

Chapter 9: Businesses

Key facts

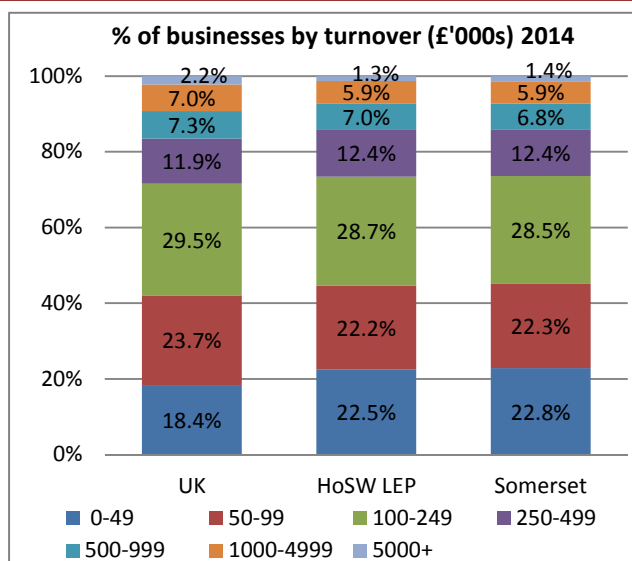
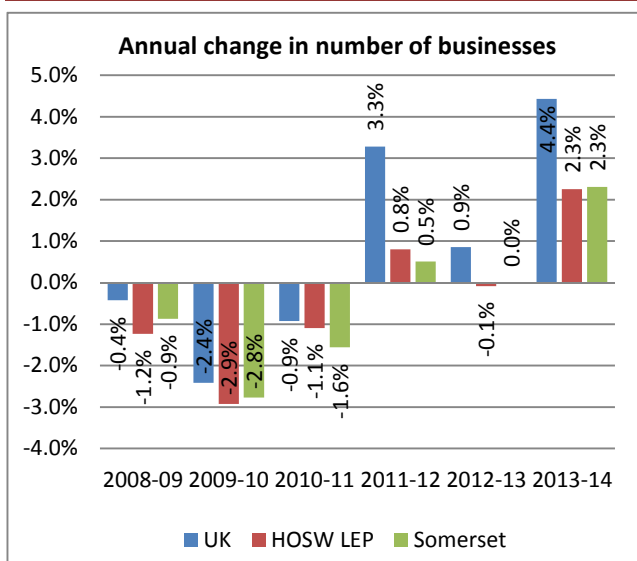
- According to ONS data, in 2014 there were 22,370 businesses in Somerset, an increase of 2.3% on the previous year. Between 2008 and 2014, the number of businesses in Somerset declined by 2.4%; comparable to the LEP figure of -2.3% over the same period but poor compared to the UK overall which saw an increase of 4.7% over the same period.
- Somerset performs well in terms of business density, with 42 businesses per 1,000 population, compared to 36 nationally and 39 across the LEP.
- Somerset's economy is predominantly made up of small businesses. 76.3% of the County's businesses have fewer than 5 employees and a further 13% have 5-9 employees.
- In 2013, there were 2,355 business births in Somerset, a rate of 11.2%. This is lower than the birth rates of 14.1% for the UK and 11.5% for the LEP area. The number of start-ups in the County has improved during this period.

National context

- In 2013 there were 346,000 business births in the UK. The birth rate increased from 11.4% to 14.1% between 2012 and 2013. This was caused by an increase of 28.5% in the number of births between 2012 and 2013. The business death rate decreased from 10.7% to 9.7% between 2012 and 2013, the lowest death rate in the UK since 2008.
- In recent years the rate of business births per year has usually been higher than the rate of business deaths. This was the case leading up to the 2007 global financial market shock and subsequent economic downturn in 2008/09. As economic conditions worsened, the rate of business births began to fall in 2008 on a trend that continued into 2010, from a high of 12.3% to a low of 10.0%.
- The death rate of businesses in the UK fell slightly in 2008 before increasing sharply in 2009, rising above the birth rate. One factor behind this initial fall could be that a number of businesses continued to trade in the expectation that economic growth would resume quickly while benefiting from lower interest rates during this period. However, GDP growth did not return until 2010, by which time some of those businesses had ceased trading.²³

Somerset Overview

Business profile



²³ ONS Statistical Bulletin – Business Demography 2013, 27th November 2014

% of businesses by number of employees 2014

	Number of employees						
	0-4	5-9	10-19	20-49	50-99	100-249	250+
UK	75.7%	12.6%	6.3%	3.3%	1.1%	0.6%	0.4%
HOSW LEP	75.1%	13.6%	6.4%	3.3%	0.9%	0.5%	0.3%
Somerset	76.3%	13.0%	6.0%	3.2%	0.9%	0.5%	0.2%

Source: UK Business Activity, Size and Location, ONS 2014

Business numbers

- According to ONS data, in 2014 there were 22,370 businesses in Somerset, an increase of 2.3% on the previous year. The economic downturn had an impact on the number of businesses in the County, with a decrease every year between 2008 and 2011. Between 2008 and 2014, the number of businesses in Somerset declined by 2.4%; comparable to the LEP figure of -2.3% over the same period but poor compared to the UK overall which saw an increase of 4.7% over the same period. There has been recovery since 2011 which means that the number of businesses is almost back to its 2008 level of 22,930.
- The rate of growth in businesses numbers since 2011 has been stronger at a national level, with growth of 8.8% between 2011 and 2014. Somerset still performs well in terms of business density though, with 42 businesses per 1,000 population, compared to 36 nationally and 39 across the LEP.
- A slightly different picture of business numbers can be seen if looking at data from the MINT UK business database²⁴. MINT UK shows that there were 32,200 businesses in Somerset as at February 2015; around 10,000 more than the ONS statistics. The MINT data is more likely to capture micro-businesses and the self-employed, of which Somerset has a high proportion, which results in this higher total. The data tables at the end of this chapter show the MINT data for Somerset.

Business size

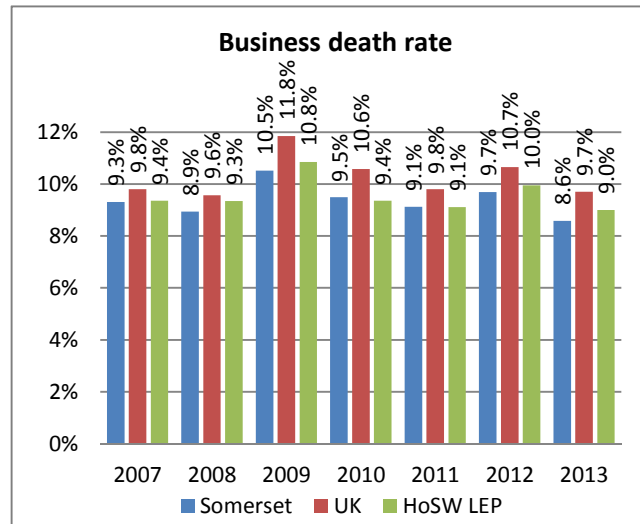
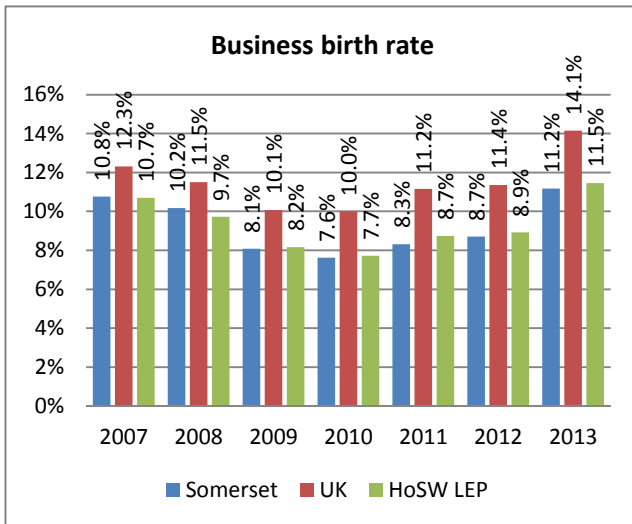
- Somerset's economy is predominantly made up of small businesses. 76.3% of the County's businesses have fewer than 5 employees and a further 13% have 5-9 employees.
- This pattern is also reflected in business turnover levels. 45% of Somerset businesses have an annual turnover less than £100k.

Business sectors

- The ONS data provides a breakdown of the number of businesses by broad sector but, for the purposes of this report, MINT UK data shows a more detailed sectoral picture. ONS data shows that the largest proportion of businesses in Somerset are in the agriculture, forestry and fishing sector (16.6%), followed by the professional, scientific and technical (13.2%) and construction sectors (12.6%). Nationally, profession, scientific and technical accounts for the highest proportion (17.5%).
- The MINT UK data allows analysis of business numbers for the more detailed sectors in the Heart of the South West LEP Economic Model and therefore provides consistency with the sector information in Chapter 3 of this report. According to the MINT data, the largest proportion of Somerset businesses are in the wholesale and retail sector (14.1%), followed by construction (10%) and professional services (9.1%).

²⁴ Somerset County Council subscribes to the MINT UK database provided by Bureau van Dijk:
<http://www.bvdinfo.com/en-gb/our-products/company-information/national-products/mint-uk>

Business demography



Business survival rates

Year	Somerset				HoSW LEP				UK			
	No. of start ups	Survival rates (%)			No. of start ups	Survival rates (%)			No. of start ups	Survival rates (%)		
		1 year	3 years	5 years		1 year	3 years	5 years		1 year	3 years	5 years
2008	2,230	93.7	62.6	44.8	6,250	94.3	62.7	45.6	267,445	92.0	58.0	41.3
2009	1,760	93.2	62.5		5,180	93.0	63.2		236,030	90.8	59.6	
2010	1,635	88.7	59.9		4,835	88.7	59.8		235,145	86.7	57.1	
2011	1,750	94.0			5,405	93.7			261,370	93.1		
2012	1,815	92.6			5,480	92.6			269,565	91.2		

Source: ONS Business Demography 2013

Business births and deaths²⁵

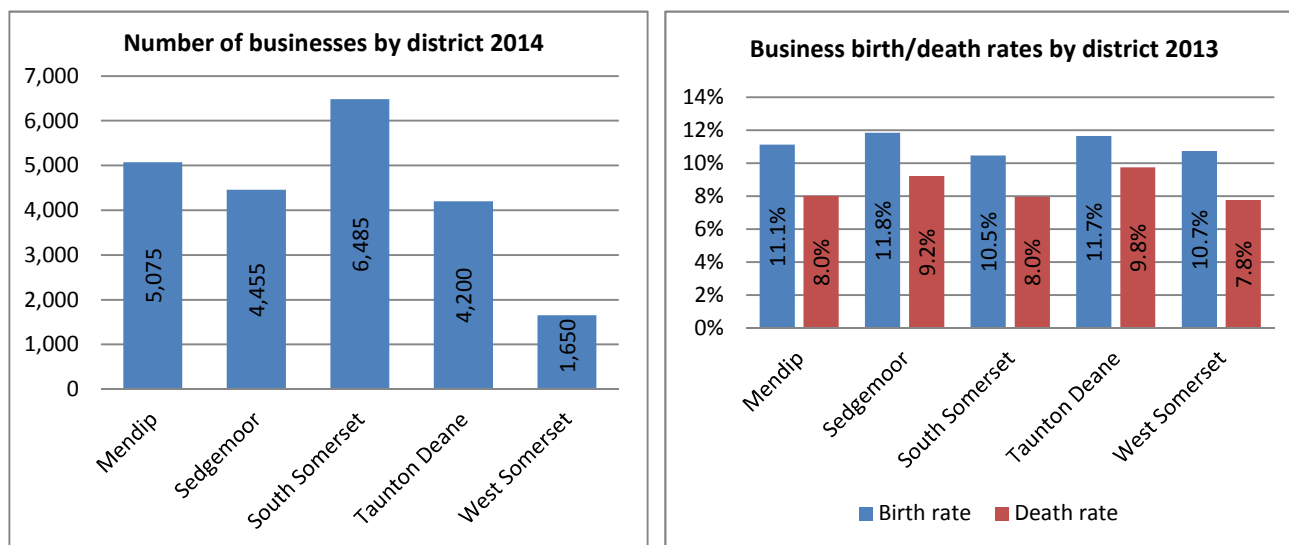
- In 2013, there were 1,810 business 'deaths' in Somerset; 8.6% of the total active enterprises in the County. This is a slightly lower rate than the UK (9.7%) and Heart of the SW LEP area (9.0%). Business death rates peaked in 2009 after the financial crisis.
- In 2013, there were 2,355 business births in Somerset, a rate of 11.2%. This is lower than the birth rates of 14.1% for the UK and 11.5% for the LEP area. The number of start-ups in the County has improved during this period.

Survival rates

- 44.8% of Somerset businesses started in 2008 were still trading 5 years later, compared to 45.6% across the LEP and 41.3% for the UK.
- 2010 was the worst year in recent times to start a business. Only 88.7% of Somerset businesses started that year were still trading in 2011. 1 year survival rates improved in 2011, with 94% of new Somerset firms surviving into 2012.

²⁵ Start-ups and closures as a percentage of active enterprises.

Local trends (Districts)



Source: UK Business Activity, Size and Location, ONS 2014 / ONS Business Demography 2013

% of businesses by number of employees 2014

Area	Number of employees						
	0-4	5-9	10-19	20-49	50-99	100-249	250+
Mendip	76.1	12.8	6.5	3.0	0.9	0.6	0.2
Sedgemoor	76.5	13.7	5.5	3.1	0.8	0.3	0.1
South Somerset	76.6	12.6	5.8	3.2	0.9	0.6	0.2
Taunton Deane	75.1	12.9	6.3	3.6	1.1	0.5	0.5
West Somerset	77.7	13.6	5.3	2.7	0.6	0.0	0.0

Source: UK Business Activity, Size and Location, ONS 2014

- The highest proportion of Somerset's businesses (29.9%) are located in South Somerset. Only 7.5% of the County's businesses are located in West Somerset.
- Between 2008 and 2014, all of Somerset's districts saw a decrease in the number of businesses in their area. West Somerset had the greatest reduction (-7.4%) and Sedgemoor the lowest (-0.5%). Business birth and death rates in 2013 have been similar across all the districts. Sedgemoor had a marginally higher birth rate (11.8%) whereas Taunton Deane has the highest death rate (9.8%).
- West Somerset has highest proportion of micro-businesses, with 77.7% of businesses in the district employing fewer than 5 people. Taunton Deane has the highest proportion of larger businesses, with 0.5% employing more than 250 people.
- Survival rates for businesses started in 2012 show mixed fortunes across the County. All businesses started in West Somerset in 2012 were still trading a year later; a sharp increase on the 89.5% rate the previous year. On the other hand, Taunton Deane saw a drop in 1 year survival from 95.5% to 90.2%.

DATA TABLES Chapter 9: Businesses

Number of businesses

Area	Total businesses 2014	Business density (per 1000 population)	Change 2008-2014	
			Number of businesses	% of businesses
UK	2,263,650	36	102,095	4.7%
HOSW LEP	65,590	39	-1,575	-2.3%
Somerset	22,370	42	-560	-2.4%
Mendip	5,210	48	-65	-1.2%
Sedgemoor	4,530	40	-25	-0.5%
South Somerset	6,680	41	-180	-2.6%
Taunton Deane	4,265	39	-155	-3.5%
West Somerset	1,685	49	-135	-7.4%

Source: UK Business Activity, Size and Location, ONS 2014

Business births and deaths

	Active enterprises 2013	Business Births	Business Deaths	Net change 2012-2013
UK	2,448,745	346,485	237,660	108,825
HOSW LEP	62,165	7,120	5,595	1,525
Somerset	21,080	2,355	1,810	545
Mendip	4,985	555	400	155
Sedgemoor	4,390	520	405	115
South Somerset	6,155	645	490	155
Taunton Deane	4,200	490	410	80
West Somerset	1,350	145	105	40

Source: ONS Business Demography 2013

Number of businesses by broad sector 2014

	Agriculture, forestry & fishing	Production	Construction	Motor trades	Wholesale	Retail	Transport & storage	Accommodation & food services	Information & communication	Finance & insurance	Property	Professional, scientific & technical	Business admin & support services	Public admin & defence	Education	Health	Arts, entertainment, recreation & other services	TOTAL
UK	145,280	137,375	266,315	68,420	103,915	190,355	72,070	132,810	179,120	44,915	83,675	395,695	156,825	5,810	37,240	96,235	147,595	2,263,650
LEP	11,490	3,925	8,220	2,330	2,370	5,440	1,670	4,750	2,885	900	2,205	7,800	3,775	355	1,000	2,705	3,770	65,590
Somerset	3,705	1,545	2,810	845	865	1,690	600	1,390	1,090	310	695	2,945	1,335	140	345	780	1,280	22,370
Mendip	765	395	660	165	180	395	170	325	320	50	170	730	320	30	85	150	300	5,210
Sedgemoor	670	360	635	180	200	340	145	300	190	70	135	580	275	25	70	130	225	4,530
South Somerset	1,140	495	850	265	260	475	155	365	340	90	190	905	380	45	105	235	385	6,680
Taunton Deane	625	225	530	180	175	335	100	240	190	90	165	575	265	25	70	215	260	4,265
West Somerset	505	70	135	55	50	145	30	160	50	10	35	155	95	15	15	50	110	1,685

Source: UK Business Activity, Size and Location, ONS 2014

Number of businesses by sector 2015

	UK	HOSW LEP	Somerset	Mendip	Sedgemoor	South Somerset	Taunton Deane	West Somerset
Agriculture, forestry and fishing	16,645	1,155	485	100	70	160	135	25
Mining and quarrying	20,960	1,035	325	70	75	105	50	25
Advanced manufacturing	49,545	1,560	555	105	130	185	100	35
Aerospace	605	30	20	5	5	10	0	0
Marine	1,100	90	5	0	0	5	0	0
Food and drink manufacturing	11,720	540	210	55	40	70	30	15
Other manufacturing	98,025	3,960	1,390	305	320	410	265	85
Utilities	16,025	560	210	85	45	40	35	10
Construction	270,715	9,820	3,225	715	710	930	760	110
Total production/manufacturing	485,340	18,750	6,425	1,440	1,395	1,915	1,375	305
Wholesale and retail trade; repair of motor vehicles and motorcycles	399,160	14,120	4,550	1,010	930	1,345	970	300
Transportation and storage	75,375	2,240	770	180	160	235	140	55
Accommodation	31,385	2,430	585	125	135	125	80	125
Food & beverage services	146,345	4,770	1,430	320	325	420	255	110
Information and communication	230,055	3,975	1,495	395	270	430	330	70
Financial and insurance activities	83,960	2,150	670	155	130	170	180	35
Real estate activities	142,660	3,720	1,160	265	220	285	325	70
Professional services	349,860	7,865	2,945	725	580	795	710	135
Scientific and technical	11,110	440	170	35	40	35	50	10
Admin and support services	271,880	5,525	1,930	420	455	565	415	75
Public admin & defence; social security	26,470	1,275	400	75	65	115	115	30
Education	72,540	2,405	795	175	165	230	180	40
Human health and social work	131,215	3,605	1,080	235	170	295	310	70
Arts, entertainment & recreation	82,725	2,690	895	215	190	235	180	80
Other services	227,070	6,800	2,035	425	410	580	505	120
Total services	2,281,810	64,010	20,910	4,755	4,245	5,860	4,745	1,325
<i>Sector data not available</i>	771,215	14,915	4,865	1,175	885	1,370	1,120	310
Total	3,538,365	97,675	32,200	7,370	6,525	9,145	7,240	1,940

Source: MINT UK Business Database (February 2015). Data rounded to nearest 5. Sector definitions as per HOSW LEP Economic Model provided by Oxford Economics.