



Tower Hamlets Business Structure - Size, Turnover and Age

This briefing includes analysis about the number of VAT registered businesses in Tower Hamlets, the industrial sectors businesses operate, their age, employment size and annual turnover.

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SUMMARY – Key Facts

- Around **11,445 VAT based enterprises** were located *in Tower Hamlets in 2013*. This number represents about 3.1 per cent of the VAT business stock in London.
- The **Tower Hamlets enterprise growth** of 18.5 per cent between 2008 and 2013 **was nearly double the London growth** of 9.8 per cent.
- In Tower Hamlets, the **majority of businesses (10,145) are micro businesses employing less than 10 people**.
- Around **27.8 per cent (3,190) of local businesses in Tower Hamlets are less than 2 years old**, a rate which is above the London and UK average.

Introduction

This document presents analysis of businesses in Tower Hamlets at Enterprise and Local unit level. Primarily, we focus the analysis on the time between 2009 and 2013, because of matters of robustness and data availability.

Office for national Statistics (ONS) UK business data is available up to 2013 and includes information about industrial sector, employment size of the establishment and turnover in money terms. The UK Business data only includes businesses within the current VAT threshold. This means that business below the VAT threshold and self-employment are not part of this analysis.

To measure the number of businesses we use two different business measurements available to us.

- **Enterprise** is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy - usually a head office - which may, or may not, have multiple sites, or 'Local units'.
- A **Local unit** is defined as an individual site, located in a geographically identifiable place. Local unit sites belong to an Enterprise.

For example, a company head office would count as one 'Enterprise' as well as one 'Local unit'. The company's 17 branches throughout the country would count as 17 Local units. Alternatively, a single-site company would count as one Enterprise and one Local unit.

The different character of Enterprise and Local units means that the number of Local units is in general higher than the number of enterprises.

1 National and regional trends

In the UK, there were 2.16 million enterprises registered for VAT and/or PAYE in March 2013, compared with 2.15 million in March 2012, a rise of nearly 18,395 (0.9 per cent).

London accounted for the largest number of businesses in March 2013, with 17.2 per cent of the UK total. The region with the second largest share of businesses was the South East, at 15.7 per cent.

Between 2012 and 2013, all regions except Northern Ireland and Wales saw an increase in the number of businesses, with London and the South East experiencing the greatest increase of nearly 13,000 and 2,000 businesses respectively. London grew by 3.5 per cent between 2012 and 2013. This accounts for around two thirds of the growth in the UK.¹

¹ ONS UK Business: Activity, Size and Location – 2013 Summary document. <http://www.ons.gov.uk/ons/rel/bus-register/uk-business/2013/stb---uk-business--activity--size-and-location---2013.html#tab-Business-counts-by-UK-region>

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Table 1: VAT and/or PAYE based enterprise in the UK and regions and change (total and %)

	2012	Proportion in %	2013	Proportion in %	Change 2012 / 2013 (%)
North East	56,415	2.6	56,425	2.6	0.0
North West	205,695	9.6	206,815	9.5	0.5
Yorkshire and The Humber	150,050	7	150,725	7	0.4
East Midlands	144,520	6.7	145,290	6.7	0.5
West Midlands	171,210	8	171,750	7.9	0.3
East	216,580	10.1	217,620	10.1	0.5
London	359,880	16.7	372,340	17.2	3.5
South East	337,840	15.7	339,980	15.7	0.6
South West	200,490	9.3	201,150	9.3	0.3
Wales	88,570	4.1	87,685	4.1	-1.0
Scotland	150,455	7	151,115	7	0.4
Northern Ireland	67,480	3.1	66,685	3.1	-1.2
UK	2,149,185		2,167,580		0.9

(Source: ONS UK Business 2013, Count given to the nearest thousand)

In 2013, the professional, scientific and technical sector accounted for the largest number of businesses, with 16.9 per cent of all enterprises registered, overtaking wholesale, retail and repair of motor vehicles (accounting for 16.5 per cent of all enterprises registered). The third largest sector was construction, however, this fell from 12.3 per cent in 2012 to 11.9 per cent in 2013.

The professional, scientific and technical sector had the largest growth between 2012 and 2013, an increase of 14,000 businesses. This was followed by the information and communication sector which increased by 7,000 businesses in 2013. Construction had the largest fall in businesses with a fall of 6,000.

2 Analysis of VAT and/or PAYE based enterprises in Tower Hamlets

According to ONS UK Business data around 11,445 VAT based enterprises were located in the Borough in 2013. This number represents about 3.1 per cent of the VAT business stock in Greater London (London total of 372,340).

The number of VAT based enterprises in the Borough has increased substantially over the last six years. Between 2008 and 2013, the number of Enterprises increased by 1,870. The Tower Hamlets increase of 18.5 per cent outperformed the London growth of 9.8 per cent.

Over the last year, the number of VAT based enterprises in the Borough has increased again by 1,870 compared to 10,870 in 2012. The Tower Hamlets increase of 5.4 per cent outperformed the London growth of 3.5 per cent.

Tower Hamlets Business Structure

Table 2: Number of VAT-Based enterprises in Tower Hamlets 2008 to 2013

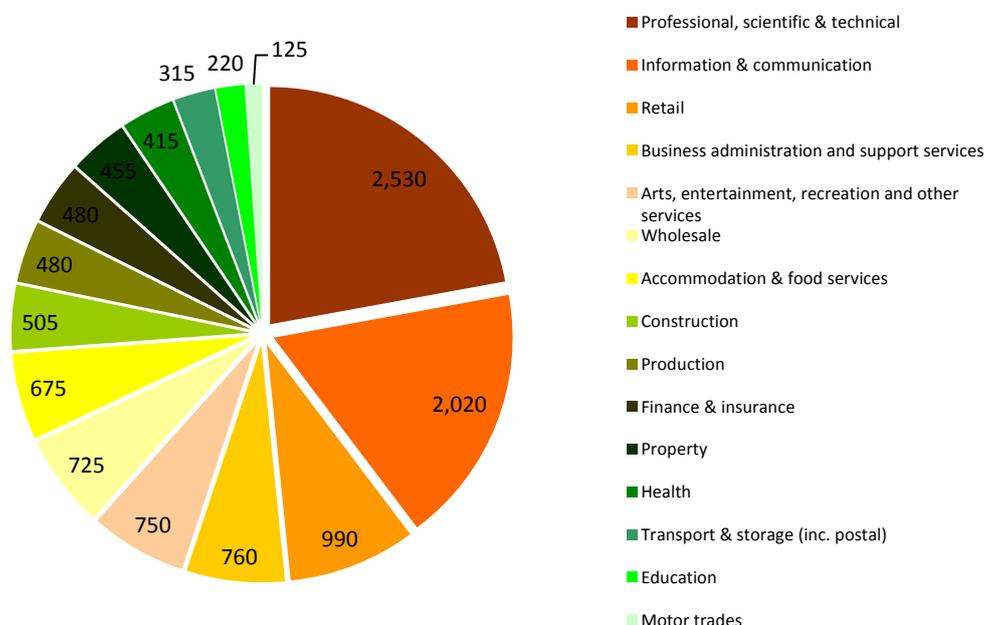
	2008	2009	2010	2011	2012	2013	Total Change 2008 to 2013
Tower Hamlets	9,575	9,665	9,550	9,720	10,870	11,445	1,870

(Source: ONS UK Business 2013)

2.1 Enterprises by sector

The highest number of VAT enterprises were in the sectors: professional, scientific and technical (2,530 / 22.1 per cent); information & communication (2,020 / 17.6 per cent); retail (990 / 8.6 per cent); business administration & support (760 / 6.6 per cent); arts, entertainment, recreation (750 / 6.5 per cent) and Wholesale (725 / 6.3 per cent).

Fig. 1: Total number of enterprises by sector 2013 in Tower Hamlets



(Source: ONS UK Business 2013, Agriculture and Public Services excluded)

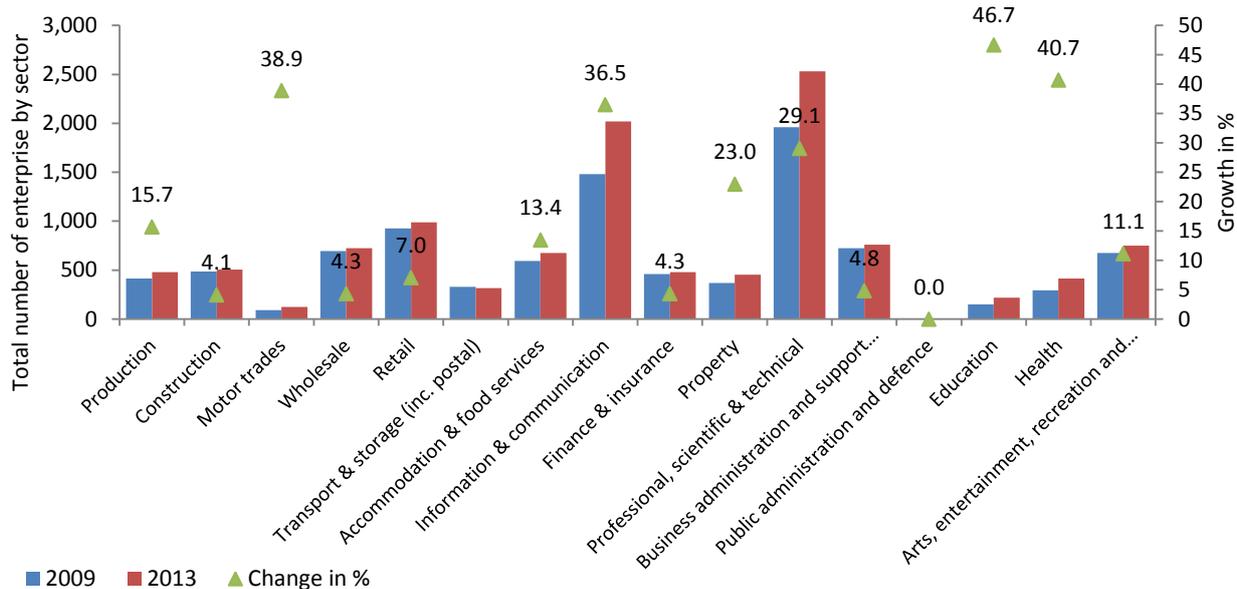
2.2 Change by sector – Which sectors are the growth sectors?

The Figure 2 below depicts enterprise growth between 2009 and 2013. It shows that the largest proportional growth (education, health, motor trades) took place in the sectors which typically smaller in size.

In total numbers, the most important increase of new enterprises took place in the two large sectors professional services (29.1 per cent) and information & communication (36.6 per cent). In both sectors, the number of enterprises increased by more than 500 each. The rate of increase is substantially above the borough average of 18.5 per cent. See figure below.

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Fig 2: Enterprises by sector in 2009 & 2013 and change in Tower Hamlets (Total %)



(Source: ONS UK Business 2013)

2.3 Enterprises by employment size

The vast majority of businesses in London employ less than 10 people. In general, micro businesses are the majority of enterprises overall. In Tower Hamlets, around 10,145 businesses employed between 0 to 9 people. Out of those, around 8,870 have 0 to 4 employees. For a breakdown of Tower Hamlets enterprises by employment size see Table 3 below.

Table 3: Enterprises by size of employment in Tower Hamlets 2013 (Total and %)

Employment size	No of enterprises	Proportion (%)
0 – 9	10,145	88.6
10 – 49	1,000	8.7
50 – 99	135	1.2
100 – 249	100	0.9
250 plus	75	0.7
Total	11,445	100%

(Source: ONS UK Business 2013)

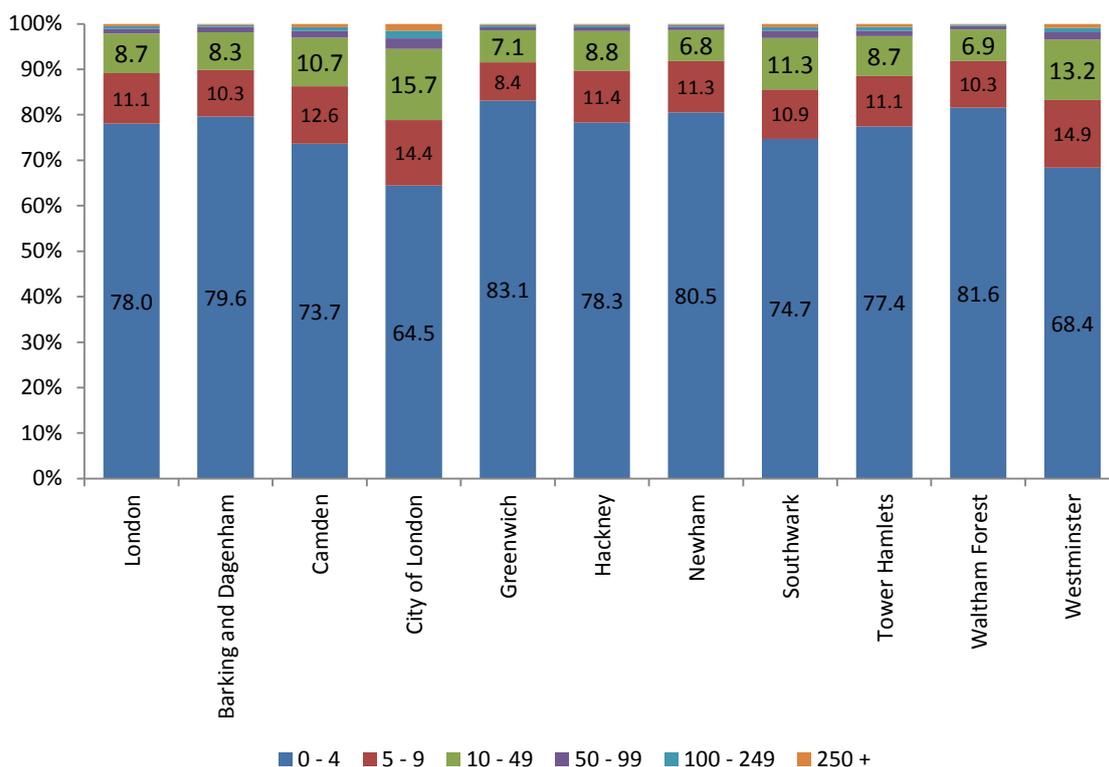
Many larger enterprises, with employment of more than 250, are located in the City of London, Westminster, Camden and indeed Tower Hamlets including Canary Wharf. Many headquarters of national and international companies have settled in those prime locations in London.

Large companies have the biggest influence on the overall employment figures. However, micro and small businesses form the majority of a working business environment.

The chart below shows clearly that the City of London and Westminster have a business environment which is much more shaped by larger companies and less by micro and small businesses compared to London as a whole. Interestingly, the Tower Hamlets structure is very similar to overall London business structure and size of the companies.

Tower Hamlets Business Structure

Fig. 3: Enterprise by employment size 2013 (%) London and selected Boroughs



(Source: ONS UK Business 2013)

2.4 Annual turnover of local enterprises

Turnover or revenue is the income a business receives from its formal business activities, usually from the sale of goods or services. A company's performance is measured to the extent to which its asset inflows (revenues/turnover) compare with its asset outflows (expense), so a high turnover does not necessarily mean the business is profitable. However, strong growing turnover is a proxy for added value and economic growth.

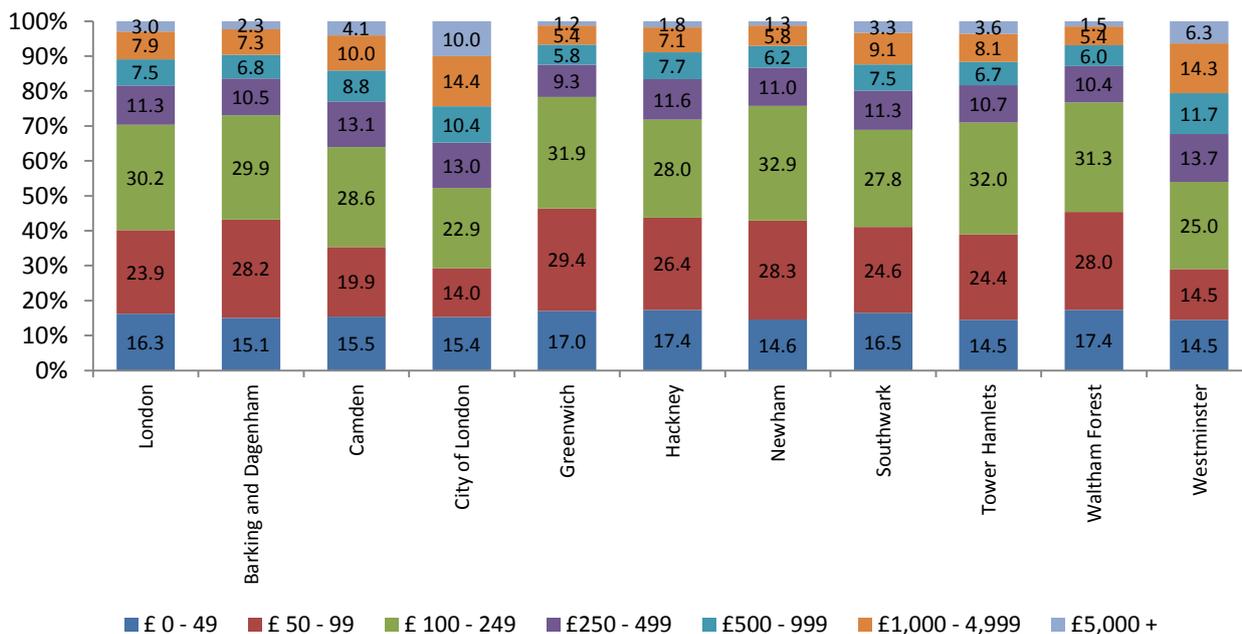
The data for East and Central London Boroughs revealed that annual turnover figures in Tower Hamlets are close to London and UK averages.

On a London level, the majority of boroughs and especially the City of London and Westminster show some significant differences. This can be explained with the head quarter function of Westminster and the City of London and the attached high value of those businesses.

Tower Hamlets data indicates that the annual turnover structure is between the City / Westminster and the East London cluster. See Figure 4 below.

Tower Hamlets Business Structure

Fig. 4: Enterprise by annual turnover in 2013 (£ thousand) – Selected boroughs (%)

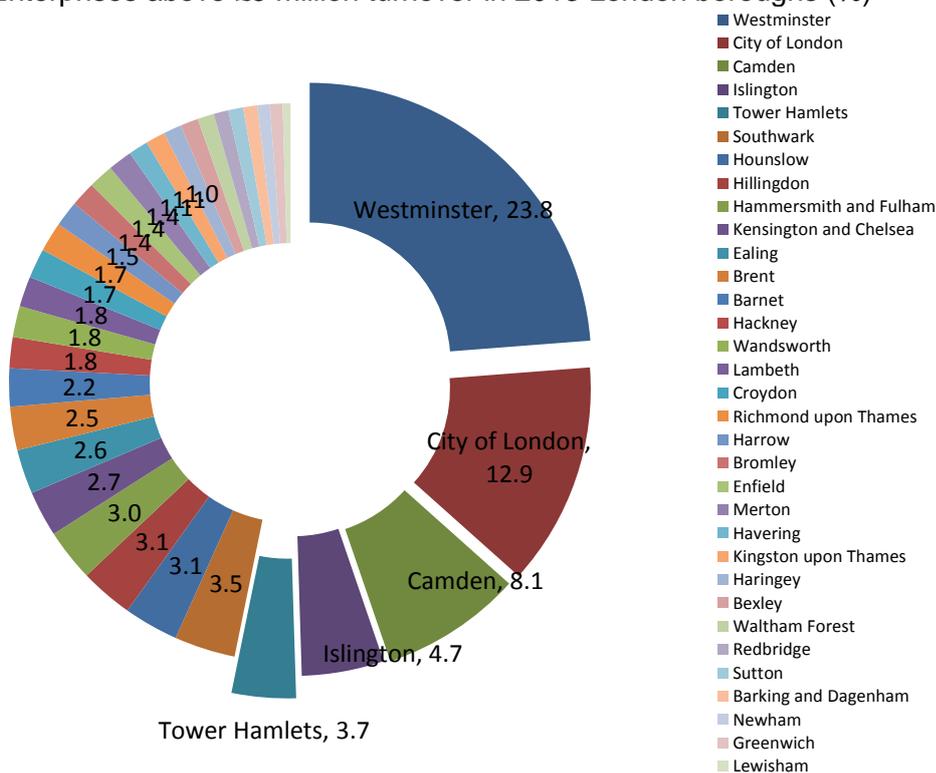


(Source: ONS UK Business 2013)

2.5 Annual turnover- above £5 million

UK business data shows that in 2013, those 11,130 London based businesses with a turnover above £5 million, are mainly based in the City of Westminster (23.8 per cent), followed by City of London (12.9 per cent) and Camden (8.1 per cent). While the Tower Hamlets proportion (3.7 per cent) is lower, the proportion is still the fifth highest in London.

Fig. 5: Proportion of Enterprises above £5 million turnover in 2013 London boroughs (%)



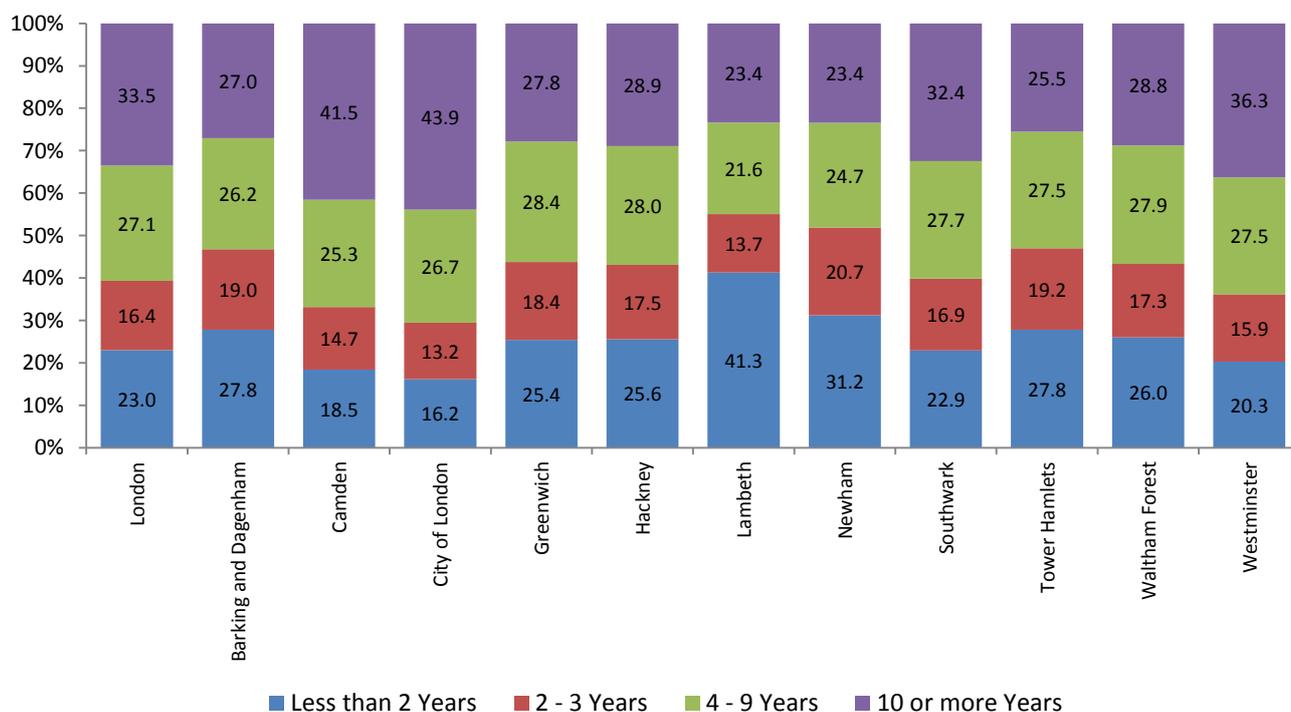
(Source: ONS UK Business 2013)

2.6 Enterprises by age

Business age data can give insights into dynamics and structure of the business environment. For example, data shows that 43.9 per cent of the businesses based in the City of London are older than 10 years. The City of London rate is just below the UK average (44.3 per cent) while Tower Hamlets is far below the average with only 25.5 per cent of businesses in Tower Hamlets being older than 10 years. This is because of the high growth of businesses in the borough. New start-up businesses are young businesses.

Businesses of a young age are quite common in East London. 27.8 per cent (3,190) of local businesses in Tower Hamlets are less than 2 years old. The borough rate is above the London (23 per cent) and substantially above the UK average (16.8 per cent). However, the proportion of young businesses is even higher in Lambeth (41.3 per cent) and Newham (31.2 per cent). For a comparison see Figure 6 and Table 4 below.

Fig. 6: Age of business 2013 Selected London boroughs (%)



(Source: ONS UK Business 2013)

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Table 4: Age of local businesses & total numbers 2013 in selected London boroughs

	Less than 2 Years	2 - 3 Years	4 - 9 Years	10 or more Years	TOTAL
LONDON	85,585	61,020	101,025	124,750	372,380
Camden	4,090	3,260	5,610	9,205	22,165
City of London	2,330	1,905	3,840	6,310	14,385
Hackney	2,905	1,990	3,180	3,285	11,360
Lambeth	5,475	1,820	2,860	3,095	13,250
Newham	1,965	1,300	1,555	1,475	6,295
Southwark	2,710	2,000	3,270	3,830	11,810
<i>Tower Hamlets</i>	<i>3,190</i>	<i>2,195</i>	<i>3,145</i>	<i>2,925</i>	<i>11,455</i>
Westminster	8,505	6,640	11,530	15,200	41,875
Barking and Dagenham	1,070	730	1,010	1,040	3,850
Greenwich	1,635	1,180	1,825	1,790	6,430
Waltham Forest	1,790	1,190	1,915	1,980	6,875
Westminster	8,505	6,640	11,530	15,200	41,875

(Source: ONS UK Business 2013)

3 Analysis of local units in Tower Hamlets

3.1 Total number of local units

The individual site (for example a factory or shop) of an enterprise is labelled a Local unit.² The number of Local units in the borough is significantly higher based on this definition.³ However, positive trends over time for Local units and enterprises are similar.

In 2013 around 13,590 Local units were located in the Borough. This number has increased substantially over the last five years, representing a growth of 15.2 per cent which was significantly above the London growth rate of 7.6 per cent. Still, the number of data units increased at a slower rate than the number of enterprises, in Tower Hamlets because there were more Local units originally. See Table 5 below.

Again, over the last 12 months, the number of Local units in Tower Hamlets has increased by 655 or 5.1 per cent. The development in Tower Hamlets again outperformed the London growth of 2.9 per cent.

Table 5: Change of local units and enterprises in Tower Hamlets 2009 – 2013 (total & %)

	2009	2010	2011	2012	2013	Change Total	Change in %
Local Units	11,795	11,620	11,770	12,935	13,590	1,795	15.2
Enterprises	9,665	9,550	9,720	10,870	11,445	1,780	18.4

(Source: ONS UK Business 2013)

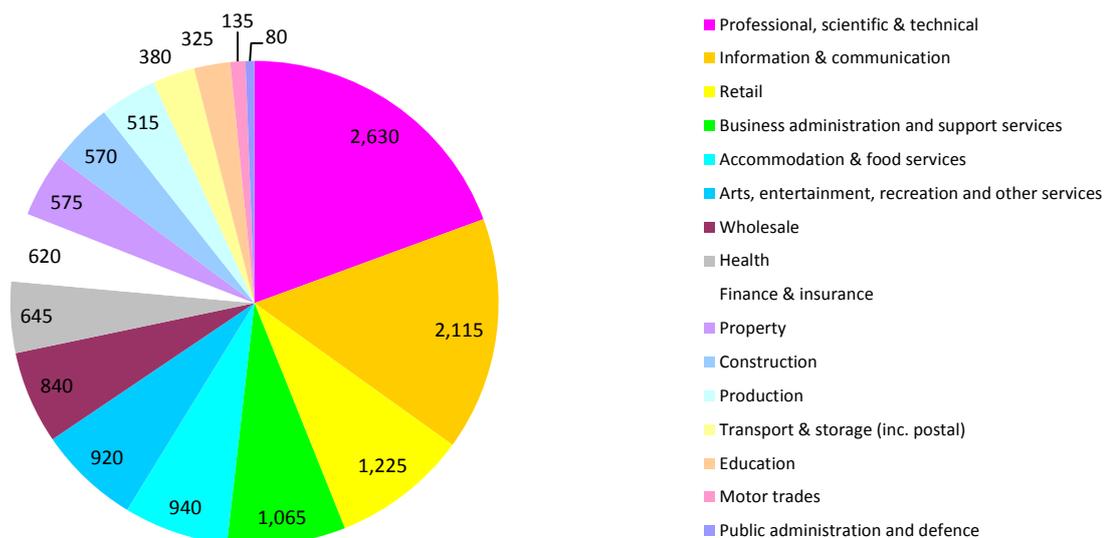
² ONS UK Business 2013

³ The retail sector is a good example to illustrate the differences between the Enterprise and Local unit definition. Data shows around 990 Retail enterprises but also 1,225 Retail Local units.

3.2 Local units by sector

The highest number of Local units are in the sectors: professional, scientific and technical (2,630); information & communication (2,115); retail (1,225) and business admin & support (1,065) sectors. The top 4 sectors are the same compared to the number of Enterprises as discussed earlier. See Figure 7 below.

Fig. 7: Total number local units in 2013 in Tower Hamlets



(Source: ONS UK Business 2013, Agriculture excluded)

3.3 Local units and enterprises by employment size

Micro businesses dominate the employment structure of Local units with more than 83 per cent of Local units giving employment to 0 - 9 people. Overall, the employment size structure is comparable to the employment size of enterprises in the borough. However, there is the tendency that Local units are larger entities compared to enterprises.

The main difference can be observed in employment size group 0 to 4. The proportion of enterprises is 7 percentage points above the Local units proportion.

This can be explained with the character of Local units which have, by definition, multiple sites while belonging to one enterprise itself. By nature, there must be more micro enterprises compared to Local units because the amount of enterprise which have no Local units attached to them.

Table 6: Local units and enterprises by employment size 2013 (%) in Tower Hamlets

	0 - 4	5 - 9	10 - 49	50 - 99	100 - 249	250 plus
Local units	70.6	13.0	12.6	1.7	1.3	0.9
Enterprises	77.4	11.1	8.7	1.2	0.9	0.7

(Source: ONS UK Business 2013)

Further information

This Briefing was produced by the Council's Corporate Research Unit. Research briefings provide timely and in depth analysis of data about Tower Hamlets.

Briefings can be downloaded on the LBTH Borough profile web pages.

Recent briefings include:

- A Guide to Census Geography (Research Briefing 2013/05)
- Faith Key facts: Census 2011 (Research Briefing 2013/03)
- Language in Tower Hamlets: Census 2011 (Research Briefing 2013/02)
- Ethnicity Topic Report: Census 2011 (Research Briefing 2013/01)

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