Key Points

- There were a record 5.2 million private sector businesses at the start of 2014, the first time the business population has exceeded 5 million.

- This is a record annual increase of 330,000 businesses (up 6.7% since the start of 2013).

- There has now been sustained growth since 2000, with an increase of 1.8 million (up 51%) over the whole period.

- As in previous years, growth was mainly driven by non-employing businesses, which increased by 263,000 (up 7.1%) since the start of 2013. But there has also been an increase of 66,000 (up 5.5%) in the number of employing businesses – only the second individual year of growth since 2008.

- At the start of 2014, 99.3% of the 5.2 million private sector businesses were small and 99.9% were small or medium sized (SMEs).

- Three main categories of business make up the overall population: at the start of 2014 there were 1.5 million companies (29% of the total), 460,000 self-employed partnerships (9%) and 3.3 million sole proprietorships (62%).

- In 2014 there were 2.3 million businesses of all types registered for VAT or PAYE, 43% of the total population.

- 76% of businesses were non-employers.

SMEs and the Economy

- At the start of 2014 5.2 million small businesses accounted for 48% (12.1 million) of UK private sector employment.

- The combined annual turnover of small businesses is £1.2 trillion, 33% of private sector turnover.

- There were 31,000 medium-sized businesses at the start of 2014. These businesses had an annual turnover of £480 billion and employed 3.1 million people.
SMEs and the Economy (continued)

- 5.2 million SMEs accounted for 60% (15.2 million) of UK private sector employment.
- The combined annual turnover of SMEs is £1.6 trillion, 47% of turnover in the private sector.

Drivers of changes in the business population

- Increasing self-employment has been the key driver of business population growth since 2000 and remains so in the increase of 330,000 businesses since the start of 2013. Translating that into types of businesses, the number of sole proprietorships is estimated to have increased by 197,000 over the year, while the number of partnerships increased by 17,000. The number of companies increased by 115,000.
- In recent years the majority of business population growth has been amongst non-employing businesses (of all types); 91% of total growth since 2000 and 80% of growth in the last year.

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3 2014 business population and associated employment and turnover
5 Changes in the business population over time
7 Legal form of businesses
8 Businesses registered for VAT or PAYE
9 Businesses in the UK countries and regions
12 SMEs by broad industry sector
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Introduction

1. The *Business Population Estimates (BPE) for the UK and Regions 2014* provides information on the number of private sector businesses in the UK at the start of 2014, broken down by number of employees, legal status, industry and geography.

2. Consistent estimates of the UK business population in each year from 2000 are also provided. Estimates for UK countries and English regions are also provided for available years since 2010 (the first year in which BPE was produced).

3. The *BPE* provides net changes in the number of private sector businesses but the data cannot be used to estimate numbers of business start-ups or closures.

4. Further information is provided on the employment and turnover in the 2014 business population. No comparison over time is provided for these as the Office for National Statistics recommends the use of other statistical sources to measure changes in employment and turnover.

5. No changes have been made to the methodology for this release but the historical estimates of business numbers provided for 2000 to 2014 have been revised to take account of improved input data.

6. This publication reports on businesses in the private sector, and the analysis here excludes the government and not-for-profit sectors. An overview of the number of businesses in the whole economy is provided in Table 2 of the detailed tables.

7. The *BPE 2014* publication comprises this statistical release, a set of detailed tables and a methodology and quality note, which are all available at the Business Population Estimates 2014 page on gov.uk

2014 business population and associated employment and turnover

8. At the start of 2014, there were an estimated 5.2 million UK private sector businesses. Total employment in these businesses was 25.2 million and combined annual turnover was £3.5 trillion. 2014 is the first year in which the business population has exceeded 5 million (Table A).

9. Almost all of the business population (99.3%) were small (0 to 49 employees). Employment in small businesses was 12.1 million and annual turnover was £1.2 trillion.

10. Only 31,000 (0.6%) were medium-sized (50 to 249 employees) and 6,700 (0.1%) were large (250 or more employees).

11. This means there were 5.2 million UK private sector SMEs at the start of 2014. Employment in these businesses was 15.2 million, and they had combined annual turnover of £1.6 trillion.

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1 See ‘Notes on this Release’ and the accompanying Methodology and Quality Note for details of earlier changes to the methodology in this series and time lags associated with employment and turnover data.
Table A: Estimated number of businesses in the UK private sector and their associated employment and turnover, by size of business, start of 2014.

<table>
<thead>
<tr>
<th>Business Category</th>
<th>Businesses</th>
<th>Employment</th>
<th>Turnover¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>All businesses</td>
<td>5,243,135</td>
<td>25,229</td>
<td>3,521,254</td>
</tr>
<tr>
<td>SMEs (0-249 employees)</td>
<td>5,236,390</td>
<td>15,159</td>
<td>1,647,201</td>
</tr>
<tr>
<td>Small businesses (0-49 employees)</td>
<td>5,204,915</td>
<td>12,084</td>
<td>1,170,337</td>
</tr>
<tr>
<td>All employers</td>
<td>1,277,360</td>
<td>20,876</td>
<td>3,290,110</td>
</tr>
<tr>
<td>With no employees²</td>
<td>3,965,775</td>
<td>4,353</td>
<td>231,143</td>
</tr>
<tr>
<td>1-9</td>
<td>1,044,385</td>
<td>3,923</td>
<td>424,299</td>
</tr>
<tr>
<td>10-49</td>
<td>194,755</td>
<td>3,807</td>
<td>514,895</td>
</tr>
<tr>
<td>50-249</td>
<td>31,475</td>
<td>3,075</td>
<td>476,864</td>
</tr>
<tr>
<td>250 or more</td>
<td>6,745</td>
<td>10,070</td>
<td>1,874,053</td>
</tr>
</tbody>
</table>

1. Total turnover figures exclude SIC 2007 Section K (financial and insurance activities) where turnover is not available on a comparable basis.
2. “With no employees” comprises sole proprietorships and partnerships comprising only the self-employed owner-managers(s), and companies comprising only an employee director. Table 1 in the detailed tables for this release provides more information about the composition of the 2014 business population.

Figure 1: Share of businesses in the UK private sector and their associated employment and turnover, by size of business, start of 2014

12. SMEs together accounted for more than half of employment (60%) and almost half of turnover (47%) in the UK private sector (Figure 1).

13. Small businesses alone (0 to 49 employees) accounted for 48% of private sector employment and 33% of private sector turnover.
14. Businesses with no employees\textsuperscript{ii} accounted for 76% of all private sector businesses (4.0 million businesses), 17% of private sector employment and 7% of private sector turnover at the start of 2014.

**Changes in the business population over time**

15. The estimated 5.2 million private sector businesses in the UK at the start of 2014 is the highest level recorded, continuing the long term trend – the population has grown in every year since 2000 (Figure 2 and Table B).

16. The overall business population increased by 330,000 (up 6.7%) since the start of 2013. The total increase since 2000 is 1.8 million (up 51%).

17. This is the net change in the business population, which is determined by the balance in the number of new business start-ups (inflows) compared to those businesses that closed, merged or were taken over by another business (outflows).

18. The increase since the start of 2013 is also the highest annual change seen in the data series. Over the same period there was GDP growth of around 3% in the UK economy.

**Figure 2** Estimated number of businesses in the UK private sector, start of 2000 to start of 2014\textsuperscript{1,2}.

1. To enable a robust comparison over time, this time series has been produced on a consistent basis using the latest methodology and ONS’s latest reweighted *Labour Force Survey* data. Where there were discontinuities or gaps in the data, a modelling approach was taken to estimate the business counts – see background notes 15 to 17. These estimates supersede those published in previous *SME* (2000-2009) and *BPE* (2010-2013) statistics.

2. Table B at the end of this release and Table 24 in the detailed tables for the release provide more information about the change in the business population between 2000 and 2014.

19. The distribution of businesses amongst the small, medium and large categories has changed slowly since 2000 (the earliest point for which comparable data exists) and the change is almost entirely a result of growth in the number of businesses without employees (see Figure 3).

\textsuperscript{ii} Businesses with no employees are either i) sole proprietorships or partnerships comprising only the self-employed owner-manager(s), or ii) companies comprising only one employee director.
20. In recent years the majority of business population growth has been amongst non-employing businesses (of all types); 91% of total growth since 2000 and 80% of growth in the last year.

21. Overall, the number of non-employing businesses has increased by 68% (1.6 million) since 2000, to reach 4.0 million at the start of 2014.

22. The increasing number of non-employing businesses is strongly related to changes in the headline self-employment rate, but is also partly driven by increasing numbers of non-employing companies. For example, during 2013 there was an increase of 45,000 companies that were operating with just one employee director. These businesses are classified as non-employers in the BPE statistics (see methodology and quality note for more details).

23. The 66,000 growth in the number of employing businesses during 2013 follows a period when it has fallen in most years since 2008. There was growth in most years before 2008 and this group is now 166,000 larger than in 2000.

24. Overall the number of SMEs has increased by 1.8 million (up 51%) since 2000.

**Figure 3**: Change in the number of UK private sector businesses by size band, 2000-2014 (indexed).

25. The number of large private sector businesses (with 250 or more employees) fell from 7,200 at the start of 2000 to 6,300 at the start of 2011, since when it has increased to 6,700 in 2014.

26. While the Business Population Estimates provide information on the current contributions to overall employment and turnover from different sizes of business,
the Office for National Statistics recommends that employment and turnover change are measured using other headline indicators (see background note 2).

27. ONS labour market statistics show that UK private sector employment increased by 434,000 between November to January 2013 and November to January 2014.

28. The Annual Business Survey provides estimates of change in business turnover, but these statistics lag BPE by around a year. Provisional Annual Business Survey estimates for 2013 show 7% growth in turnover in the private sector compared to the previous year \( ^{iii} \).

**Legal form of businesses**

29. Private sector businesses are classified into three main legal forms in the business population estimates – sole proprietorships, owned by one self-employed person; ordinary partnerships, owned by two or more self-employed people; and companies \( ^{iv} \) (including public corporations and nationalised bodies) in which the working directors are not classed as self-employed (Figure 4).

30. At the start of 2014, 62% of private sector businesses were sole proprietorships, 29% were companies and 9% were ordinary partnerships.

31. There were an estimated 3.3 million sole proprietorships in the UK at the start of 2014, of which 279,000 (9%) had employees (see Figure 4).

32. There were 1.5 million actively trading companies, of which 859,000 (57%) had employees \( ^{v} \).

33. There were an estimated 457,000 ordinary partnerships, of which 139,000 (31%) had employees.

34. While a large increase in the number of self-employed people is a key factor affecting business population growth this year, it should be borne in mind that some businesses have more than one owner, and some people have more than one business – page 7 of the methodology and quality note sets out how the different numbers are related.

35. The number of sole proprietorships is estimated to have increased by 197,000 (up 6.4%) in 2014 and the number of partnerships by 17,000 (up 3.9%).

36. There has also been an increase of 115,000 (up 8.3%) in the number of companies. This follows high levels of new incorporations at Companies House in recent years, although not all of those incorporations will have resulted in actively trading companies.

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\( ^{iii} \) The Annual Business Survey does not provide identical coverage to the Business Population Estimates – more details are available on the ONS website

\( ^{iv} \) Companies can take a range of legal forms, including Public Limited Companies, Private Limited Companies, Limited Liability Partnerships, and others. ONS’s Inter-Departmental Business Register only counts actively trading companies, rather than all those recorded on the Companies House register.

\( ^{v} \) For legal reasons most companies are run by employees. However, in this publication companies with a single employee director are treated as having no employees. See Definitions and Coverage section of the Methodology and Quality Note for more information.
Figure 4: Number of businesses in the UK private sector with and without employees\(^1\), by legal status\(^2\), start of 2014.

Businesses registered for VAT or PAYE

37. The majority of private sector businesses are not registered for VAT or PAYE, i.e. classed as ‘unregistered’ in these statistics\(^vi\) - these are the smallest non-employing businesses not registered for VAT. There were an estimated 3.0 million unregistered businesses at the start of 2014, representing 57% of all private sector businesses.

38. The ONS statistical business register recorded 2.3 million businesses registered for at least one of VAT or PAYE in 2014, representing 43% of all private sector businesses\(^vii\). All employing businesses fall into the group registered for VAT or PAYE, as do 25% of non-employing businesses.

39. The overall increase in non-employing businesses since 2000 has mainly been a result of growing numbers of unregistered businesses. The number of unregistered businesses has doubled (increasing by 99% or 1.5 million) since 2000, and by 218,000 (up 7.9%) since 2013 (see Figure 5).

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\(^1\) Those businesses run by self-employed people that are not large enough to be VAT registered and do not have a PAYE scheme and therefore will not appear on the government business register.

\(^2\) This total will differ slightly from ONS published statistics on registered businesses (e.g. UK Business and Business Demography) – refer to the link to the User Guide for more information.
Figure 5: Percentage change\(^1\) in the estimated number of businesses in the UK private sector between the start of 2013 and the start of 2014, by legal status and whether registered for VAT/PAYE\(^2\).

1. Calculated using revised data for 2013, produced on a consistent basis using the latest methodology and latest ONS Labour Force Survey reweighted population data.
2. There are no unregistered companies in the BPE – see methodology and quality note for more details.
3. Further details in Table C of this release and Table 3 of the detailed tables.

40. The largest contribution to the increase between 2013 and 2014 was from unregistered sole proprietorships (increasing by 192,000 or 14\%) – reflecting the fact that a key factor in business population growth since 2000 has been continuing rises in self-employment.

Businesses in UK countries and regions

41. Of the estimated 5.2 million private sector businesses in the UK at the start of 2014, 4.6 million (88\%) were in England\(^viii\).

42. With 934,000 private sector businesses at the start of 2014, London had more businesses than any other region or country in the UK. The South East had the second largest number of businesses with 837,000. Together these regions account for a third (34\%) of all private sector businesses in the UK (Figure 6).

43. London and the South East have both the highest number of businesses and the highest business density rates (relative to the adult population), whilst the North East had the second lowest number of businesses across all the UK countries and regions, and the lowest business density rate with 701 businesses per 10,000 adults (Figures 6 and 7).

\(^viii\) Businesses that have sites in more than one region or country are counted here only in the region or country where they are registered.
Figure 6: Number of businesses and business density rate in the UK private sector, by UK region and country (excluding England), start of 2014.

1. Tables 8 to 23 of the detailed tables for this release provide more information about the English regions and UK countries.

44. The biggest percentage increases in the number of businesses since the start of 2013 were in Wales (up 13%) and the North East (12%).

45. In contrast the number of businesses in Yorkshire and the Humber increased by only 1%, whilst the business population in Scotland fell by 1% since the start of 2013. A time series for the different English regions and UK countries is available in Table 25 of the detailed tables for this release.
Figure 7: Number of businesses in the UK private sector per 10,000 adults, by UK region and country, start of 2014.
SMEs by broad industry sector

46. SMEs dominate business numbers within all industrial sectors, but are not spread evenly across the sectors (Figure 8). At the start of 2014 there were 950,000 SMEs operating in the Construction sector, 18% of all SMEs in the UK private sector. A further 779,000 SMEs (15%) were operating in the Professional, Scientific and Technical Activities and 538,000 (10%) in Wholesale and Retail Trade and Repair. The smallest share of SMEs was in Mining and Quarrying, and Utilities (1%).

Figure 8: Share of SME numbers, SME employment and SME turnover by industrial sector at the start of 2014.

1. Turnover is not provided for the Financial and Insurance sector, because comparable information is not available. Tables 5, 6 and 7 of the detailed tables for this release provide more information on sectors.

47. Wholesale and Retail Trade and Repair accounted for over a third of all SME turnover (35%). A further third of SME turnover was spread across the Construction (11%), Manufacturing (11%) and Professional, Scientific and Technical sectors (10%). The sector with the lowest share of SME turnover was Education (1%).
Table B: Estimated number of businesses in the UK private sector, start of 2000 to start of 2014.

Numbers

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<tr>
<td>All private sector businesses</td>
<td>3,467,200</td>
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<td>3,573,200</td>
<td>3,678,700</td>
<td>3,925,400</td>
<td>3,926,700</td>
<td>4,125,400</td>
<td>4,271,500</td>
<td>4,283,500</td>
<td>4,375,000</td>
<td>4,483,000</td>
<td>4,588,500</td>
<td>4,817,900</td>
<td>4,913,600</td>
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<td>All SME (0-249)</td>
<td>3,460,100</td>
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<td>3,918,900</td>
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<td>4,119,000</td>
<td>4,267,000</td>
<td>4,368,400</td>
<td>4,476,700</td>
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<td>4,907,000</td>
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<td>4,339,100</td>
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<td>All employing businesses</td>
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<td>1,236,900</td>
<td>1,210,900</td>
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With no employees

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<td>2,355,900</td>
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<td>10-49</td>
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<td>178,000</td>
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<td>50-249</td>
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<td>30,500</td>
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<td>28,200</td>
<td>28,100</td>
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<td>250 or more</td>
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<td>6,700</td>
</tr>
</tbody>
</table>

1. To enable a robust comparison over time, this time series has been produced on a consistent basis using the latest methodology and ONS’s latest reweighted Labour Force Survey data. Where there were discontinuities or gaps in the data, a modelling approach was taken to estimate the business counts – see background notes 15 to 17. These estimates supersede those published in previous SME (2000-2009) and BPE (2010-2013) statistics.
2. Table 24 in the detailed tables for this release provides more information about the change in the business population between 2000 and 2014.

Table C: Changes in the number of businesses, by legal status, between the start of 2013 and the start of 2014.

<table>
<thead>
<tr>
<th></th>
<th>Sole proprietors</th>
<th>Partnerships</th>
<th>Companies</th>
<th>Total</th>
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<tbody>
<tr>
<td>Change</td>
<td>2013</td>
<td>2014</td>
<td></td>
<td></td>
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<tr>
<td>Unregistered businesses²</td>
<td>192,000</td>
<td>26,000</td>
<td>N/A³</td>
<td>218,000</td>
</tr>
<tr>
<td>Registered businesses⁴</td>
<td>5,000</td>
<td>-9,000</td>
<td>115,000</td>
<td>111,000</td>
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<tr>
<td>Of which with employees</td>
<td>3,000</td>
<td>-6,000</td>
<td>70,000</td>
<td>66,000</td>
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<tr>
<td>without employees</td>
<td>2,000</td>
<td>-3,000</td>
<td>45,000</td>
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<tr>
<td>All private sector businesses</td>
<td>197,000</td>
<td>17,000</td>
<td>115,000</td>
<td>330,000</td>
</tr>
</tbody>
</table>

1. To enable a robust comparison over time, this time series has been produced on a consistent basis using the latest methodology and ONS’s latest reweighted Labour Force Survey data.
2. Unregistered businesses comprise self-employed people working alone or in partnership. These do not exclude Composite Managed Companies.
3. Not applicable - the BPE methodology assumes all companies are registered.
4. Registered companies are those businesses registered for VAT and/or PAYE but exclude Composite Managed Companies. This total will differ from the ONS statistics on registered businesses (e.g. UK Business and Business Demography) - see Methodology Note.
Notes for this release

1) *Business Population Estimates 2014* is the latest in a series of estimates of the total number of private sector businesses in the UK. The main purpose of the *BPE* publication is to provide an estimate of the number of businesses in the UK at a point in time, broken down by various characteristics. In contrast to other publications produced by the Office for National Statistics, *BPE* estimates the total number of UK private sector businesses, including those that are registered for VAT or PAYE and those that are unregistered (see note 14 for more information).

2) Information on the employment and turnover in these businesses is also provided. The function of the employment and turnover data is to act as ‘auxiliary variables’ used to (i) classify businesses by employee size band and (ii) calculate shares of employment and turnover across industrial sectors, regions and legal statuses. *BPE* does not include estimates of change in employment or turnover between different years, and estimates in this publication will not be consistent with unrevised estimates in earlier publications (see note 16 for details).

3) To aid the interpretation of these statistics, it is highly recommended that users refer to the *Methodology and Quality Note* that accompanies this release.

4) The estimates are used by a wide range of people to analyse the scale, structure and significance of the total business population in the UK and to monitor change over time. For instance, government departments use them to inform policy development. Other users of *BPE* include local authorities, business networks, academics, businesses and consultants. More detailed information on the users and use made of this series is available in the *BPE User Engagement Strategy*.

5) A *Guide* explaining how this publication relates to other National Statistics on business population and demography has been published to help users understand the differences and choose the most appropriate source.

6) All figures in this document can also be found in the accompanying Excel file of detailed tables.

7) All statistics relating to 2014 released in this publication are new. All statistics for earlier years in this release are revisions to those appearing in earlier editions of this publication having been produced using a consistent methodology and using the latest re-weighted ONS *Labour Force Survey* population data. For more detail, see note 16 and the *revisions policy* in the *Methodology and Quality Note*.

Definitions

8) In this release a small business is defined as a business with 0-49 employees, a medium-sized business is one with 50-249 employees, and a large business is one with 250 or more employees. Small and medium-sized enterprises (SMEs) are defined as businesses with 0-249 employees.

9) Within the scope of the *Business Population Estimates*, companies with a single employee director are counted as zero employee businesses.

10) The definition of the private sector used in this publication excludes the non-profit sector, but includes public corporations and nationalised bodies.
11) Turnover data throughout this release excludes both SIC2007 Section K (Financial and insurance activities) where turnover is not available on a comparable basis.

12) Businesses that have sites (and employees) in more than one region or country are counted here only in the region or country where they are registered. These estimates may therefore differ from actual employment in a region, since some people in one region will work for businesses that are registered in another region.

13) All figures and percentages in this document are rounded. Therefore totals may not exactly match the sum of their parts. Suppression and controlled rounding have been used to protect the data in this publication from disclosure. For further information, please refer to the Methodology and Quality Note.

Overview of Methodology

14) There is no single database containing all private sector businesses in the UK. The main source for this publication is the Inter-Departmental Business Register (IDBR), administered by the Office for National Statistics (ONS), which is used to provide the number of VAT/PAYE registered businesses in the UK. This publication also includes estimates of smaller non employing (unregistered) businesses which are calculated using a combination of information from the ONS Labour Force Survey and HMRC self-assessment tax return data. More detail of the estimation process is provided in the Methodology and Quality Note.

15) This edition uses the same methodology as that used since the 2011 edition of this publication. However, the methodology is not directly comparable to that used for BPE 2010 or to the older SME Statistics series (1994-2009). To enable robust comparison over time, a time series is calculated using the latest methodology. This shows annual estimates of numbers of private sector businesses in the UK between 2000 and 2014, and estimates for UK countries and regions are also provided for available years since 2010 (the first year for which consistent estimates can be produced). It is not possible to produce comparable information regarding the contribution of these businesses to employment and turnover. In 2003 Primary Care Trusts and National Health Service Trusts were reclassified from the private sector to the central government sector.

16) During 2012 around 50,000 extra businesses that would have existed before 2012 were added to the government business register. In this 2014 edition of the publication the Time Series comparison has been adjusted to include these additional businesses in the year they should have first appeared on the register. The 2014 Time Series comparison also incorporates substantially updated Labour Force Survey data released by ONS during 2014.

17) HMRC introduced a new Real Time PAYE reporting system (RTI) in 2014. While there are growing numbers of PAYE schemes and a rise in numbers of new scheme registrations, HMRC have indicated that there were no technical reasons associated with RTI alone why more businesses would register during this period and no clear impact on the IDBR has been identified. HMRC have no evidence of behavioural changes in the timing of PAYE scheme registrations through the year.

Data users and uses

18) The Business Population Estimates are used extensively by government, the public, public bodies and businesses. For example, they are used by:
government in understanding the likely impact of policy changes and monitoring the impact of the recession on different sections of the business population

- businesses in understanding their market share and planning marketing strategies
- by banks in developing an understanding of their customer base.
- by foreign firms in making UK location decisions
- by academics to inform research into businesses at local and national level
- by a range of public bodies in decision making and in evaluating the success of regeneration and business related policies
- by public and private business support providers in targeting business support.
- See the BPE User Engagement Strategy for more information (available together with a summary of results from a recent BPE User Survey).

National Statistics publication

19) This National Statistics publication is produced to high professional standards set out in the Code of Practice for Official Statistics and the Pre-Release Access to Official Statistics Order (2008). These statistics were assessed for compliance against the Code of Practice for Official Statistics by the UKSA during 2011-12 and in October 2012 their National Statistics designation was confirmed. They are produced free from any political interference.

20) The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

21) Designation can be broadly interpreted to mean that the statistics:
- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods, and
- are managed impartially and objectively in the public interest.

22) Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

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