SME Compliance Guidance Note

Employer, Insurance, Lease and Micro-Employer Obligations

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> *This guide is intended as an educational overview for founders and managers of small and medium-sized enterprises operating in the United Kingdom. It is not legal, financial or insurance advice, and organisations should consult a solicitor, insurance broker or accountant before relying on it in respect of a specific business, workplace or lease.*

Topic 1: Employer, Insurance and Lease Obligations

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1.1 Employer Obligations Under Legislation

Every UK employer, regardless of size, is bound by a core set of statutory duties. Being a small organisation does not create an exemption; the Health and Safety Executive (HSE) expects the amount of formal process to be proportionate to the size of the organisation and the hazards involved.

Health and Safety at Work etc. Act 1974: the foundation of UK workplace law. Employers must ensure, so far as is reasonably practicable, the health, safety and welfare of employees, and must avoid exposing non-employees (visitors, contractors, members of the public) to risk arising from the organisation's undertaking.

- **Safe systems of work:** safe premises, equipment, plant and processes.
- **Information, instruction, training and supervision:** staff must be properly trained and supervised for the risks they face.
- **Risk assessments:** the Management of Health and Safety at Work Regulations 1999 require documented assessment of workplace risks, reviewed as circumstances change.
- **Protective equipment:** any necessary protective clothing or equipment must be provided free of charge.

Fire Safety: under the Regulatory Reform (Fire Safety) Order 2005, the “responsible person” for a workplace (typically the employer or whoever has control of the premises) must carry out a fire risk assessment, maintain adequate means of escape, and keep fire-fighting and detection equipment in working order.

RIDDOR Reporting: the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 require employers to notify the HSE of work-related deaths, certain injuries, occupational diseases and dangerous occurrences.

- **Fatalities and specified injuries:** report without delay, formalised within 10 days.
- **Injuries causing more than 7 consecutive days' incapacity:** report within 15 days.
- **Penalties:** up to £20,000 in the Magistrates' Court, unlimited fines in the Crown Court, and custodial sentences for individuals in serious cases.

Other statutory duties:

- **Equality Act 2010:** avoid discrimination; make reasonable adjustments for employees and job applicants.

- **Employment law:** written statements of employment particulars, national minimum wage, working time regulations.
- **Pensions auto-enrolment:** assess and enrol eligible staff into a workplace pension scheme; applies even to organisations with a single employee in most circumstances.

1.2 Insurance Requirements

Only one type of insurance is a genuine legal requirement for UK employers. The rest are not mandated by statute but are, in practice, near-essential and are very often made contractually mandatory by clients or landlords.

Employers' Liability Insurance — the statutory requirement. Under the Employers' Liability (Compulsory Insurance) Act 1969, any organisation that employs staff must hold employers' liability cover, with narrow exemptions (e.g. a company whose only employee is also a director owning the majority of its shares).

Requirement	Detail
Minimum cover	£5 million per occurrence (statutory floor). Most insurers now offer £10 million as standard.
Provider	Must be an authorised insurer registered with the Financial Conduct Authority (FCA).
Certificate	Must be displayed or made accessible to staff, and retained for 40 years.
Penalty	HSE may fine up to £2,500 for every day an organisation remains uninsured.

Other insurance worth holding (not legally mandatory, but commonly required contractually):

- **Public liability insurance:** expected by almost every commercial landlord and client contract; covers injury or damage to third parties or their property.
- **Professional indemnity insurance:** covers claims arising from professional advice or services; often a contractual requirement for consultancy/professional-services SMEs.
- **Buildings insurance:** ordinarily the landlord's responsibility under a commercial lease, covering the structure against fire, flood and other insured risks.
- **Contents and business interruption insurance:** protects the tenant's own fit-out, equipment and stock, and covers loss of income if the premises become unusable.
- **Cyber insurance:** increasingly expected, particularly where the organisation holds customer data.

1.3 Lease Agreements: Landlord and Tenant Obligations

Most UK commercial premises are let on a Full Repairing and Insuring (FRI) lease, under which the landlord arranges the buildings insurance and the tenant is contractually responsible for repairs and for the cost of that insurance.

Landlord's Obligations	Tenant's Obligations
Arrange and pay for buildings insurance, then recover the premium from the tenant (in full for a single-let building, or as a proportionate service charge in a multi-let building).	Reimburse the insurance premium (or pay a fair proportion), and hold their own contents and public/employers' liability insurance for their fit-out and operations.

Remain the “responsible person” for fire safety and structural compliance in shared and common areas.	Comply with fire safety and health and safety law for their own operations within the demised premises.
Provide quiet enjoyment of the property, free from unreasonable interference.	Keep the premises in repair under a “put and keep in repair” covenant — which can require bringing the property up to good repair even if it started out tired, unless limited by a schedule of condition.
Maintain the structure and exterior, unless this responsibility has been passed to the tenant under the lease terms.	Restore or reinstate alterations at the end of the lease, and comply with restrictions on use or alienation (assignment/subletting).

Shared carve-out: regardless of which party arranges insurance, damage caused by an insured risk (fire, flood, etc.) generally falls to the insurance policy rather than to the tenant's repair covenant, since the tenant is already contributing to the premium that pays for that cover.

Practical tips for a client about to sign:

- **Negotiate a schedule of condition:** a surveyor's record of the property's state at the start of the lease, capping the tenant's repair obligation at “no worse than this,” rather than an open-ended obligation to improve the building.
- **Clarify the insurance mechanism:** confirm in writing how the premium is calculated and apportioned, particularly in a multi-let building.
- **Check who is the “responsible person” for fire safety:** this should be explicit in the lease, especially where premises are shared.

Sources

- HSE, Employers' Liability (Compulsory Insurance) Act 1969, guidance leaflet HSE40
- HSE, RIDDOR reporting guidance (hse.gov.uk/riddor)
- Surrey Heath Borough Council, Employers' health and safety duties
- LegalVision UK, Understanding a FRI Lease as a Tenant
- Hanne & Co Solicitors, Full Repairing & Insuring (FRI) Lease guidance
- Sprintlaw UK, Who Pays for Commercial Building Insurance: Landlord or Tenant?

Topic 2: Employers With Fewer Than 5 Employees

Last verified: 25 September 2026. Grounded in the house position set out in the “H&S Compliance - Employer Under 5 Employees” project.

Micro-employers (fewer than 5 staff) carry almost all the same statutory duties as any other employer. What changes at this size is mainly the paperwork threshold, not the underlying duty — a common misconception clients have is that being very small exempts them from health and safety law altogether, which it does not.

2.1 The General Duty and the Under-5 Exception

Under the Health and Safety at Work etc. Act 1974, every employer must ensure, so far as reasonably practicable, the health, safety and welfare of employees — safe premises, equipment, systems of work, and the provision of information, instruction, training and supervision. This applies regardless of headcount.

The one genuine size-based exception: businesses with 5 or more employees must record their health and safety policy in writing. Businesses with fewer than 5 employees are not required to write the policy down, but must still have a policy and actively manage health and safety risk — the exemption is about paperwork, not about the underlying duty.

2.2 First-Aid Arrangements

- **Needs assessment:** employers must make first-aid arrangements appropriate to their workplace, based on a first-aid needs assessment (nature of work, workplace, hazards/risks, workforce size and composition, accident history).
- **Minimum for a small, low-risk workplace:** a suitably stocked first-aid kit (checked and restocked regularly), an appointed person to take charge of arrangements (no formal training required), and information given to all employees on the arrangements in place.
- **Trained first-aider:** only needed, rather than just an appointed person, where the needs assessment identifies higher risk — e.g. use of machinery or hazardous materials.
- **Accident book:** a statutory requirement only for employers with more than 10 employees, or those who own/occupy a mine, quarry or factory — but RIDDOR reporting and record-keeping duties (see Topic 1) apply regardless of business size.

2.3 Fire Safety in Multi-Occupied Buildings

This connects directly to the lease position in Topic 1 (§1.3): under the Regulatory Reform (Fire Safety) Order 2005, the “responsible person” for a workplace is the employer, if the workplace is to any extent under their control.

- **Split responsibility:** in a multi-occupied building, responsibility is split, not held by one party alone. The landlord can be the responsible person for shared parts (corridors, stairwells, communal alarm system); the employer remains the responsible person for their own demise and their own employees.
- **Landlord control does not remove employer duty:** a lease that gives the landlord day-to-day control of the evacuation procedure does not remove the employer's own statutory duty. The employer must still ensure their own employees know and can follow the evacuation procedure, and must satisfy themselves the landlord's arrangements are adequate rather than assuming so.
- **Cooperation duty:** Article 22 of the Order imposes a duty on responsible persons sharing a building to cooperate and coordinate with each other on fire safety.

2.4 Other Basic Statutory Duties

- **Information and training:** tell workers their health and safety duties and how to work safely, including induction for new starters.
- **Consult your workers:** involve and inform employees on matters affecting their health and safety (a formal consultation committee is not required under 50 employees).
- **Workplace facilities:** toilets, washbasins, drinking water, rest facilities (Workplace (Health, Safety and Welfare) Regulations 1992).
- **HSE poster:** display the health and safety law poster, or give each worker the equivalent leaflet (Health and Safety Information for Employees Regulations).
- **Competent person:** appoint someone to help manage health and safety — this can be the employer themselves, an employee, or an external adviser.

- **Employers' liability insurance:** the Employers' Liability (Compulsory Insurance) Act 1969 still applies in full at this size — see Topic 1 (§1.2) for the £5 million minimum cover requirement; there is no small-employer exemption from this one.

2.5 Paperwork and Record-Keeping Thresholds at a Glance

Threshold	Requirement
Any employer (1+ staff)	Must have and actively manage a health and safety policy; RIDDOR reporting; employers' liability insurance (£5m minimum); first-aid arrangements appropriate to the workplace.
Fewer than 5 employees	Health and safety policy does not need to be in writing (but must still exist and be actively managed).
5 or more employees	Health and safety policy must be recorded in writing.
More than 10 employees (or any mine/quarry/factory)	Accident book becomes a statutory requirement.
Fewer than 50 employees	No requirement for a formal health and safety consultation committee (informal consultation still required).

Sources

- HSE, “Are you an employer?” (hse.gov.uk/firstaid/what-employers-need-to-do.htm)
- HSE, “Health and safety basics for your business” (hse.gov.uk/simple-health-safety)
- Designing Buildings Wiki, Responsible person under the Regulatory Reform (Fire Safety) Order 2005
- Health and Safety at Work etc. Act 1974
- Health and Safety (First-Aid) Regulations 1981
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR)
- Regulatory Reform (Fire Safety) Order 2005
- Employers' Liability (Compulsory Insurance) Act 1969

Topic 3: CDM 2015 — Fit-Outs, Refurbishments and Maintenance Work

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The most common misconception among start-up and SME clients is that the Construction (Design and Management) Regulations 2015 (“CDM 2015”) only concern building contractors and construction sites. In fact, CDM 2015 applies to office fit-outs, refurbishments, and even some maintenance and cleaning work — and as a commercial occupier, your organisation is always the “client” under these regulations, with duties that cannot be handed away.

3.1 What Counts as “Construction Work”

CDM 2015 covers far more than building a structure from scratch. It includes fitting out, alteration, conversion, renovation, repair, redecoration and general maintenance of a structure, and the installation, maintenance or removal of mechanical, electrical, gas, compressed air, telecommunications or similar building services.

Type of Work	CDM 2015 Status
Office fit-out or refurbishment involving more than one trade (e.g. partitioning, M&E, decorating)	Construction work — and almost always triggers the multi-contractor duties in §3.2.
Hard services maintenance (HVAC, electrical, plumbing, fire/life-safety systems, lifts)	Always construction work, regardless of scale.
Routine day-to-day cleaning (vacuuming, dusting, standard non-corrosive products)	Outside CDM 2015 — governed instead by general health and safety law (see Topic 1, §1.1).
Higher-risk cleaning (pressure-washing, chemical/corrosive cleaning, work at height or in confined spaces)	Construction work, even though it looks like "just cleaning."

3.2 Your Duties as the Client

Because your organisation occupies commercial premises, the "domestic client" exemption in CDM 2015 never applies to you — your duties as a client are never transferred away, regardless of how small the job is.

- **Check competence before appointing:** confirm any designer or contractor has the skills, knowledge, experience and organisational capability for the role — don't rely on price alone.
- **Establish early whether more than one contractor will be involved:** this is the single most important trigger in CDM 2015. Whenever more than one contractor works on a project (e.g. separate M&E, partitioning and decorating trades on a fit-out), you must appoint a principal designer and a principal contractor, in writing, before work starts. If you don't, their duties fall on you personally.
- **Provide pre-construction information early:** services drawings, an asbestos register if relevant, and any occupied-area constraints, to everyone bidding for or appointed to the work.
- **Don't let work start without a construction phase plan:** in place, proportionate to the size and risk of the job.
- **Keep the health and safety file up to date:** for multi-contractor projects, and hand it on across successive fit-outs and plant replacements — it is the record future contractors rely on.

3.3 Project Size Only Changes One Thing

A common further misconception: that a small project is exempt. It isn't. Project size affects only whether the work must be formally notified to the HSE (broadly, projects lasting more than 30 days with more than 20 workers at once, or exceeding 500 person-days) — that threshold is a paperwork trigger only. Every other CDM 2015 duty in §3.2 applies to work of any size, notifiable or not.

3.4 A Practical Pre-Work Checklist

- Before instructing any fit-out, refurbishment or hard-services maintenance job, ask: will more than one contractor be on site? If yes, appoint a principal designer and principal contractor in writing before work starts.
- Before instructing a cleaning contractor, check whether the job involves high-pressure water, corrosive/toxic substances, work at height, or confined-space entry — if so, treat it as CDM construction work, not routine cleaning.
- Ask contractors for evidence of competence before appointing, not after.

- Don't allow work to start without a construction phase plan.
- Keep (or ask your managing agent/FM provider to keep) a health and safety file that carries forward from one project to the next.

Sources

- HSE, L153, “Managing health and safety in construction – CDM 2015, Guidance on Regulations” (2015)
- HSE, INDG411, “Need building work done? A short guide for clients on CDM 2015”
- HSE, HSG150, “Health and safety in construction”
- Construction (Design and Management) Regulations 2015