not sustainable. Income generated via OMIS supports key UKTI business programmes including those for SMEs. With the increased pressure on budgets, any fall in OMIS income would need to be offset by savings from these budgets. OMIS remains one of our premium offers for SMEs and we have taken steps to ensure quality and consistency of these reports. Customers are charged a universal per hour fee for a bespoke service—a set of activities meeting the businesses' needs is discussed, developed and a charge reflecting the requirements of the customer, the nature of the market and time taken is agreed. A new customer platform will be introduced in June 2014.[16]

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[13] UKTI, *Britain Open for Business: The Next Phase*, 24 January 2014, p 12.
[14] HC *Hansard*, 26 March 2014, cols 300–1.
[15] OMIS's website explains that "Costs are on a sliding scale. For example, a short report identifying potential distributors can be delivered from £500 upwards". Further information can be found on GOV.UK, 'OMIS—Overseas Market Introduction Service', accessed 28 April 2014.
[16] Email, 10 April 2014.

3.2 Improving Access to Finance for SME Exporters

Recommendations 5, 6, and 7 all spoke to an aspect of improving access to finance for SME exporters.

In recommendation 5, the Committee stated that the Government should study how banks assess the credit risks of SME exporters to determine why there have been reports of complaints by SMEs of insufficient loans on reasonable terms. The Government responded by stating that it is supporting lending through the Funding for Lending Scheme (FLS) and the Business Bank, and that these will work closely with UKEF to reduce the obstacles to finance on affordable terms experienced by SME exporters. The GOV.UK website explains that the FLS was launched on 13 July 2012 and that:

> It is designed to boost lending to households and businesses. It works by allowing banks and building societies to borrow from the Bank of England for up to 4 years. As security against that lending, banks will provide assets, such as business or mortgage loans, to the Bank of England. Banks will be able to borrow from 1 August 2012 until 31 January 2015.[17]

The Business Bank was announced by the Government on 24 September 2012. The Business Bank's website explains that:

> [it] currently exists as a programme within the Department for Business, Innovation and Skills (BIS). Once EU State aid approval has been granted, the British Business Bank will run as an arms-length institution. BIS will hand responsibility for state-funded business finance schemes over to the British Business Bank.[18]

The Business Bank's website also explains that:

> £1 billion of new funding will help to expand existing schemes, and create new ways to unlock finance for smaller businesses. We are also taking over the management of £2.9 billion of existing commitments which help smaller businesses. We are bringing together expertise and budgets to support economic growth by improving the UK's business finance markets. We will do this by providing Government funding and targeted guarantees to encourage more private sector lending and investment.[19]

The Budget 2014 provided some recent data on the impact of the FLS:

> The FLS has been successful in meeting its objective to provide incentives for banks and building societies to boost their lending to the UK economy. Overall net lending by banks and building societies participating in the FLS was £10.3 billion between its launch and the end of 2013. Following the refocusing of the scheme announced by the Treasury and the Bank of England in November 2013, 34 participants have signed up, of which 28 will receive Initial Allowances totalling £32.7 billion. Of this Initial Allowance, £17 billion reflects 10 times the positive net lending to small and medium-sized enterprises (SME) since the start of the second quarter of 2013.[20]

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[17] HM Treasury, 'Funding for Lending Infographic', 24 April 2013.
[18] British Business Bank, 'Who We Are and How We Are Set Up', accessed 28 April 2014.
[19] British Business Bank, 'What We Do', accessed 28 April 2014.
[20] HM Treasury, *Budget 2014*, 19 March 2014, HC 1104 of session 2013–14, paragraph 1.46, p 19.

In relation to the Business Bank the Budget said:

> To support more bank lending to SMEs and encourage a more diverse banking sector, the British Business Bank will issue a request for proposals to implement an innovative wholesale guarantees programme alongside the Budget.[21]

The Chancellor also reported that credit conditions for SMEs were improving:

> According to the Bank of England's 'Credit Conditions Survey 2013 Q4,' the net balance of lenders reporting increased credit availability for small businesses was the second highest since the question was first asked in the fourth quarter of 2009 and gross lending to SMEs was 13 percent higher in 2013 than in 2012.[22]

The Federation of Small Business's (FSB) *Small Business Index* showed a similarly improving credit environment in its Q1 2014 update:

> In further signs of easing credit conditions for small businesses, this quarter 13.5 percent of firms reported that credit availability is either quite or very good, well up from the 9 percent seen at the same point a year ago. Likewise, more than one in five small firms (19.2 percent) are now reporting that credit is quite or very affordable, a sharp increase from 13.8 percent reporting the same in Q1 2013.[23]

However the FSB cautioned that:

> […] despite these recent improvements in the lending environment, the majority of small firms continue to find that the availability of credit is poor, and 49.8 percent believe that credit is unaffordable.[24]

In response to recommendation 7, the Government said that UKTI would be holding a series of webinars (online seminars) with UKEF to assist SME exporters on issues including getting paid, accessing working capital and alternative sources of finance. An examples of a UKTI webinar can be found on its website.[25]

The Budget also introduced measures to make UKEF more competitive. The Government has said that it will:

- Double the size of UKEF's direct lending scheme to £3 billion, remove the scheme end date, relax conditions on loan sizes and lend at the minimum interest rates allowed by international agreements.
- Work in partnership with the banks to deliver the enhanced lending scheme, ensuring that smaller companies can benefit from the scheme as well as mid-sized and large businesses.
- Consult on changes to the legislation governing UKEF to allow the organisation to support individual export supply chains and intangible exports.

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[21] ibid, paragraph 1.121, p 36.
[22] ibid, paragraph 1.47, p 19.
[23] FSB, *Small Business Index: Q1 2014*, 10 March 2014, p 17.
[24] ibid.
[25] UKTI, 'Webinar with Greg Barker on Opportunity India', 24 January 2014, accessed 29 April 2014.

- Undertake a marketing and communications campaign to raise awareness of UKEF's products and services and wider export finance.
- Commence the operation of UKEF's Export Refinancing Facility by the end of April 2014.[26]

The Government also announced in the Budget that it will publish (in May 2014) the first results of a survey commissioned by the Chancellor of the Exchequer into the way banks perform for SMEs. The survey (Business Banking Insight) will provide detailed information on what SMEs think about various elements of their bank, including a ranking order of banks against key indicators. The Government will also "launch a consultation shortly after Budget 2014 on whether, and if so, how, to legislate to help match SMEs rejected for finance with alternative lenders".[27]

Finally the Budget also stated that the Government would legislate in the 2014–15 parliamentary session to require banks to share information on their SME customers with other lenders through Credit Reference Agencies.[28]

3.3 Addressing the Challenge of Foreign Language Barriers

Recommendations 14, 15 and 16 all spoke to aspects of the challenge of foreign language barriers and cultural differences in business etiquette.

Recommendation 14 expressed the Committee's concerns about the need to dispel any misleading perceptions associated with language differences in regard to exporting, and it argued that assisting SMEs in addressing this should be a priority. The Government agreed with the Committee and said that it would develop a metric to measure the problem and the impact of UKTI support. Information provided to the author by BIS explained that UKTI had commissioned specific research on this issue:

> UKTI commissioned a leading academic (Professor James Foreman-Peck at Cardiff University) to review the evidence and quantify the impact of language skill deficiencies on UK trade performance. His analysis also shows that poor language skills are holding back the UK's trade performance and concluded that the cost to the UK economy is around 3.5 percent of national income. The report suggests that because of poor language skills, trade by UK companies was lower than it might otherwise have been in all the Brazil, Russia, India and China (BRICs) markets as well as France, Germany and Japan (2006).
>
> His research concluded that languages have two critical impacts on exporting: being able to communicate in the same language as potential trade partners both makes a firm more likely to be an exporter and also more aware of the barriers created by cultural factors.
>
> Professor Foreman-Peck also used data from a firm-level survey (PIMS Non-User survey) to investigate how language barriers impact on the performance of UK businesses. The analysis finds strong evidence that language skill deficiencies and lack of awareness of the importance of these skills exerts a significant negative influence on

[26] HM Treasury, *Budget 2014*, March 2014, HC 1104 of session 2013–14, paragraph 2.218, p 83.
[27] ibid, paragraph 2.234, p 84.
[28] ibid, paragraph 2.235, p 84.

> export intensity. Firms with greater understanding of language and culture are better able to identify and exploit sales opportunities in that market, and hence can achieve higher export sales. Professor Foreman-Peck concludes that firms who say they have not experienced cultural difficulties have at least a 46 percent lower export-turnover ratio.[29]

Recommendation 15 expressed the Committees' view that UKTI should be active in highlighting the benefits of "addressing the language issue". The Committee suggested that UKTI should offer effective and realistic advice on how SME exporters can overcome concerns regarding communication in international trade. Shortly after the Report was published, UKTI published updated guidance on this subject, *Improving Your Business Communications: Overcoming Language and Cultural Barriers in Business: A Guide for Exporters*, May 2013.

The Committee was also concerned that SMEs should be encouraged to develop language management strategies to mitigate the effect of language differences on their businesses. Recommendation 16 suggested that UKTI should develop a short template language management strategy to assist SMEs in developing their own strategies. Information provided to the author by BIS stated that a Council of Europe approved language audit and testing template has been incorporated into *Improving Your Business Communications: Overcoming Language and Cultural Barriers in Business: A Guide for Exporters.* BIS explained that:

> UKTI also provides SMEs with a subsidised service, the Export Communications Review (ECR), which provides a bespoke report on how companies can overcome language and cultural barriers and succeed in international markets. It deals with all forms of communications including spoken, written, visual and digital. The Review also provides an action plan for improvement which includes translation requirements, cultural awareness and localisation. Over 700 companies will take advantage of this service in 2014/15.
>
> UKTI will also deliver over 50 Web Optimisation for International Trade workshops across the UK in 2014/15. This workshop also covers language, culture and localisation elements to be addressed on a website for international audiences.
>
> UKTI has also created new Language and Culture Adviser posts in UKTI's regional delivery teams to provide greater focus on language and cultural issues for smaller and mid-sized businesses. In addition, UKTI is piloting a service to improve language capacity for smaller and mid-sized businesses by placing postgraduates with language skills in companies to undertake project work. The Postgraduates for International Business was launched on 1 April 2014.

3.4 Helping SMEs to Better Understand Regulations Involved in Exporting

Recommendations 19, 20 and 21 all spoke to issues related to SMEs understanding of both foreign and domestic export regulations.

Recommendation 19 builds on recommendation 11 by highlighting the importance of raising awareness of UKTI services specifically in relation to assistance available to SMEs to help them deal with overseas trade regulations. The Government agreed with the Committee that the

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[29] Email, 10 April 2014.

regulatory environment in overseas markets can be a potential barrier to SME exporting. The Government confirmed that UKTI actively communicates the support it provides in this area, but in view of its importance the Government would initiate market research on this issue as part of a broader review of marketing strategy.[30] Information provided by BIS to author stated that:

> UKTI conducts an annual survey of exporters (the International Business Strategies, Barriers and Awareness Monitoring Survey), which asks companies about barriers to exporting, including legal and regulatory barriers. The findings from this survey have been used to develop and refine our support offer for businesses.
>
> As part of our customer needs based segmentation, we have also asked businesses about barriers to exporting. We will be using the results of this to improve and tailor our communication to SMEs about all aspects of international trade and the assistance available from UKTI.
>
> UKTI's web transition to GOV.UK will result in improved links to related content on trade regulations eg from Export Control, HMRC. UKTI is planning a more strategic approach to email marketing in 2014/5 which will include more tailored communications with SMEs.[31]

Recommendation 20 addressed the issue of Free Trade Agreements (FTA). The Committee stated that the Government should ensure that the needs of SMEs are considered in negotiations on FTAs. The March 2014 update stated that the Government believed that the Transatlantic Trade and Investment Partnership will benefit smaller companies. The Transatlantic Trade and Investment Partnership (TTIP) is a trade agreement that is currently being negotiated between the European Union and the United States of America. The aim of this agreement is to remove trade barriers in a wide range of economic sectors to make it easier to buy and sell goods and services between the EU and the US.[32] Lord Livingston of Parkhead, Minister of State for Trade and Investment, wrote that he is "committed to ensuring that [SMEs] have the support they need to take full advantage of these benefits". UKTI's January strategy update also highlights the importance of FTAs stating that:

> UKTI will enhance its efforts to increase UK companies' awareness of these opportunities [FTAs] by making the detail available to them in a targeted way and in straightforward terms. In addition, we will work to highlight our strengths to potential customers in liberalised markets.[33]

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[30] Government Response, pp 11–12.
[31] Via email, 10 April 2014.
[32] European Commission, 'What is the Transatlantic Trade and Investment Partnership (TTIP)?', accessed 28 April 2014.
[33] UKTI, *Britain Open for Business: The Next Phase*, 24 January 2014, p 20.

3.5 Allaying any Anxieties Created by the Bribery Act 2010

Recommendations 22 and 23 both related to the Bribery Act 2010.

The Government's Bribery Act 2010: Guidance to Help Commercial Organisations Prevent Bribery states that:

> Bribery blights lives […] At stake is the principle of free and fair competition, which stands diminished by each bribe offered or accepted. Tackling this scourge is a priority for anyone who cares about the future of business, the developing world or international trade. That is why the entry into force of the Bribery Act on 1 July 2011 is an important step forward for both the UK and UK plc.[34]

In its report, the Committee highlighted the concerns of one of its witnesses, Deltex Medical Ltd, who said:

> We support appropriate measures to uphold industry best practice and ethical business practices. However, the terms of the Bribery Act itself potentially restrict trading opportunities—for example in countries such as China and Brazil that do not conform to the same code of practice as the UK. In our experience, we have had to pay to review potential overseas distributors in China. Many Directors of SMEs are rightly concerned about being able to expand export markets whilst conforming to the Bribery Act.[35]

The Committee said in recommendation 22 that the Government should raise awareness of the Bribery Act 2010 amongst SMEs and explain how it applies to them in practice. The Government responded by stating that it shares the Committee's desire to raise awareness of the Bribery Act 2010 amongst SMEs. It explained that UKTI is working to raise this awareness through events and on an individual basis through International Trade Administrations. The Response also referenced a 2012 report by the Organisation for Economic Co-Operation and Development's (OECD) Bribery Working Group, published in March 2012, which stated that:

> The UK government, including through its overseas missions, has made substantial efforts to raise awareness of the Bribery Act and the foreign bribery offence. Coupled with the publicity surrounding the enactment of the Bribery Act, this has led to heightened awareness of foreign bribery-related issues in the UK.[36]

Recommendation 23 reflected the Committees' concern that the application of the UK Bribery Act has "been met with confusion and uncertainty" and therefore should be subject to post-legislative scrutiny by a parliamentary select committee.[37] The Government responded by saying that it is committed to subjecting all recent Acts of Parliament to such post-legislative scrutiny within three to five years of royal assent. The Government stated that both the Department for Business, Innovation and Skills and the Ministry of Justice believed that such scrutiny of the Bribery Act 2010 would be premature. At the time of writing, the Government had not published a post-legislative assessment memorandum on the Bribery Act.[38]

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[34] Ministry of Justice, *Bribery Act 2010: Guidance to Help Commercial Organisations Prevent Bribery*, 11 February 2012.
[35] Committee Report, p 87.
[36] OECD, *Phase 3 Report on Implementing the OECD Anti-Bribery Convention in the United Kingdom*, March 2012, p 6.
[37] Committee Report, p 88.
[38] Further information on the history of post-legislative scrutiny can be found in the House of Commons Library Standard Note, *Post-Legislative Scrutiny*, 23 May 2013, SN05232.

4. SMEs—a Statistical Summary

The Department for Business, Innovation and Skills provides the only official statistics on the estimated number of private sector businesses in the UK, including employment and turnover. This data series, called *Business Population Estimates*, is collated at the beginning of each year. It provides an estimate of unregistered businesses in addition to VAT traders and PAYE employers, and is therefore broader in scope than figures provided by the Office for National Statistics. Further details about the methodology for the collection of this data can be found on BIS's pages on GOV.UK.[39] The most recent data available refers to the start of 2013, with the data for 2014 expected to be published in October 2014.

The data shows that there were an estimated 4.9 million private sector businesses in the UK at the start of 2013, an increase of 102,000 over 2012. These businesses employed an estimated 24.3 million individuals, with an estimated combined annual turnover of £3.3 trillion.[40] However, 99.9 percent of these private sector businesses are classed as SMEs employing an estimated 14.4 million people, 59.3 percent of private sector employment. The estimated combined annual turnover was £1.6 trillion, which accounted for 48.1 percent of all private sector turnover. Within the private sector, 75.3 percent of businesses do not employ other individuals bar the owner of the business themselves.

Table 1: Estimated Number of Businesses in the UK Private Sector and Their Associated Employment and Turnover, by Size of Business, Start of 2013

	Businesses	Employment *thousands*	Turnover† *£ millions*
All Businesses	4,895,655	24,332	3,279,961
SMEs (0–249 employees)	4,889,060	14,424	1,577,563
All employers	1,210,915	20,298	3,071,334
With no employees^	3,684,740	4,033	208,628
1–9	986,890	3,729	387,654
10–49	186,745	3,664	489,999
50–249	30,685	2,998	491,282
>250	6,595	9,907	1,702,399

Source

Department for Business, Innovation and Skills, *Business Population Estimates*, published 23 October 2013.

Notes

† Total turnover figures exclude SIC 2007 Section K (financial and insurance activities) where turnover is not available on a comparable basis.
^ "With no employees" comprises sole proprietorships and partnerships comprising only the self-employed owner-managers(s), and companies comprising only an employee director.

Table 2: Analysis of SMEs by Size

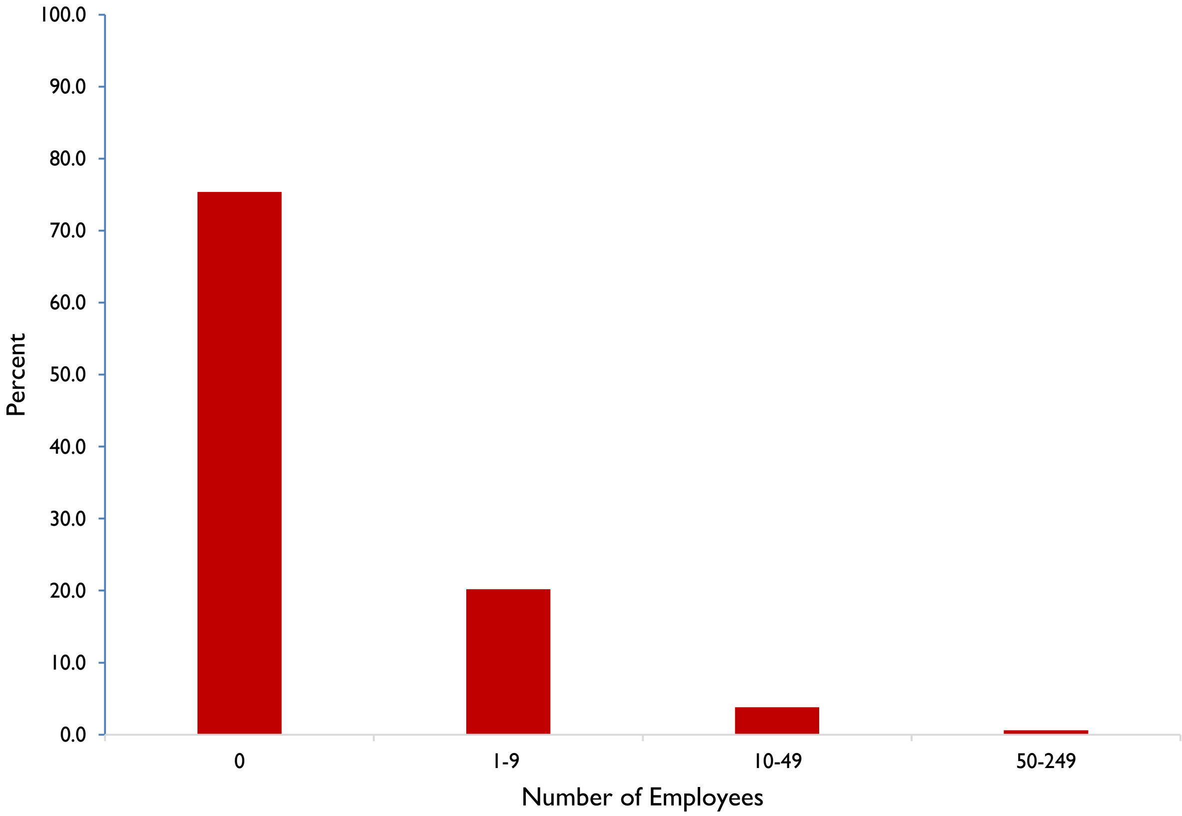
39 Department for Business, Innovation and Skills, 'Business Population Estimates', 23 October 2013.
40 *Business Population Estimates* explains that "Turnover throughout this release excludes SIC2007 Section K (financial and insurance activities) where data is not available on a comparable basis." In December 2013 the ONS estimated that there were 5.5 million people working in the public sector, 'Labour Market Statistics', 19 March 2014.

	Businesses	Percentage of Total SMEs
SMEs (0–249)	4,889,060	100.0
With no employees†	3,684,740	75.4
1–9	986,890	20.2
10–49	186,745	3.8
50–249	30,685	0.6

Source
Department for Business, Innovation and Skills, *Business Population Estimates*, published 23 October 2013.

Notes
† "With no employees" comprises sole proprietorships and partnerships comprising only the self-employed owner-managers(s), and companies comprising only an employee director.

Chart 1: Analysis of SMEs by Size



Further statistical information is available in the Department for Business, Innovation and Skills publication, '[Business Population Estimates](#)', 23 October 2013.