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**Federation of Small Businesses**  
*The UK's Leading Business Organisation*

# The Small Business Burden Index for London Boroughs

September 2014





# Foreword



We welcome this report prepared by KPMG as a follow up to the Cost of Cities report in October 2013. With London continuing to set the economic tone across the UK, the success of small businesses across the 33 London Boroughs is of critical importance.

The report shows unsurprisingly that the highest cost burdens are in the central parts of London that are most greatly affected by the cost of commercial space and high business rates. Small firms across the capital have had to endure sky high increases in business rates at the last revaluation and the concern for many across London is that future increases will put London at a competitive disadvantage compared to the other English regions.

But infrastructural challenges face the capital and these challenges requires bold decisions and continued investment. What is clear from the survey conducted amongst members of the Federation of Small Businesses is that broadband can no longer be considered in isolation, but instead as a fundamental part of planning decisions.

The diverse opportunities and burdens on the inner and outer London economy add further weight to our argument that fiscal devolution should be on the political agenda.

The Mayor of London, The Greater London Authority, The London Enterprise Panel and Boroughs are in the best position to make tax and investment decisions to benefit not just London but the UK economy moving beyond 2020.

**Sue Terpilowski OBE**

*London Policy Chair, Federation of Small Businesses*

## Important notice

The National Federation of Self Employed and Small Businesses (“The FSB”) commissioned KPMG LLP (“KPMG”) to provide an independent report outlining the burden faced by small businesses across different London boroughs. This report was prepared by KPMG at the request of The FSB and is not to be used or relied upon by any third party without KPMG’s prior written consent. All recipients of this report must make their own independent assessment of it, and neither KPMG nor FSB shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in, or alleged omission from, this report. No one should act on the information contained within this methodology without appropriate professional advice after a thorough examination of their particular situation.

The views expressed in this publication do not necessarily reflect those of The FSB or any of its members.

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# Executive summary

The challenges faced by small businesses vary between the different boroughs of London.

This report looks at burdens on small businesses, ranging from infrastructure challenges to costs, to local administrative burden.

Among the potential issues facing London's small businesses, broadband quality and availability was seen as the most important, followed by the availability and quality of public transport.

The overall Small Business Burden Index for London Boroughs saw Kensington and Chelsea at the top with the highest burden for small businesses, followed closely by City of London.

Bromley had the lowest overall burden on small businesses, followed by Barking and Dagenham.

Looking at costs, City of London had the highest cost burden for small businesses, while Greenwich benefited from the lowest cost burden.

Hounslow on the other hand, was signalled as the borough with highest local administrative burden, while Barking and Dagenham was mentioned as the borough with lowest burden in this category.

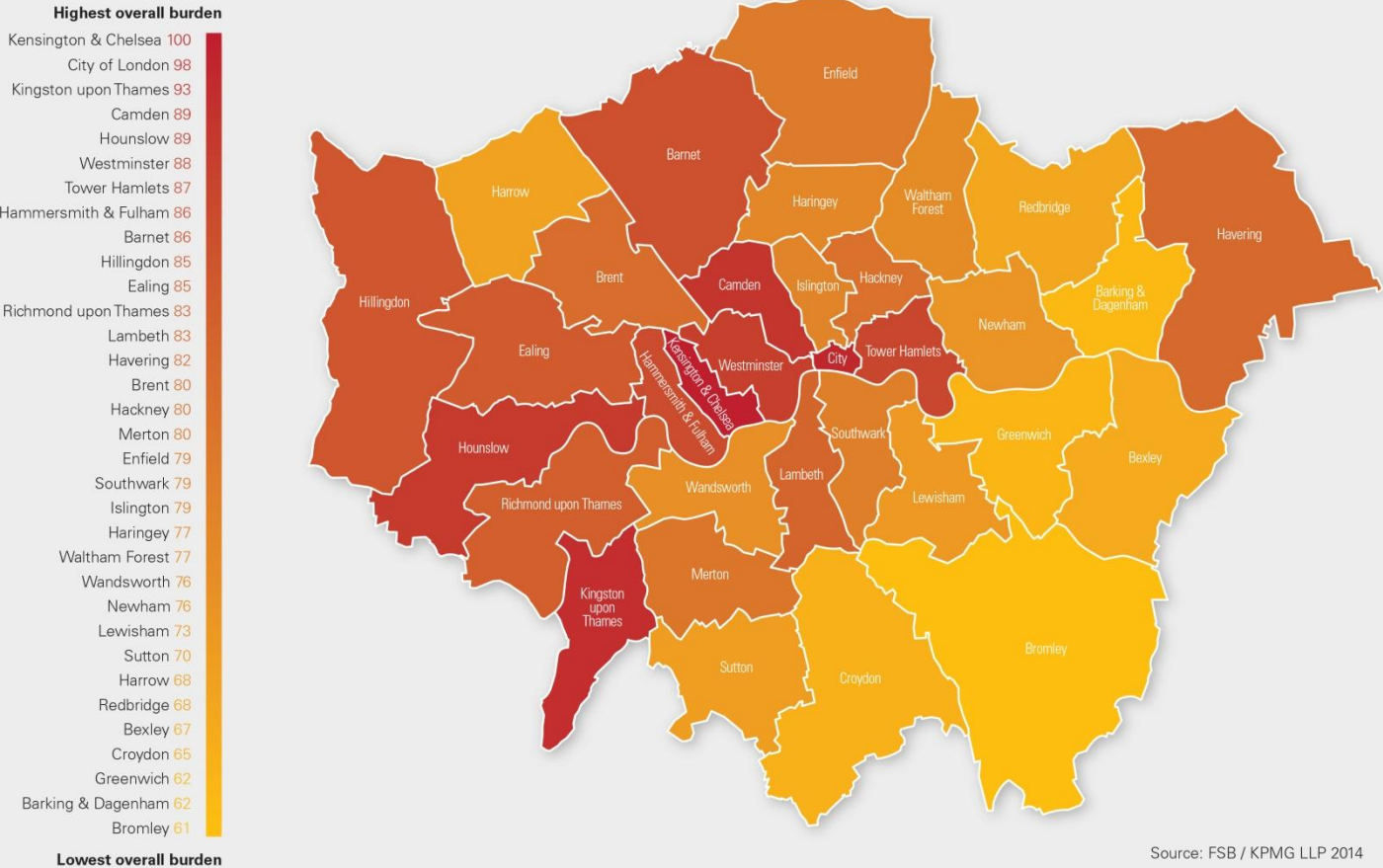
Finally, infrastructure challenges were highest in Havering, while small businesses located in Westminster enjoyed the most beneficial infrastructure.



# Executive summary

## THE SMALL BUSINESS BURDEN INDEX FOR LONDON BOROUGHES

Level of burden felt by London's small businesses, in terms of infrastructure, cost and the local administrative burden





# Introduction

KPMG has been commissioned by the Federation of Small Businesses (FSB) to prepare a study comparing the burden experienced by small businesses across different London boroughs.

Small businesses are at the heart of UK's growth momentum and represent an important part of our future.

London, with its great dynamism and considerable scale, offers many opportunities for small businesses to flourish.

However, operating in London also represents some challenges for small businesses. Some of these challenges are unified across the capital and some vary depending on the area of London where the business is located.

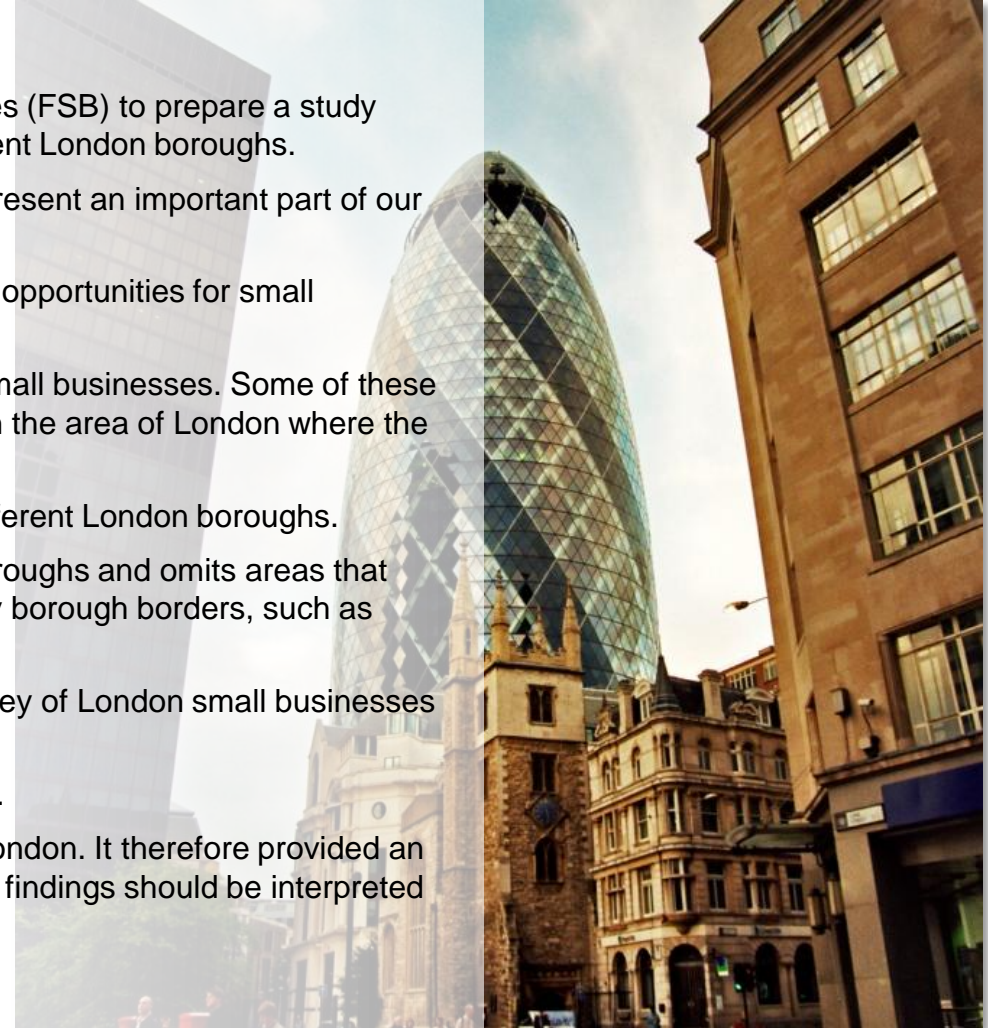
In this report we examine the burden faced by small businesses in different London boroughs.

The analysis therefore focuses only on burdens that vary between boroughs and omits areas that either remain unchanged, such as corporate tax, or are not defined by borough borders, such as potential skill shortages.

The report combines data obtained through desk research with a survey of London small businesses carried out by the FSB.

Small businesses were defined as those with less than 50 employees.

The survey captured the views of 200 primarily small businesses in London. It therefore provided an indicative view of the challenges faced by London businesses, and its findings should be interpreted accordingly.



# Introduction

The burden on small businesses is divided into three categories:



Each category includes a combination of issues which represent a burden on the operation of small businesses in London.

The table on the right highlights the importance small businesses gave to different issues. At the top of concern to those surveyed were issues related to the quality of infrastructure, followed by those related to local administrative burden.

Broadband quality and availability was seen as by far the most important issue to small businesses, with 58% of survey respondents saying it was very significant for their business and a further 26% stating it was quite significant.

The quality and availability of transport was the second most important issue and was reported by 48% of those surveyed to be very significant to their business and by 31% to be quite significant.

In contrast, the cost of residential premises was seen as very significant by only 19% of respondents and quite significant by only 23% of respondents.

## Importance of different burdens to small businesses in London

FSB survey	
Burden	Rank
Broadband availability and quality	1
Quality and availability of public transport	2
Ease of dealing with the council	3
Availability of commercial space	4
Business supportiveness of council's policies	5
Business rates	6
Cost of commercial premises	7
Road congestion	8
Council taxes	9
Parking costs	10
Cost of residential premises	11

Key:

- Infrastructure challenges
- Local administrative burden
- Costs



# The Small Business Burden Index for London Boroughs

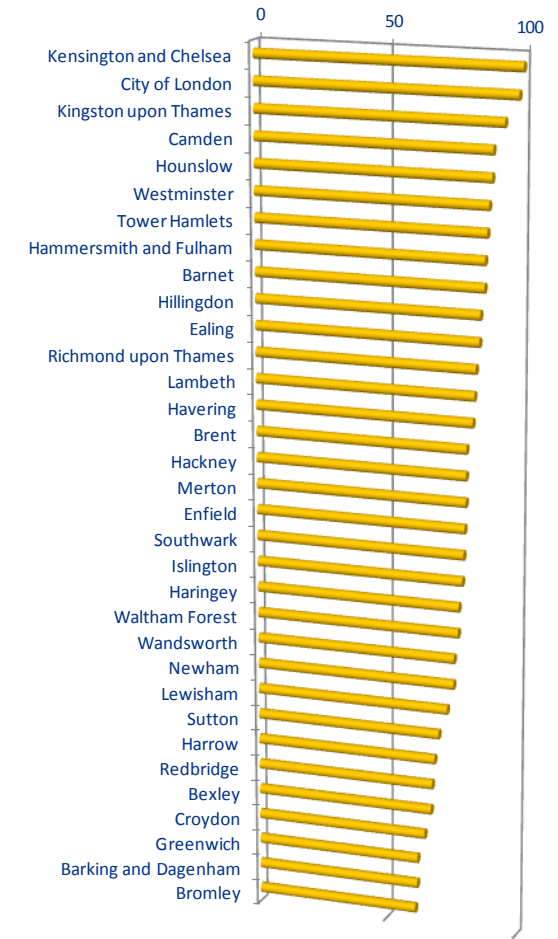
The Small Business Burden Index for London Boroughs covers a range of burdens faced by small businesses, ranging from costs, to local administrative burden, to infrastructure challenges. The overall index represents the burden to small businesses in all these areas, weighted by the importance that small businesses give to each one.

The chart on the right shows a relatively consistent panorama across the 33 London boroughs. The highest overall burden was recorded by the borough of Kensington and Chelsea. This was due to higher cost and local administrative burdens. The City of London followed close behind due to its infrastructure challenges as well as the cost burden faced by small businesses located there.

Mid-table boroughs had varying standings across the three sub-categories. For example, Richmond upon Thames had a higher than average cost burden, but lower than average administrative and infrastructure burdens. On the other hand, Havering had a low cost and administrative burden, but the highest infrastructure burden of all the London boroughs.

Based on the index, Bromley, Barking and Dagenham and Greenwich provide the least burdensome environment for small businesses to operate in. This was a result of low burden across the three categories (costs, administrative and infrastructure). The lower costs are partly attributable to these boroughs being less central. However, as the following sections identify, the overall burden is not solely accounted for by location.

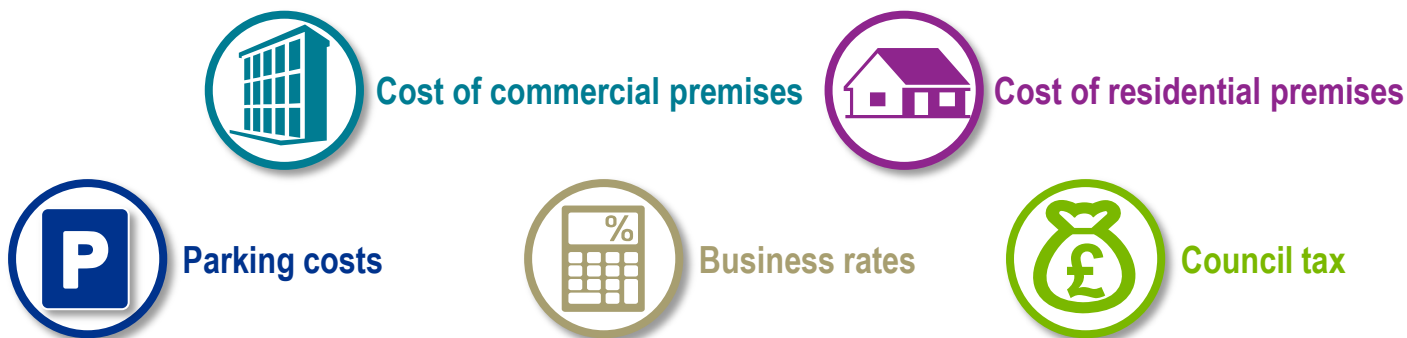
The Small Business Burden Index for London Boroughs



# Cost burden

The cost burden of setting up and operating a business is of particular importance for small businesses. Our survey of small businesses in London showed that costs had significantly higher impact on the success of their business compared with local administrative burden or the quality of infrastructure.

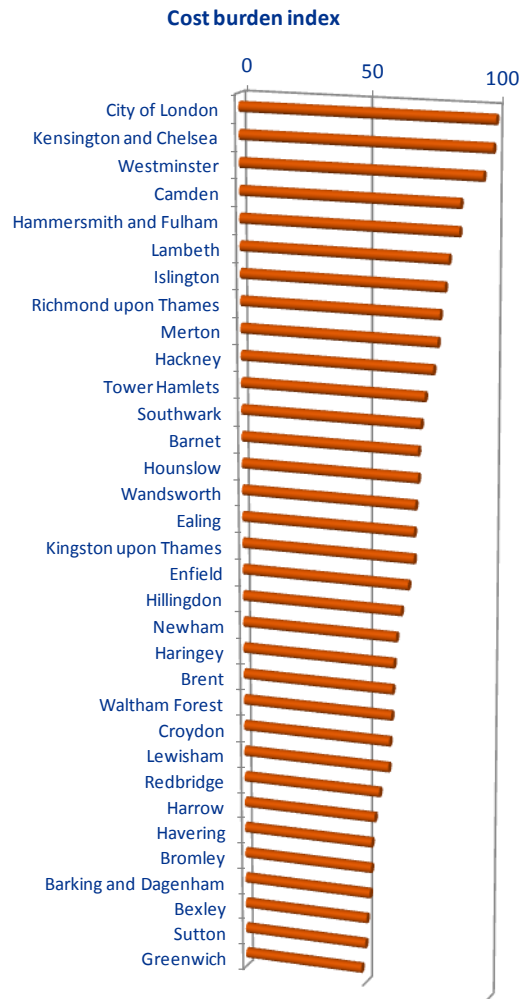
Cost burden was calculated using data on key costs which small businesses in London bear across the different London boroughs, including:



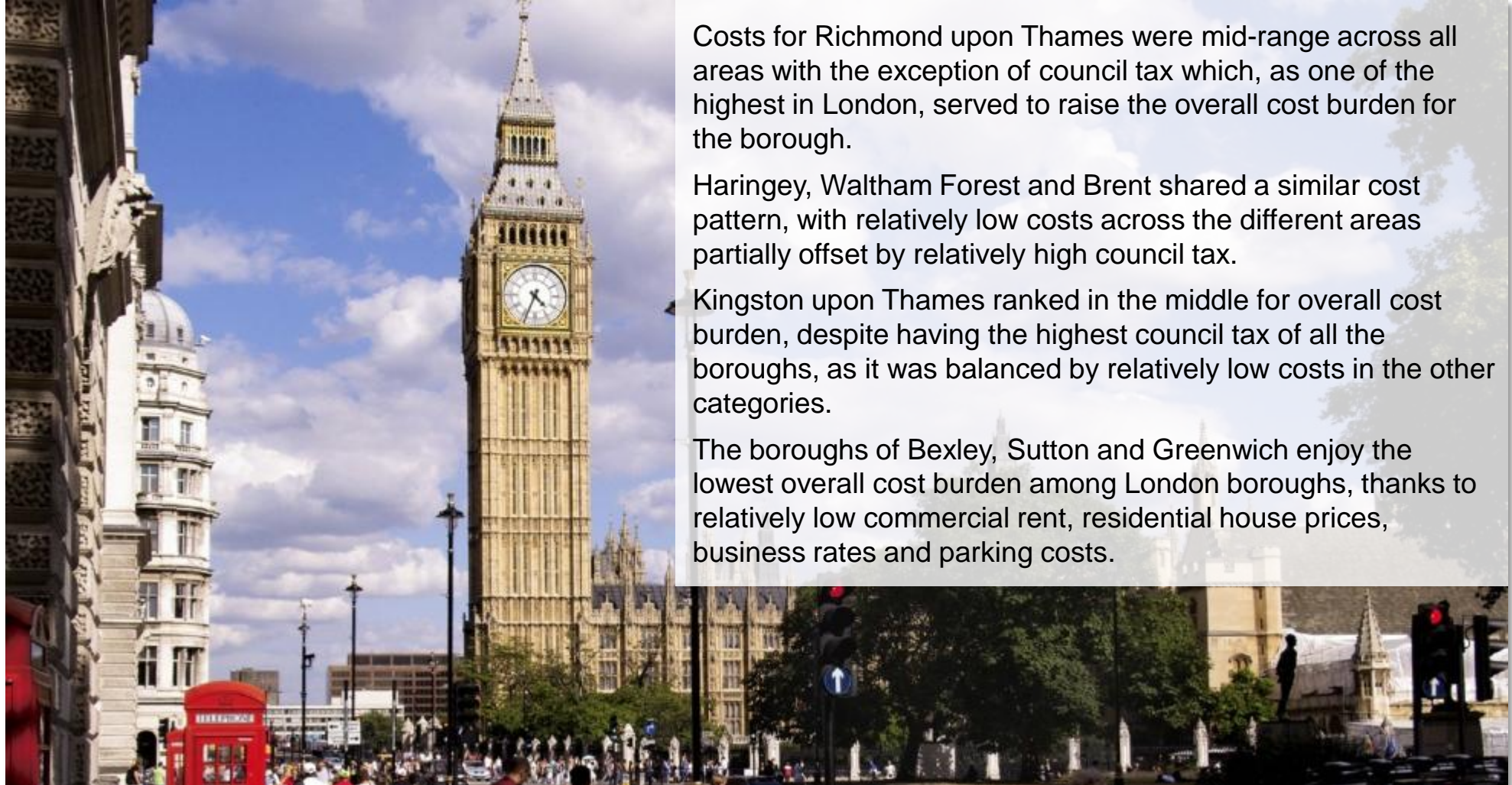
The chart on the right outlines performance by borough. Kensington and Chelsea and Westminster fared badly on costs largely because of their high business rates and cost of commercial space. The FSB survey showed that among the cost categories examined the level of business rates was seen as the most significant closely followed by the cost of commercial property, giving them the largest weight in our cost index.

In contrast, Camden's council tax was relatively high while business rates and commercial property more affordable.

City of London on the other hand fared relatively poorly across all cost categories, but was never at the top in any individual area.



# Cost burden



Costs for Richmond upon Thames were mid-range across all areas with the exception of council tax which, as one of the highest in London, served to raise the overall cost burden for the borough.

Haringey, Waltham Forest and Brent shared a similar cost pattern, with relatively low costs across the different areas partially offset by relatively high council tax.

Kingston upon Thames ranked in the middle for overall cost burden, despite having the highest council tax of all the boroughs, as it was balanced by relatively low costs in the other categories.

The boroughs of Bexley, Sutton and Greenwich enjoy the lowest overall cost burden among London boroughs, thanks to relatively low commercial rent, residential house prices, business rates and parking costs.



# Local administrative burden

The second element of the overall business burden index is the burden of local administration. While larger companies tend to hire staff to deal with local council requirements, this is often not the case for smaller businesses. Consequently, administrative burden can have larger impact on the operations of small businesses, both in terms of time and costs.

The local administrative burden index covers two key criteria, which we evaluated using survey results of London small businesses<sup>(a)</sup>. These are:



**Business supportiveness of council's policies**



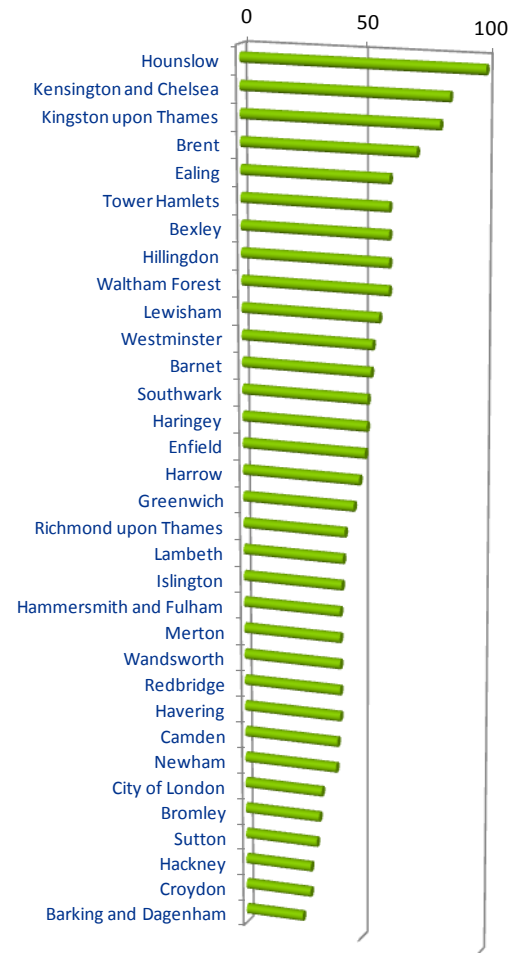
**Ease of dealing with the council**

Hounslow scored particularly badly on both criteria, and most poorly on 'ease of dealing with council'. Kensington and Chelsea followed, scoring relatively worst on 'business supportiveness of council policies', while just below average for ease of dealing with the council.

Barking and Dagenham fared relatively well in this index as did Croydon. Both scored favourably in the ease of 'dealing with the council', while the business supportiveness of council's policies of Barking and Dagenham came out on top together with Bromley.

Hackney and Southwark were also mentioned as boroughs whose councils are relatively easy to deal with, while Sutton scored third on business supportiveness of its council's policies.

Local administrative burden



Note: (a) The survey results should be interpreted as indicative only given the limited sample size.

# Infrastructure challenges

Another important potential burden on small businesses is the challenge posed by poor infrastructure. The infrastructure burden index covers the following areas which are seen as important for the development and growth of small businesses:



Public transport accessibility



Road congestion



Broadband quality



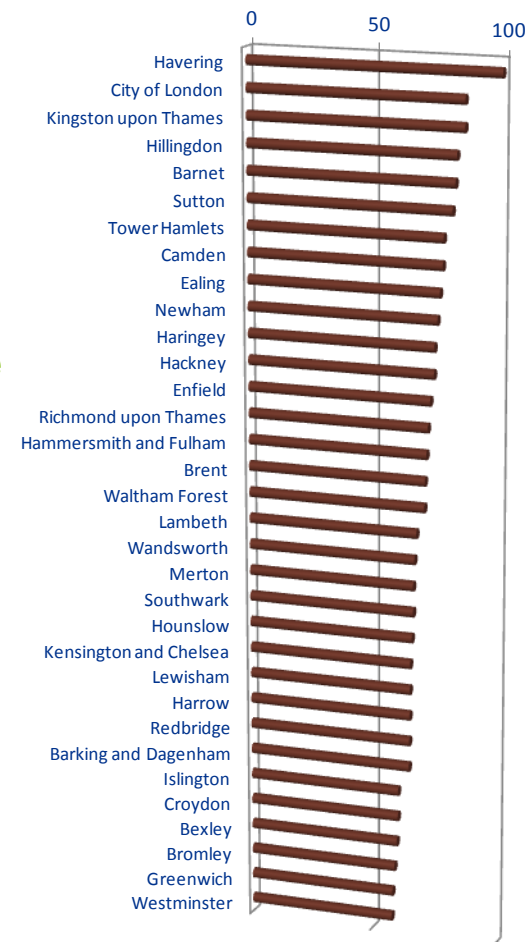
Availability of commercial space

Broadband infrastructure was considered to be a particularly important factor for small businesses in London, and it may also be seen as a more general proxy for the broader development of IT infrastructure within a borough, including mobile network coverage.

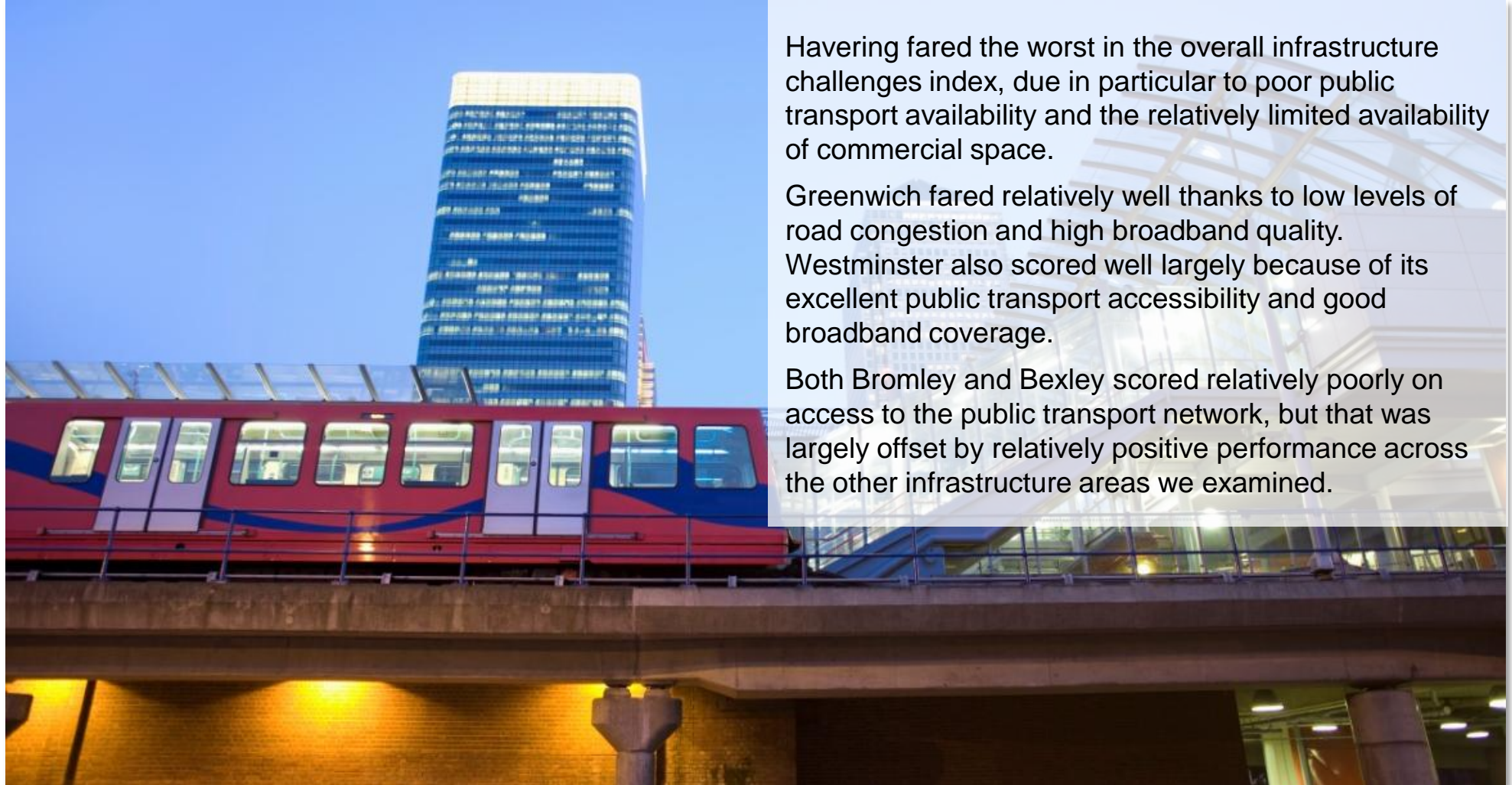
City of London fared worst for broadband quality, which together with relatively poor performance in road congestion pushed it towards the top of the infrastructure challenges league, despite having the best access to public transport and relatively good availability of commercial space.

Among the issues we examined the quality and availability of public transport was highlighted as the second most important issue in the FSB survey to impact the operation of small businesses. Hillingdon fared worst on public transport which saw its overall score on infrastructure challenges rise to fourth worst despite performance at around or better than average for the remaining infrastructure issues we examined.

Infrastructure challenge index



# Infrastructure challenges



Havering fared the worst in the overall infrastructure challenges index, due in particular to poor public transport availability and the relatively limited availability of commercial space.

Greenwich fared relatively well thanks to low levels of road congestion and high broadband quality.

Westminster also scored well largely because of its excellent public transport accessibility and good broadband coverage.

Both Bromley and Bexley scored relatively poorly on access to the public transport network, but that was largely offset by relatively positive performance across the other infrastructure areas we examined.



# Conclusions



The survey and data point at a number of areas where targeted improvements could help small businesses in London.

Given that broadband availability and quality was mentioned as the issue of most importance, boroughs with particularly poor performance such as City of London could target improvements in this area. This could be particularly helpful since small businesses in the borough currently face the second highest overall burden in London.







New Crossrail links should improve public transport availability across London. Boroughs such as Hillingdon, which scored worst on the availability and quality of public transport, together with other boroughs such as Bexley, Bromley, Havering, Kingston upon Thames, and Sutton, which also scored significantly poorly, may nevertheless benefit from additional investment.

These cover the most critical points identified by the FSB survey and the data. However, much more can be done in lifting some of the main burdens faced by small businesses in London through improved conditions across the issues identified in this report.






# Appendix: Data and methodology

## Data

Data used for this report, together with the sources used, are detailed in the table below:

Data series	Definition	Sources
 <b>Rateable value of commercial premises</b>	Average rateable value per square metre of offices and retail spaces (2012)	Valuations Office Agency
 <b>House prices</b>	Average house price, July 2014	Land Registry
 <b>Parking</b>	Price of business parking permit, 2014/15	Individual councils' websites and consultations
 <b>Business rates</b>	2014/15 Business rate multiplier x Average Rateable Value	Valuations Office Agency
 <b>Council tax</b>	Average Band D council tax charge, 2014/15	Department for Communities and Local Government
 <b>Supportiveness of council business policies</b>	Survey results on how supportive the council's business policies are of the needs of small businesses, July-September 2014	FSB survey <sup>(a)</sup>

## Appendix: Data and methodology

Data series	Definition	Sources
 <b>Ease of dealing with council</b>	Survey results on how easy the council is for small businesses to deal with, July – September 2014	FSB survey <sup>(a)</sup>
 <b>Public transport accessibility</b>	Average Public Transport Accessibility Score, 2012	Transport for London
 <b>Road congestion</b>	Average delay (minutes per kilometre)	Transport for London
 <b>Broadband quality</b>	Average download speed (Mbps)	cable.co.uk
 <b>Availability of commercial space</b>	Survey results on the availability of commercial space in the borough, July- September 2014	FSB Survey <sup>(a)</sup>

Note: (a) The FSB survey captured the views of 200 primarily small businesses in London. It therefore provided an indicative view of challenges faced by London businesses, and its findings should be interpreted accordingly.



# Appendix: Data and methodology

## Methodology

Data for each London borough was collected for the 11 key issues identified by small businesses as significant burdens on their operations in London, and where performance varies between boroughs. Data on each key issue was indexed, with the value for the borough with the highest burden set to 100 in each case.

These 11 elements were grouped into three categories: costs, local administrative burden, and infrastructure quality. The key components for each category were aggregated using weights that reflected the importance each issue represented to small businesses, as derived from a survey of London businesses carried out by FSB between July and September 2014.

A total Small Business Burden Index for London boroughs was then constructed from the above three sub-indices, using the following weights derived from the same survey above:



Cost burden



Admin burden



Infrastructure quality

All datasets and sub-indices were converted into similarly-scaled indices prior to being amalgamated into a broader category.





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