

London Borough of Hounslow



Sectors Research



March 2015



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Executive Summary

- i. Regeneris Consulting was instructed by the London Borough of Hounslow in 2014 to undertake detailed analysis of the Borough’s economy, focusing on the characteristics and performance of the business base, local sector strengths and opportunities.

A Note on Terminology

References to “Hounslow” throughout the report relate to the London Borough of Hounslow. In instances where commentary focuses on Hounslow town centre, this is referred to as such. References to the London Borough of Hounslow relate to the council itself.

Economic Overview

- ii. Across a range of indicators Hounslow is arguably one of London’s strongest performing and most resilient economies.
- iii. The Borough has one of the largest economies of all London Boroughs, comprising around 143,400 employee jobs. Government datasets (IDBR) suggest there are around 12,500 businesses in the Borough, but analysis of other sources of intelligence suggest the number could be closer to 20,000 when businesses falling below official accounting thresholds are included.
- iv. Hounslow has also been one of London’s strongest performing economies in recent years, with employment growth of 12% between 2008 and 2013 and business base growth of over 20% from 2009-

2014. These represent the highest growth rates seen in west London and are considerably higher than London wider averages.

Hounslow Economy: Key Facts		
Jobs (BRES)*	Number (2013)	143,400
	Absolute Change (08-13)	15,700
	% Change (08-13)	+12% (London average +6%)
Businesses (official statistics – UK Business Counts)	Number (2014)	12,500
	Absolute Change (09-14)	+2,100
	% Change (09-14)	+20% (London average +15%)
Businesses (estimated from MINT)	Number (2014)	Up to 19,800
Private Sector Employment	% of all jobs (2013)	85% (London average 78%)

* BRES provides estimates of employee jobs. This excludes self-employed, government supported trainees and HM Forces.

Source: UK Business Count, MINT, BRES

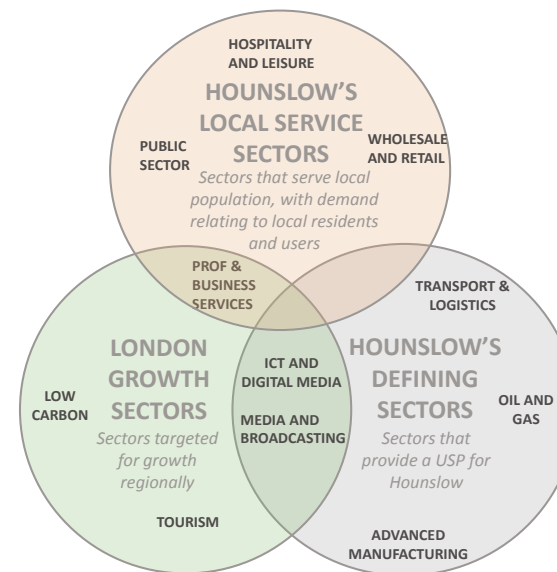
- v. Hounslow plays an integral role in the wider London economy and is characterised by complex economic dependencies. Locally, Heathrow airport (in neighbouring Hillingdon) plays a particularly important role in driving local economic dependencies in terms of supply chains and labour flows. More generally, Hounslow is a key component of the London and south east economy. The benefits (and competition) this brings in terms of access to markets, access to labour and access to wider knowledge assets (such as world class universities) plays a defining role in the Hounslow economy.

- vi. Hounslow is home to a regionally significant cluster of economic activity: the ‘Golden Mile’ is home to numerous multinational companies and is an important component of the Hounslow economy both in terms of the employment it supports but also the reputation it gives to the Borough. That said, the economic activity is spread throughout the Borough, with economic hubs including town centres (particularly Hounslow town centre, Chiswick, Brentford and Feltham) and industrial areas such as the Chiswick Business Park and the Bedfont Lakes Business Park.
- vii. The Borough is also home to a large private sector economy. Across London, only the City of London has a lower level of public sector dependence than Hounslow. This is an important strength given UK Government focus on private sector growth and arguably makes the Hounslow economy more resilient to future contractions in the size of the public sector than other areas.

Sector Composition

- viii. Activity in the Hounslow economy can be segmented into three sector groupings as summarised in the figure below: defining sectors, London growth sectors and local service sectors.

Hounslow: Segmenting the Economy



Source: Regeneris Consulting, 2015

1. Defining Sectors

- ix. Hounslow has a number of sector specialisms which are a defining feature for the area regionally. These are:
 - Transport and Logistics – Hounslow has the second highest concentration of Transport and Logistics jobs in London after Hillingdon. There are around 12,000 jobs in Hounslow and a very high specialisation of activities supporting air transport operations at Heathrow. Employment has grown strongly since 2009.

- ICT and Digital Media – Significantly, Hounslow has the second highest concentration of ICT and Digital Media jobs in London after Islington. In absolute terms, only Westminster, the City, Camden, Islington and Tower Hamlets have more jobs in the sector (these largely reflect the well-established clusters of activity throughout central London and around Shoreditch). This is a significant finding for Hounslow considering the policy focus being placed on east London in terms of the growth of the ICT and Digital Media sector. There are up to 12,900 of these jobs in Hounslow with over half relating to software development and consulting. Employment has grown by 50% since 2009.
- Media and Broadcasting – Hounslow has the highest concentration of Media and Broadcasting jobs in London. In absolute terms, only Camden and Westminster (well established locations for media activities) have more jobs in the sector. While a large number of the jobs in Hounslow relate to the presence of Sky, this remains a significant finding considering the policy focus being placed on east London in terms of the growth of tech and media sectors. The sector in Hounslow has up to 18,800 jobs and an employment base that has almost doubled since 2009. Aside from Sky, the Borough boasts a cluster of firms with a large proportion related to TV production and broadcasting activities concentrated in Chiswick.

Hounslow's strengths in Media and Broadcasting and ICT and Digital Media mean that the Borough has a **strong creative economy**. We estimate that creative industries contribute around 21,000 jobs locally. This represents around 14% of the total employment base, double the average concentration seen across London.

- In addition, Hounslow has a number of other sector specialisms – Advanced Manufacturing and Oil and Gas. Both of these are relatively small sectors currently, but are high value and are strong local niche sectors.

2. Regional Growth Sectors

- x. In addition to these defining sectors, there are a number of sectors which are important in policy terms to local and regional growth:
 - Professional and Business Services – this is Hounslow's largest key sector with up to 32,500 jobs and 3,500 businesses. While this does not represent a relative specialism for the Borough, it plays an important role in driving the local economy. Key activities within the sector are in facilities management, advertising, building cleaning and consultancy.
 - The cross cutting Tourism and Low Carbon sectors are also important given the policy emphasis and growth trajectory of these at the local level. While neither of these represent a relative specialism for Hounslow, both are important components of the local economy, providing an estimated 15,300 and 2,800 jobs respectively.

3. Local Service Sectors

- xi. These are sectors that mainly serve a local population. Demand relates to local residents and users and should increase as more residents move into an area. In Hounslow, these include:
 - Wholesale and retail – this is one of the largest sectors in the

- Borough, with around 2,000 businesses providing around 19,900 jobs. However, the employment base has declined by around 5% in recent years (2009-13).
 - Leisure and hospitality – this sector has a relatively average degree of specialisation in Hounslow relative to London averages. However, the sector contains around 15,400 jobs spread across 1,100 businesses.
 - Public sector activities – these contribute a total of around 22,100 jobs, around 15% of all employment in the Borough. This includes around 9,900 health jobs, around 8,500 education jobs and around 3,800 public administration jobs. However, public sector employment is underrepresented in Hounslow compared to the London average.
- xii. The sectoral composition of the Hounslow economy is summarised in full in the table below.

Important note about the data

The table overleaf is intended for illustrative purposes to demonstrate the broad segmentation of the Hounslow economy.

It should be noted that a number of the sectors in the table overlap with each other; this is the case for the ICT and Digital Media, Media and Broadcasting, Advanced Manufacturing and Professional and Business Services sectors. As such, the individual sectors in the table sum to more than 100% of the Hounslow economy.

London Borough of Hounslow: Sectors Research

Summary of Sectoral Composition of Hounslow Economy

	Businesses						Employment			
	UK Business Count, 2014				MINT UK		BRES, 2013			
	2014		Change		2014		2013		Change	
	No.	% of all	LQ* ⁱ	2011-14 (%)	No.	% of all	No.	% of all	LQ	2009-13 (%) ^{iv}
Natural Resources (inc Oil and Gas)	<10	0%	0.2	-	100	1%	600	0.5%	2.9	78.2%
Manufacturing and Construction	1,000	8%	0.9	22.6%	1,300	10%	6,700	5%	0.9	9.1%
Advanced Manu (inc. overlap) ^{*vi}	100	1%	0.6	-5%	200	1%	2,900	2%	1.8	-2%
Transport & Logistics	600	5%	2.6	16.0%	600	5%	12,000	9%	2.1	31.0%
Wholesale and Retail	2,000	16%	1.0	11.0%	1,700	13%	19,900	14%	1.1	-5.2%
Hospitality, Leisure and Other Services	1,100	9%	1.0	13.4%	800	7%	15,400	11%	1.0	14.6%
Public sector (inc. public admin, health and education)	900	7%	0.9	12.0%	1,000	8%	22,100	15%	0.7	2.4%
ICT & Digital Media (inc. overlap) ^{*vi}	1,900	16%	2.0	51%	1,900	14%	12,900	9%	1.8	50%
Media & Broadcasting (inc. overlap) ^{*vi}	400	3%	0.8	19%	500	4%	18,800	13%	2.8	84%
Professional and Business Support Services (inc. overlap) ^{*vi}	3,500	29%	0.8	25%	3,600	28%	32,500	23%	0.7	1%
Other Creative ^{*iii}	600	5%	0.6	12.9%	400	3%	3,000	2%	0.6	61.9%
Other Services ^{*ii}	400	3%	0.9	2.9%	900	7%	2,200	2%	0.9	30.9%
Whole Economy (exc. overlap) ^{*v}	12,500	100%	1.0	21.4%	19,800	100%	143,400	100%	1.0	14.9%

*i: Note: LQ stands for Location Quotient. This provides a measure of the relative specialisation of a sector in a local area, in this case versus the London average. A score of more than 1.0 signifies performance above the London average. A score of 1.0 reflects performance at the London average. A score of below 1.0 signifies below average performance.

*ii - Other Services includes a range of activities not included elsewhere including renting and leasing activities, repair activities and personal service activities

*iii - Other Creative activities includes those parts of the creative industries not covered under ICT and Digital Media and Media, including creative manufacturing activities, publishing and creative business services such as design and architecture.

*iv: for sector analysis, changes in data definitions mean that we have analysed change over time from 2009-2013 rather than 2008-2013 (as used in table 2.1). As a result, there is variation in the Borough level figure (15%) compared to the longer 5 year time period (12%).

*vi – our definitions of a number of sectors overlap with other sectors. This is the case for the ICT & Digital Media, Media & Broadcasting, Advanced Manufacturing and Professional & Business Services sectors. As a result, employment and business numbers for the individual sectors in the table sum to more than 100% of the Hounslow economy.

*v – figures in the 'Whole Economy' row exclude any areas of overlap between sectors and thus represent 100% of employment and business activity in Hounslow.

Source: Regeneris Consulting, 2015, based on information from BRES, IDBR and Mint UK

Business and Enterprise in Hounslow

- xiii. Hounslow is home to a large base of micro (0-4 employees) and small businesses (5-20 employees). In total these account for around 93% of all businesses. While not atypical in the London context, these businesses play an important role in the local economy: small and micro businesses are responsible for a large amount of recent growth in the Hounslow business base and they also contribute around a quarter of the employment base.
- xiv. While micro and small businesses play an important role in the local economy, perhaps a more strongly defining feature of the Hounslow economy is its base of larger businesses. Around 100 businesses employ more than 250 people locally; these support around 40% of the local employment base, a significant proportion of the local economy. While these large businesses are found across the Borough, there is a particular cluster in and around the Golden Mile and wider Brentford area. Aside from direct employment benefits, these large businesses play an important role in supporting small businesses in the Hounslow economy as a result of supply chain linkages and multiplier spending in local areas by employees.
- xv. Analysis in the chapter highlights that Hounslow tends to perform at or below the London average in terms of enterprise. That said, analysis at a more local geographical level highlights that the east of the Borough (particularly around Chiswick) is a comparatively enterprising place, with high levels of self-employment and homeworking and a concentration of sole traders. This is likely to reflect a complex range of factors including location and connectivity (proximity to central and west London economic hubs), local socio-economic and demographic characteristics (including strong skills levels and economic activity rates) and the standard of the living environment (including the quality of the housing market and local amenities / services). Given the important role that micro enterprises and small businesses are playing in Hounslow in terms of providing jobs for local people and driving growth in the business base, ensuring a supportive environment in which businesses can be established and grow is an economic development imperative.
- xvi. As part of this research we have undertaken an extensive process of consultation and engagement with 200 local businesses. Key findings from this include:
- Businesses are generally positive about Hounslow as a place to do business, particularly in terms of its location (access to markets), access to skilled staff, and transport connections. Proximity to Heathrow was identified as a key factor influencing the location of firms in the area.
 - While business performance has been mixed in recent years (only a third of third firms have experienced employment growth over the past 5 years), businesses are relatively optimistic about future performance. Nearly half of firms were expecting to grow in employment terms in the next few years. Strong competition in the market place (particularly from larger firms) was identified as the most significant barrier to achieving growth.
 - Hounslow's businesses are typically engaged in markets and supply chains which reach far beyond the Borough's boundaries. In many instances, this is internationally, with proximity to Heathrow a key factor in helping businesses to export.

Sector Profiles

- xvii. We have undertaken in-depth analysis into Hounslow’s key sectors, focusing on:
- Hounslow’s defining sectors – Transport and Logistics, ICT and Digital Media, Media and Broadcasting, Advanced Manufacturing and Oil and Gas. There is a clear need for the London Borough of Hounslow to better communicate these sector strengths. This is particularly the case in terms of the ICT and Digital Media and Media and Broadcasting sectors, given the current policy emphasis and narrative on the growth of these sectors in central and inner east London.
 - Regional growth sectors – Professional and Business Services, Tourism and Low Carbon.
- xviii. Infographics summarising sectors performance and characteristics are provided on the following pages. For these sectors, the infographic provide an overview of current sector performance in the Borough, local specialisms and strengths and the key drivers influencing future sector growth. The infographics are intended as a high level overview of each sector in Hounslow, providing headline statistics and information. Information is drawn from the main body of the report, which provides comprehensive, in-depth insight and narrative on each of the sectors.

Hounslow Defining Sector: Transport and Logistics

London Borough of Hounslow: Transport & Logistics Sector

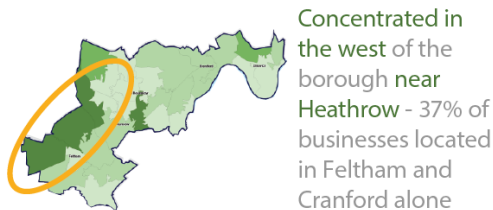
Local Overview



High employment concentration: **x2.1** the London average



Larger average business size than other sectors locally - 8% employ 20+ people compared to 3% overall



Sector Trends



Local Specialisms

- » Transport Activities - 40% of the sector's employment base (4,800 jobs) across 200 businesses
- » Land & Water Passenger Transport - 3,300 jobs in 120 businesses
- » Air Passenger Transport - 1,600 jobs across 25 businesses
- » Cargo Activities - 500 jobs representing an employment concentration 5.9 times the London average

Local Perspectives

- » Heathrow - 75% of companies state that Heathrow and/or other transport links are the reason for being based in the area
- » Established - 70% of local businesses have been trading for more than 10 years
- » International - 90% of surveyed businesses currently sell or export overseas
- » Skills - Technological and commercial developments mean that more highly skilled workers are needed - nonetheless, there is still a shortage of lower skilled workers

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

Hounslow Defining Sector: ICT and Digital Media

London Borough of Hounslow: ICT & Digital Sector

Local Overview



High employment concentration: **x1.8** the London average



Large proportion of micro-businesses - 94% employ 0-4 people compared to 81% across the overall business base



Sector Trends



Driven by both its own high value potential and its enabling role, helping to drive innovation and productivity in other sectors



UK is experiencing an annual shortfall of 40,000 scientists, engineers and technicians, while international competition (from US and Asia) is also a major challenge to growth

Local Specialisms

» Development and Business Activities - includes activities relating to computer consultancy and software development; this sub-sector constitutes over half of Hounslow's ICT & Digital sector employment (6,600 jobs)

» Wholesale of Computers & Software - 33% of sector employment (4,300 jobs)

» Digital Publishing Activities - 400 jobs having grown 53% between 2009 and 2011

Local Perspectives

» Home Working - majority of survey respondents worked from home and found that Hounslow gave them access to clients in central London and an affordable place to live

» Established - many business owners cited the experience they got working in a large ICT/ Digital company (e.g. Sky) as a source of information and support which they drew on to start their own firm

» Skills - marketing and software development were the most sought after skills in this sector locally

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

Hounslow Defining Sector: Media and Broadcasting

London Borough of Hounslow: Media & Broadcasting Sector

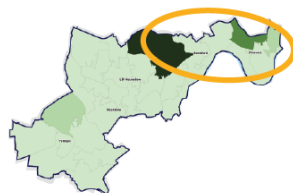
Local Overview



High employment concentration: **x2.8** the London average



Sky is the main employer, supporting over 70% of sector jobs - but 99% of businesses employ 0-4 people



Concentrated in the east of the borough - 50% of businesses are located in Turnham Green and Chiswick

Sector Trends



Export driven and domestic growth expected - UK entertainment and media market alone is forecast to reach £63bn by 2016



Main threats to sector growth are a **fragmented funding landscape, incompatibility of traditional financial products and infrastructure gaps**

Local Strengths

» TV Triangle - a regionally significant media tech and broadcasting cluster

» Production & Broadcasting - 78% of the sector's employment base across almost 300 businesses. Has an employment concentration 5.3 times the London average

» Wider Professional Services related to Media - 3,400 jobs in 160 businesses

Local Perspectives

» Technology - the online presence of the media sector promotes a large freelance workforce who work from home, with specialist equipment and fibre optic broadband commonly seen as the only necessary tools to do business

» Knowledge Transfer - Start ups expressed a desire for a mentoring service while industry experts expressed a desire to provide a mentoring role, representing a potential sustainable cycle of knowledge transfer

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

Hounslow Defining Sector: Advanced Manufacturing

London Borough of Hounslow: Advanced Manufacturing

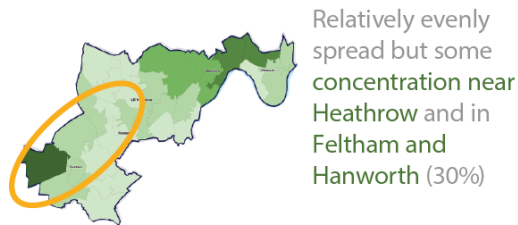
Local Overview



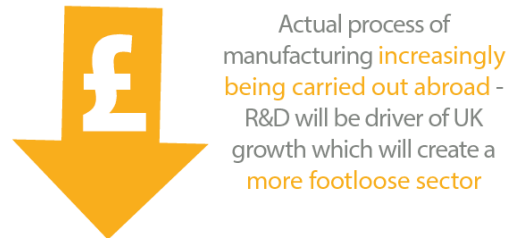
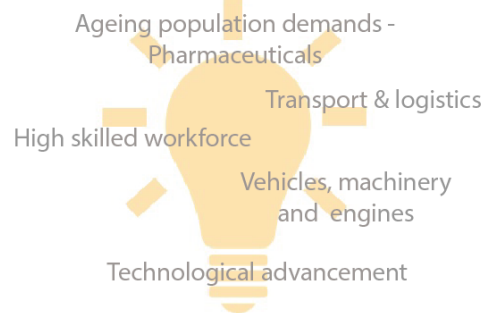
High employment concentration: **x1.8** the London average



Relatively low proportion of micro-businesses - 50% employ 0-4 people compared to 81% overall



Sector Trends



Local Specialisms

- » Repair Activities - most likely linked to operations at Heathrow, this sub-sector employs a third of the borough's Advanced Manufacturing jobs (1,000 jobs)
- » Manufacture of Electronics - one of the borough's fastest growing sub-sectors having grown to 500 jobs (+88%) since 2009
- » Manufacture of Gas and Chemicals - another large sub-sector supporting 700 jobs with an employment concentration slightly above the London average

Local Perspectives

- » Skills - access to a highly skilled workforce is of paramount importance to businesses in this sector. Knowledge transfer and linkages with educational institutions are key
- » Heathrow - important for local businesses not just for international connectivity but for the demand it generates for repair activities

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

London Borough of Hounslow: Oil & Gas Sector

Local Overview



500 jobs

+400 (+400%)
since 2009

High employment concentration: **x2.9** the London average

A small number of businesses mainly concentrated in the east of the borough, particularly Chiswick Business Park



Sector Trends



World population growth and urbanisation will drive demand while technological advancement will allow greater productivity



The significant drop in the price of oil has impacted the viability of many extraction sites and will effect projects managed from the UK and Europe

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

Regional Growth Sector: Professional and Business Services

London Borough of Hounslow: Professional & Business Support Services Sector

Local Overview



Sector Trends



Local Specialisms

- » Business Support Services - includes temporary employment agencies, building cleaning and facilities support; makes up 47% of the sector's employment (15,200 jobs)
- » Other Professional Services - includes activities of head offices, advertising agencies, and management consultancy, contributing 35% of sector employment (11,400 jobs)
- » Real Estate Activities - comprises a large proportion of high street real estate agents; supports 2,200 jobs overall (+25% since 2009)

Local Perspectives

- » Reputation - business growth expected to come largely from existing markets and client networks
- » Space needs - the majority of businesses were satisfied with their premises, although some businesses reported a need for more space to grow
- » Support Needs - over half of businesses are planning on seeking advice in the future, primarily for finding suitable premises and help to take on apprentices/ trainees/ interns

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

London Borough of Hounslow: Low Carbon Sector

Local Overview



Employment concentration: **x0.9** the London average

Local Sub-Sectors

The borough's Low Carbon Sector is primarily based in activities concerned with serving local needs, key sub-sectors include:

- » Decarbonisation - activities that reduce the carbon intensity of other sectors, such as energy production, transport and construction
- » Resource efficiency - based around improving resource efficiency, primarily in waste management, reuse and recycling
- » Multi-disciplinary low carbon activities - jobs based across the economy, including engineering and technical testing activities

Sector Trends



A priority growth sector for central government and London, at the heart of reducing emissions, driving innovation and delivering high value jobs



Significant **competition from overseas**; economic growth will be dictated by the sub-sector specialisms that can be developed locally

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

Regional Growth Sector: Tourism

London Borough of Hounslow: Tourism Sector

Local Overview



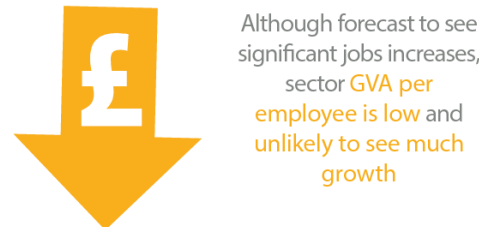
Represents significant proportion of local economy
11% of jobs
13% of businesses



Majority of businesses are SMEs - but with a lower proportion than average (69%) employing fewer than 5 people



Sector Trends



Local Specialisms

» Food and Drink - primarily concerned with servicing the local population this is the largest sub-sector, accounting for almost half (46%) of the sector's jobs - 7,100 jobs

» Passenger Transport - supports 3,600 jobs (+136% since 2009) and has an employment concentration twice the London average

» Accommodation - employment grew by 69% (to 600 jobs) between 2009 and 2011 compared to only 13% city-wide

Local Assets

» Heathrow - the primary gateway to the UK and London for both overseas business and leisure visitors - handled over 73 million passengers in 2014 alone

» London - strong connections to the wider-London area, which receives almost 17 million overseas visitors spending over £11 billion annually

» Local visitor and cultural assets - range of local attractions, including Osterley House, Syon House and Park, and Chiswick House

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

Business Infrastructure and Support Needs

- xix. Based on the statistical analysis, a detailed review of literature and business and stakeholder engagement, the report considers business infrastructure and support needs in Hounslow, focusing on business accommodation (including SME workspace) and wider business support activities.
- xx. Evidence from existing research and stakeholder consultation suggests that the Hounslow property market is relatively strong, with a good supply of high quality floorspace across the Borough. That said, evidence suggests that there is increasing pressure on commercial floorspace in the Borough as a result of strong economic growth in recent years. New permitted development rules are also beginning to have an impact locally and will place a further strain on supply of commercial floorspace in the Borough in future years.
- xxi. Evidence suggests that there is currently limited supply of affordable accommodation for SMEs in the Borough, including specific premises targeted at supporting enterprise. Analysis of local enterprise performance, stakeholder consultation and business engagement has identified demand for additional provision locally. There is also a supportive policy environment at the London level for the delivery of these types of premises, although caution must be taken to ensure there is a specific market failure and delivery is sustainable in the long term and targeted towards achieving lasting outcomes.
- xxii. There are a number of business representative organisations and networks active in Hounslow. However, wider business support services are largely delivered at the London and national levels. 2015 is likely to be the year when delivery commences on the 2014-20

ERDF operational programme, with opportunities to access funding for new business support delivery at either the local or sub-regional level.

Next Steps

- xxiii. There are a number of areas and themes emerging from this report which will need to be given serious consideration as Hounslow (with its partners) develop its approach to working with and supporting the business community. These include:
- Ongoing monitoring of the local business base, ensuring flexibility and refocussing of delivery
 - Revisit policy related to the supply of commercial floorspace in town centres to ensure modern flexible business space is delivered alongside residential and retail development
 - Supporting flexible and affordable workspace, although not necessarily as lead deliverer
 - Better marketing of Hounslow, celebrating success and targeting specialist and emerging sectors
 - Facilitating the provision of information and guidance on business support as well as targeted support, where a clear rationale exists for intervention
 - Targeted response to the specific skills needs of business, particularly in responding to the new employer ownerships of the skills agenda
 - Continue to focus on the bigger picture, in particular transport, connectivity and the future of Heathrow.

The Hounslow Economy: Key Facts

xxiv. The infographic below summarises key facts regarding the Hounslow economy.

The Hounslow Economy: Key Facts

London Borough of Hounslow: Economic Overview

Size of the Economy



A Growing Economy

6th of 32 Boroughs
Jobs Growth of 12% since 2008 - twice the London average

9th of 32 Boroughs
Business Growth of 20% since 2009 - significantly above the London average (15%)

Key Economic Locations



Business and Enterprise

SMEs (less than 250 employees) account for the majority (99%) of businesses...



...but large businesses (250+ employees) support 42% of local jobs - the borough contains a number of high profile companies particularly around the **Golden Mile** (such as SKY and GSK)

It is an enterprising place - particularly in the east of the borough - overall there were **2,200 business start-ups in 2013**



Large Private Sector Economy

The borough has the **second highest proportion of private sector jobs** (84.6%) in London notably above the city-wide average (77.9%)

Sector Specialisms

The borough has a number of sector specialisms at the London level, including:

- » **ICT & Digital** - 12,900 jobs. This represents 18% of Outer London's jobs in this sector: a regionally significant cluster
- » **Transport & Logistics** - 12,000 jobs. Activity in the sector is more than two times more concentrated in Hounslow than is average across London
- » **Media & Broadcasting** - 18,800 jobs. This represents 11% of London's jobs in this sector, with activity three times more concentrated than is average across the city
- » Other large employment sectors include: wholesale and retail, health, education, and professional and business support services

A Connected Economy

75% of Hounslow businesses state that Heathrow and/or other transport links are the reason for being based in the area



Hounslow businesses have access to a labour market of **9.5 million**; over **4 million** of these are qualified to Level 4+



Source: Regeneris Consulting, 2015. Based on various data sources, including IDBR, BRES, MINT UK and Census data.

1. Study Purpose and Objectives

1.1 Regeneris Consulting was instructed by the London Borough of Hounslow to undertake detailed analysis of the Borough's economy, focusing on the characteristics and performance of the micro and small business base, alongside sector strengths and opportunities.

A Note on Terminology

References to "Hounslow" throughout the report relate to the London Borough of Hounslow. In instances where commentary focuses on Hounslow town centre, this is referred to as such. References to the London Borough of Hounslow relate to the council itself.

Study Purpose and Context

1.2 A strong evidence base already exists regarding socio-economic characteristics and performance in Hounslow.

1.3 The Local Economic Assessment¹ – first published in 2011 and updated in 2013 – provides a particularly strong and in-depth analysis of the Boroughs economic strengths, weaknesses, opportunities and threats. The document highlights that one of the Borough's core economic strengths is that it is home to numerous large and high profile employers. The 'Golden Mile' on the Great West Road is a

particularly important part of the Borough in this respect, home to major companies including GSK, Sky and JC Decaux.

1.4 Perhaps more significantly, it identifies the majority of the local business base comprises micro sized and small enterprises. These businesses play a significant role driving the Borough's economy and providing employment. However, relatively little is known about their characteristics, and the data in the LEA raises questions regarding:

- The specific characteristics of these businesses including their performance, dependencies, ambitions and needs;
- The fine grain characteristics of the Borough's growth and opportunity sectors: including key locations, sector / business characteristics and the potential for (and success factors underpinning) future sector / business growth.

1.5 These areas for further examination are the focus of this study:

Study Objective

The aim of the research is to undertake a 'deep-dive' to understand the nature and composition of **sole traders, micro-sized businesses and SMEs** in Hounslow and identify the **sectors** they operate in.

The overall objective of the research is to help the London Borough of Hounslow to better understand the local business base and any interventions which might be required from itself or wider partners to support growth, including:

- Business accommodation and premises needs – understanding to what extent supply of business accommodation locally is

¹ LB Hounslow, Local Economic Assessment, available at http://www.hounslow.gov.uk/local_economic_assessment

constraining growth and, in particular, whether there is demand for increased provision of bespoke facilities aimed at supporting business start-ups and micro enterprise (e.g. incubation space)

- Wider business support needs – understanding the wider business support requirements of the local business base.

Study Approach

- 1.6 Our research has built both upon existing intelligence on the local economy and primary research:

Review of Secondary Data Sources

- 1.7 Our starting point has been a detailed review of up to date intelligence on local economic characteristics and performance. This has included interrogation of a number of secondary data sources, including:

- Government datasets – the basis for our analysis has been a number of the national datasets produced by the Office for National Statistics (ONS) providing intelligence on the local business and employment bases, including:
 - The Inter-Departmental Business Register (IDBR) – we have used the 2014 IDBR dataset for Hounslow (produced by ONS) as the basis of our analysis. This is the most detailed official economic dataset available, providing intelligence on the Hounslow economy at the level of individual firms;
 - UK Business Counts – We have supplemented the IDBR with intelligence from the UK Business Counts dataset; this provides IDBR data aggregated to the

Borough level and allows comparison to wider geographies and over time;

- The Business Register and Employment Survey (BRES) – we have supported our analysis of the local business base with information from the BRES. This national dataset provides survey based information on employment at the local level and allows comparison of Hounslow’s performance to wider geographies (e.g. other London Boroughs and London as a whole). BRES provides estimates of employee jobs; this excludes self-employed, government supported trainees and HM Forces. As such, employment figures from BRES throughout the document refer to employee jobs.
- Other ONS Datasets – we have also used a number of other ONS datasets including ONS business start-up and business demography data. These datasets are referenced where relevant within the text.
- Private sources of information on business intelligence – while IDBR and BRES provide a good basis for analysis, these datasets are not perfect and do not necessarily include the full local business base: often many of the smallest businesses are excluded from official datasets as they fall below official accounting thresholds. With this in mind, we have expanded our analysis to include a number of private business intelligence sources. Most notably, we have used data from MINT UK, which draws on data from both the web and Companies House, to provide a more inclusive snapshot of local areas than might be the case with ONS data.

Primary Research

- 1.8 Building upon the findings of the review of secondary data sources, we have undertaken detailed primary research. This has included:
- Business engagement – a programme of detailed engagement with Hounslow’s micro and small business base. This comprised structured interviews with 200 micro and small businesses across the Borough’s core and opportunity sectors (namely Transport and Logistics, Media and Broadcasting, ICT and Digital Media, Professional and Business Services and Advanced Manufacturing). The focus on this process of engagement was on generating qualitative evidence as opposed to robust statistical judgements (for more detail on this, including a breakdown of the businesses interviewed, please see Appendix C);
 - Business consultation – in addition to the above, we have undertaken detailed consultations with a number of the Borough’s larger businesses. All members of the Hounslow Economic Business Forum were given the opportunity to participate in the research;
 - Consultation with property agents and wider stakeholders – we supplemented our programme of business engagement with consultation with wider stakeholders including local property agents and business representative organisations (e.g. the Brentford and Hounslow Chambers).
- 1.9 Findings from the primary research are interwoven throughout this report.
- 1.10 A more detailed summary of our approach to primary research and a list of all study consultees is provided within Appendices D and E.

Report Contents

- 1.11 This report sets out the main findings of our research and provides:
- Chapter 2 – a brief summary of the headline characteristics and performance of the Hounslow economy
 - Chapter 3 – an overview of the sectoral composition of the Hounslow economy focusing on identifying the Borough’s sector specialisms
 - Chapter 4 – a review of the Borough’s business base, focusing on the size, location and performance of the Borough’s businesses, and a review of enterprise performance. Our research is informed by emerging findings from our programme of business engagement
 - Chapter 5 – a detailed consideration of the Borough’s key sectors, focusing on performance and opportunities in Transport and Logistics, Media and Broadcasting, ICT and Digital Media and Advanced Manufacturing. Again, our research is informed by emerging findings from our programme of business engagement
 - Chapter 6 – a review of business infrastructure in the Borough, focusing on premises and accommodation but also examining business support provision. Our primary research has provided information on demand for services and infrastructure
 - Chapter 7 – next steps. Our initial recommendations based upon the emerging findings of the research
 - Appendix A – list of datasets and key terms
 - Appendices B and C – sector definitions used in the report

- Appendices D and E – a summary of the approach we have taken to business engagement work within this study and a summary of study consultees
- Appendix F – research into enterprise and incubation centre delivery models
- Appendix G – review of ‘what works’ in terms of business support.

1.12 This document is also accompanied by a number of external appendices. These external appendices are intended for internal use by London Borough of Hounslow officers only:

- Appendix H – key findings presentation: a presentation summarising the findings of our research and recommendations
- Appendix I – a presentation providing the full evidence base underpinning our findings within this report
- Appendix J – data analysis presentation – a presentation summarising approaches to socio-economic analysis
- Appendix K – full matrix of socio-economic datasets and sources
- Appendix L – spreadsheet containing key datasets and analysis and key information from the business engagement process.

2. The Hounslow Economy: An Overview

Summary of Key Findings and Facts

Across a range of indicators explored in detail in this chapter, Hounslow is arguably one of London's strongest performing and most resilient economies:

- The Borough has one of the largest economies of all London Boroughs comprising around employee 143,400 jobs.
- Government datasets (IDBR) suggest there are around 12,500 businesses in the Borough, but analysis of other sources of intelligence suggest the number could be closer to 20,000 when businesses falling below official accounting thresholds are included.
- Hounslow has been one of London's strongest performing economies in recent years, with employment growth of 12% between 2008 and 2013 and business base growth of over 20% from 2009-2014. These represent the highest growth rates seen in west London and are considerably higher than London wider averages.
- Hounslow plays an integral role in the wider London economy and is characterised by complex economic dependencies. Locally, Heathrow airport (in neighbouring Hillingdon) plays a

particularly important role in driving local economic dependencies in terms of supply chains and labour flows. More generally, Hounslow is a key component of the London and south east economy. The benefits (and competition) this brings in terms of access to markets, access to labour and access to wider knowledge assets (such as world class universities) plays a defining role in the Hounslow economy.

- Hounslow is home to a regionally significant cluster of economic activity: the 'Golden Mile' is home to numerous multinational companies and is an important component of the Hounslow economy both in terms of the employment it support but also the reputation it gives to the Borough. That said, the economic activity is spread throughout the Borough, with economic hubs including town centres (particularly Hounslow town centre, Chiswick, Brentford and Feltham) and industrial areas such as the Chiswick Business Park and the Bedfont Lakes Business Park.
- The Borough is also home to a large private sector economy. Across London, only the City of London has a lower level of public sector dependence than Hounslow. This is an important strength given UK Government focus on private sector growth and arguably makes the Hounslow economy more resilient to future contractions in the size of the public sector than other areas.

- 2.1 The Hounslow Local Economic Assessment (2011) and Update (2013)² provides a comprehensive review of the Borough's economy and labour market. This chapter builds upon this intelligence base,

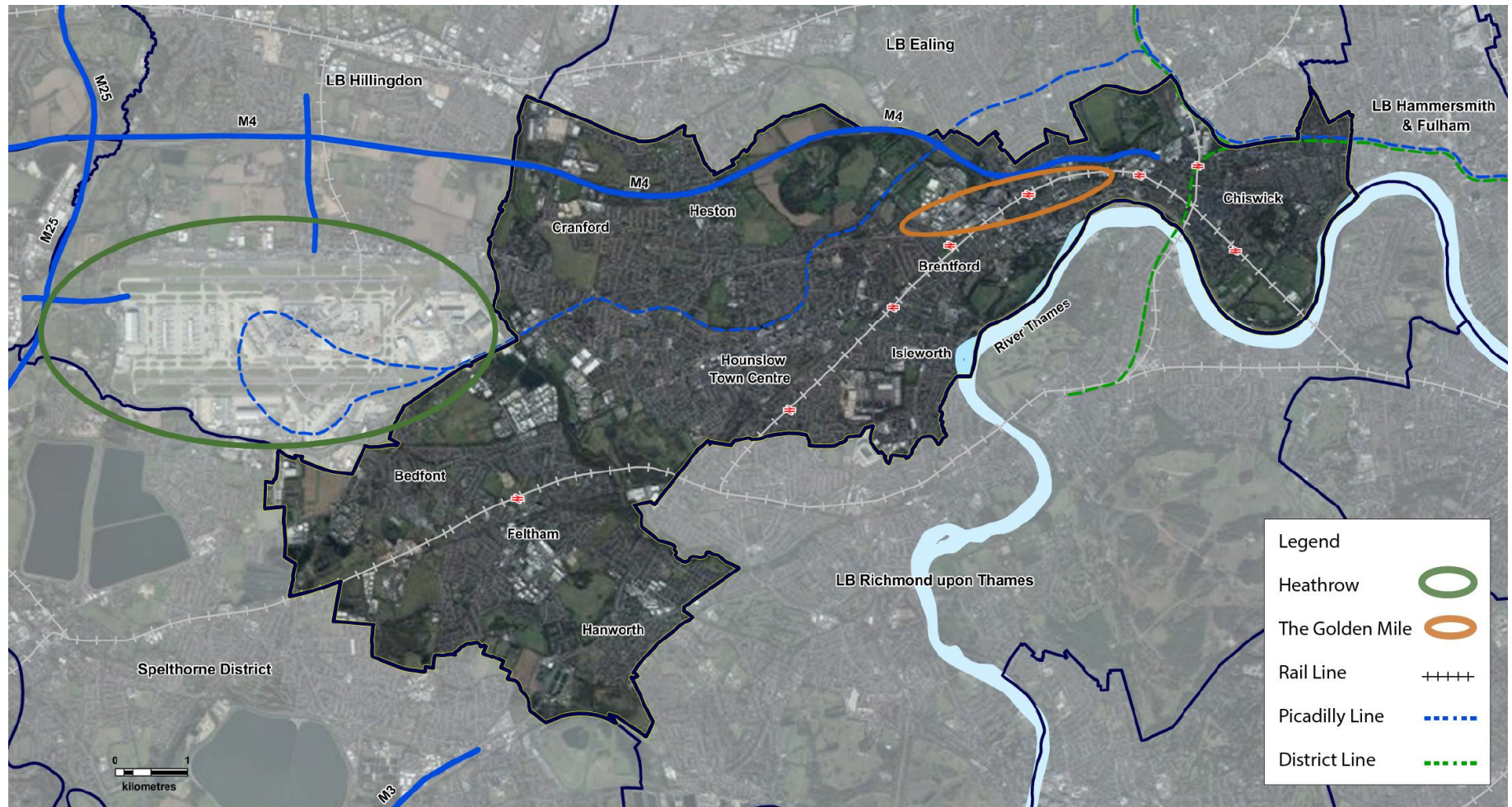
² London Borough of Hounslow Local Economic Assessment (2011 and 2013), accessed at http://www.hounslow.gov.uk/local_economic_assessment

providing an update on the overarching characteristics of the local economy.

Hounslow's Economic Geography

- 2.2 The London Borough of Hounslow is located in the west of London, bounded by the London Borough of Hillingdon and Spelthorne to the west, the London Borough of Ealing to the north, the London Borough of Richmond to the south and the London Borough of Hammersmith and Fulham to the east.
- 2.3 The Borough benefits from strong transport linkages: the M4 and A4 Great West Road run from east to west through the Borough, while Heathrow airport (neighbours the Borough to the north west) in LB Hillingdon). The Borough also benefits from a number of rail linkages, including the District and Piccadilly lines and national rail services running from Waterloo out to the west.
- 2.4 A number of hubs of economic activity are spread throughout the Borough, most notably:
- Town centres – the Borough contains a network of town centres and high streets, with the largest of these being Hounslow town centre, Brentford, Chiswick and Feltham. Other smaller centres include Isleworth, Bedfont, Hanworth, Cranford and Heston.
 - The Golden Mile – the Golden Mile is a hub of economic activity spread along the Great West Road to the north of Brentford town centre
 - Business parks and industrial estates – the Borough contains numerous business parks and industrial estates from Chiswick Business Park in the east to Bedfont Lakes in the west.

Figure 2.1 London Borough of Hounslow – Context Map



Source: Regeneris Consulting, 2015

Recent Economic Performance

2.5 Hounslow has one of the largest economies of all London Boroughs and has experienced strong growth in recent years.

Table 2.1 Hounslow Economy: Key Facts

Employment (BRES)*	Number (2013)	143,400
	Absolute Change (08-13)	15,700
	% Change (08-13)	+12%
Businesses (official statistics – UK Business Counts)	Number (2014)	12,500
	Absolute Change (09-14)	+2,100
	% Change (09-14)	+20%
Businesses (estimated from MINT)	Number (2014)	Up to 19,800

* BRES provides estimates of employee jobs. This excludes self-employed, government supported trainees and HM Forces.

Source: ONS BRES and UK Business Count, via NOMIS

2.6 The Borough contains around 143,400 employee jobs (BRES, 2013), around 3% of all jobs in London. According to official data sources (ONS IDBR), the Borough is currently home to around 12,500 businesses.

2.7 However, analysis of information from a private business intelligence database (MINT UK) suggests the business base is considerably larger than this, with up to 8,000 additional businesses over and above those captured within government datasets. While a proportion of these additional businesses are likely to be inactive, the remainder are likely to be sole traders or micro businesses which fall below the accounting thresholds used within official datasets.

2.8 Hounslow has been one of London’s strongest performing borough economies in recent years:

- The Borough has experienced strong growth in employment of 12% in the 5 years between 2008 and 2013 (around +15,700 jobs); double the London average and higher than growth seen anywhere elsewhere in west London.
- The Borough has also experienced strong growth in its business base. Business numbers increased by around 20% in the 5 years between 2009 and 2014 (+2,100 businesses in absolute terms) – again, significantly higher than the average growth seen across London (+15%).

2.9 Hounslow’s growth trajectory is a positive finding. Reasons for the strong growth in Hounslow are elaborated on throughout this document, but include growth in the small business base and evidence of strong (employment) growth within a number of the Borough’s larger employers.

2.10 As highlighted by Figure 2.2, the Borough has outperformed all of its west London neighbours (including LB Hillingdon, LB Hammersmith and Fulham, LB Ealing, LB Harrow, LB Richmond-upon-Thames and LB Kingston-upon-Thames) with only a number of east London Boroughs (such as Tower Hamlets, Newham and Hackney) performing more strongly. The strong growth seen in east London is a long term trend, reflecting a number of interrelated factors:

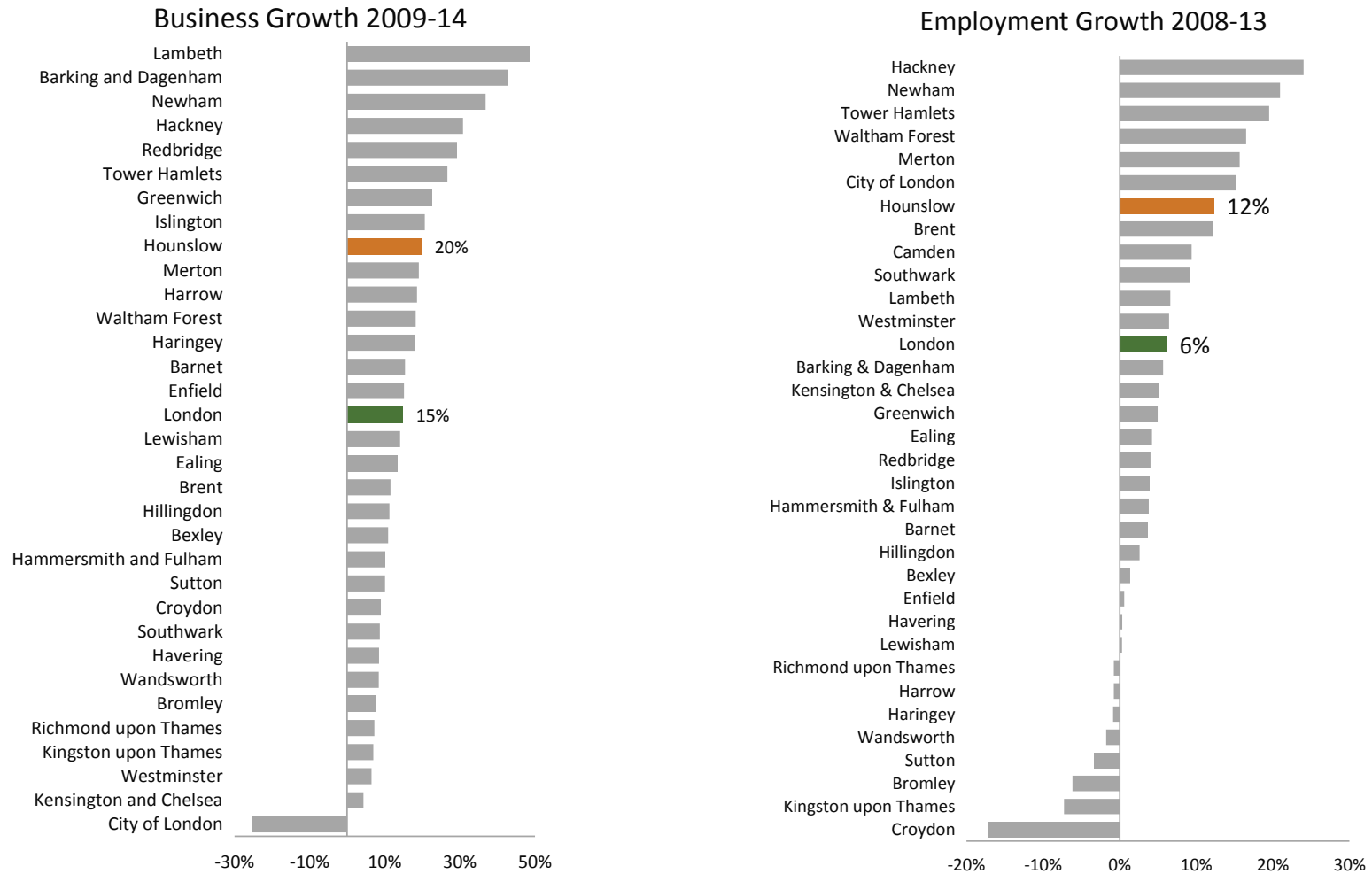
- Low baseline position – generally speaking east London Boroughs have started from a low economic baseline (both in terms of jobs, enterprise and the cost of premises), meaning that generally speaking, the potential for strong economic growth is higher than in other parts of London.
- Strong residential and population growth – east London has seen high levels of housing development over the past

decade and has become a more popular part of the city to live, particularly among young people. The links between population growth and local economic growth are well established, both in terms of local residential multiplier effects but also the propensity of residents to stimulate enterprise.

- Investment and connectivity – east London has also seen high levels of investment and development over the past two decades, with ripple effects from the development of Canary Wharf and the City of London expanding east.



Figure 2.2 Recent Economic Performance



Source: Regeneris Consulting, 2015, based on ONS UK Business Count and BRES Data

Hounslow's Local Economies and the Golden Mile

2.11 The Boroughs' economy can broadly be segmented into the six local geographies set out in the table below. For the purpose of statistical analysis, these areas have been defined based on best fit local statistical geographies – a maps demonstrating these definitions is included in Appendix B.

Area	Businesses		Employment	
	2014	Change 2010-14	2013	Change 2009-13*
Brentford (inc Golden Mile)	1,800	20%	34,500	43%
Chiswick	3,300	14%	29,500	23%
Feltham & S.W Hounslow	1,500	29%	18,000	-10%
Central Hounslow	2,700	31%	20,900	8%
Isleworth	800	20%	8,100	4%
North and West Hounslow	2,400	23%	32,300	9%
Whole Borough	12,500	22%	143,400	15%

* Note: for sub-Borough analysis, changes in data definitions mean that we have analysed change over time from 2009-2013 rather than 2008-2013 (as used previously in table 2.1). As a result, there is variation in the Borough level figure (15%) compared to the longer 5 year time period (12%).

Source: UK Business Count and BRES

2.12 Within these local geographies, the economy is driven by a number of hubs of activities, including the Golden Mile, town centres, and business and industrial parks. Analysis below is based on the UK

Business Count (business) and BRES (employment) data presented in the table above:

- Chiswick** – Chiswick is located in the east of Hounslow Borough and contains around 3,300 businesses and 29,500 jobs. The area contains a number of significant economic drivers, including Chiswick town centre and Chiswick Business Park. Performance in recent years has been strong, with 14% business growth (2009-2014) and 23% employment growth (2008-2013).
- Brentford (including the Golden Mile)** – the Brentford area plays an integral role in Hounslow Borough's economy. The area is home to the Golden Mile: a section of the Great West Road where a number of multinational firms and headquarter functions are located. (*More information on the Golden Mile is included overleaf*). The area also contains Brentford town centre. In total, the area contains around 1,800 businesses and 34,500 jobs and has experienced strong growth in the Borough in recent years, with employment growth of over 40% (2008-2013).
- Central Hounslow** – this area comprises the centre of the Borough and contains around 2,700 businesses and 20,900 jobs. The business base has grown by nearly a third in recent years, and there has been growth of around 8% in the employment base (2008-2013). The area contains Hounslow town centre (the largest town centre in the Borough and classified as one of London's metropolitan centres) and Heston to the north.
- Isleworth** – Isleworth is located in the south east of the Borough and contains around 800 businesses and 8,100 jobs. The business base has grown by around 20% in recent years (2009-2014).

- **Feltham and south west Hounslow** – located to the south west of the Borough, this area contains around 1,500 businesses and 18,000 jobs. While there has been strong growth in the business base in recent years (2009-14), the size of the employment base has contracted by around 10% (2008-13). The key economic drivers within this part of the Borough is Feltham town centre, with Hanworth located further south.
- **North and west Hounslow** – the north and west of the Borough takes in areas such as Cranford, Bedfont and Hatton. The area contains around 2,400 businesses and around 32,300 jobs. The business base has grown by around a quarter in recent years (2009-14). This part of the Borough neighbours Heathrow airport, which acts the key driver of local economic performance. The area contains numerous business parks and industrial estates such as Bedfont Lakes Business Park.

The Golden Mile

Located to west of Chiswick and to the north of Brentford town centre, the Golden Mile is a section of the Great West Road (running from Chiswick Roundabout to Gillette Corner where a number of multinational firms and headquarters functions are clustered).

As noted above, the Golden Mile is a key driver of the Hounslow economy. Based on postcode mapping of IDBR data, we estimate that the area contains around 450 businesses and 24,000 jobs. This represents around 17% of all employment in the Borough – a significant quantum given the relatively small geographical area.

The Golden Mile is a hub for professional and business service activities: this sector accounts for 40% of businesses and a fifth of employment locally. The Media and Broadcasting sector is also

important: while comparatively small in terms of business numbers the sector accounts for around 40% of employment in the area, largely reflecting the presence of Sky. The area is also home to a number of wholesale and retail activities: these account for a 16% of the business base and 14% of the employment base. The ICT and Digital Media and Manufacturing and Construction sectors both account for around 10% of businesses and employment locally.

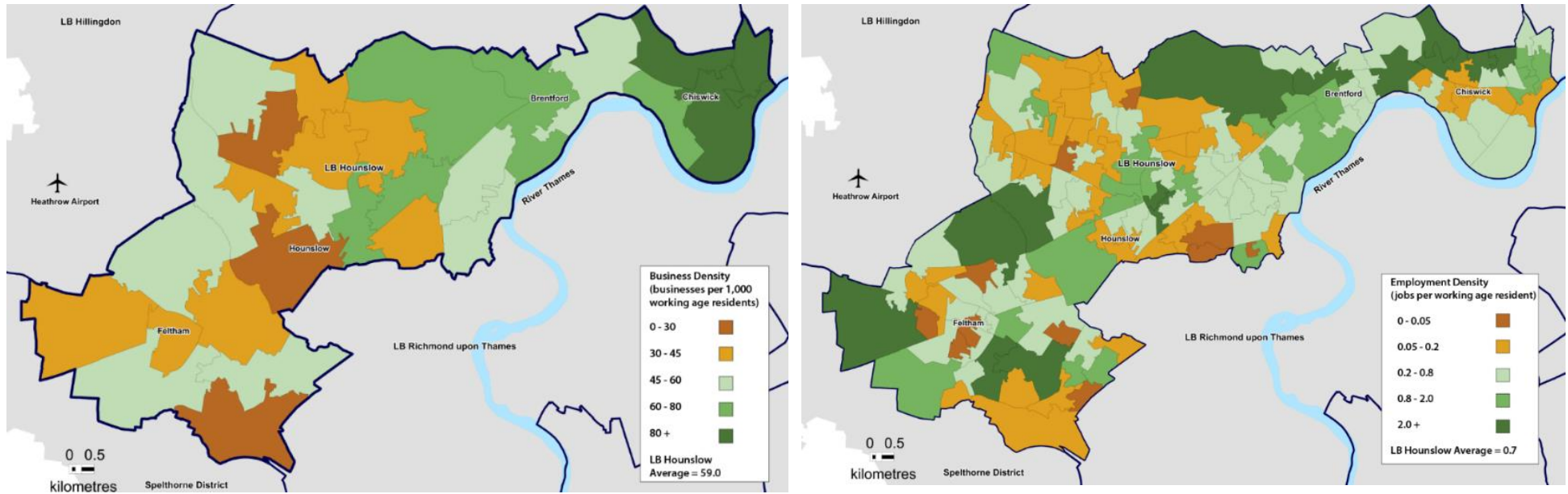
On average, businesses located in the Golden Mile are larger than is average elsewhere across the Borough. The area contains around 10 businesses employing more than 250 people and around 30 employing more than 100. Only 50% of the business base comprises micro businesses (compared to three quarters across the Borough).

Major employers on the Golden Mile include Sky, GlaxoSmithKline, Allianz Insurance, EMC Limited, WorleyParsons Ltd, JC Decaux Limited.

The Golden Mile is also home to the Brentford campus of the University of West London.

- 2.13 The Borough's economic geography is mapped in more detail overleaf. Business density is highest in the east of the Borough, (particularly around Chiswick), with lower densities to the west of the Borough. The geography of employment in Hounslow is more mixed, with concentrations of employment found across the Borough, but most notably around the Golden Mile, Chiswick Town Centre, and Hatton and Bedfont in the west. These trends highlight that while the east of the Borough is home to a large number of small businesses, many of the Borough's largest employers are located in the centre and west of the Borough.

Figure 2.3 Hounslow: Business Density 2014 (left) and Employment Density 2013 (right)



Note: Green colour scale denotes higher business / employment density; orange colour scale denotes lower business / employment density.

Source: Regeneris Consulting, 2015, based on ONS IDBR and BRES Data

Hounslow's Role in London

- 2.14 Hounslow plays an integral role in the London economy.
- 2.15 Partly reflecting its physical location and strong connectivity, Hounslow's economy is underpinned by a series of economic linkages and dependencies; the borough both influences and is influenced by wider geographies. Proximity to both Heathrow airport and central London influences both the composition of the local business base and also local labour market dynamics:
- Composition of the business base – Hounslow's proximity to Heathrow and strong external connectivity has historically made the Borough an attractive business location; this is partly evidenced by the concentration of multinational firms and headquarters functions located within the Borough;
 - Labour market flows – the functionality of the Hounslow economy is perhaps best demonstrated by the significant flows of labour affecting the Borough. Evidence from the 2011 Census visualised in Figure 2.4 overleaf suggests the Borough experiences around 74,000 in-commuters and 71,000 out-commuters on a daily basis, with large daily out-flows of labour to Hillingdon (nearly 12,000 people a day commute from Hounslow to Hillingdon, largely reflecting the presence of Heathrow in that Borough) and central London, and net in-flows of labour from other outer London Boroughs and districts to the west (such as Bracknell Forest, Windsor and Maidenhead and Slough).

The Importance of Heathrow to the Hounslow Economy

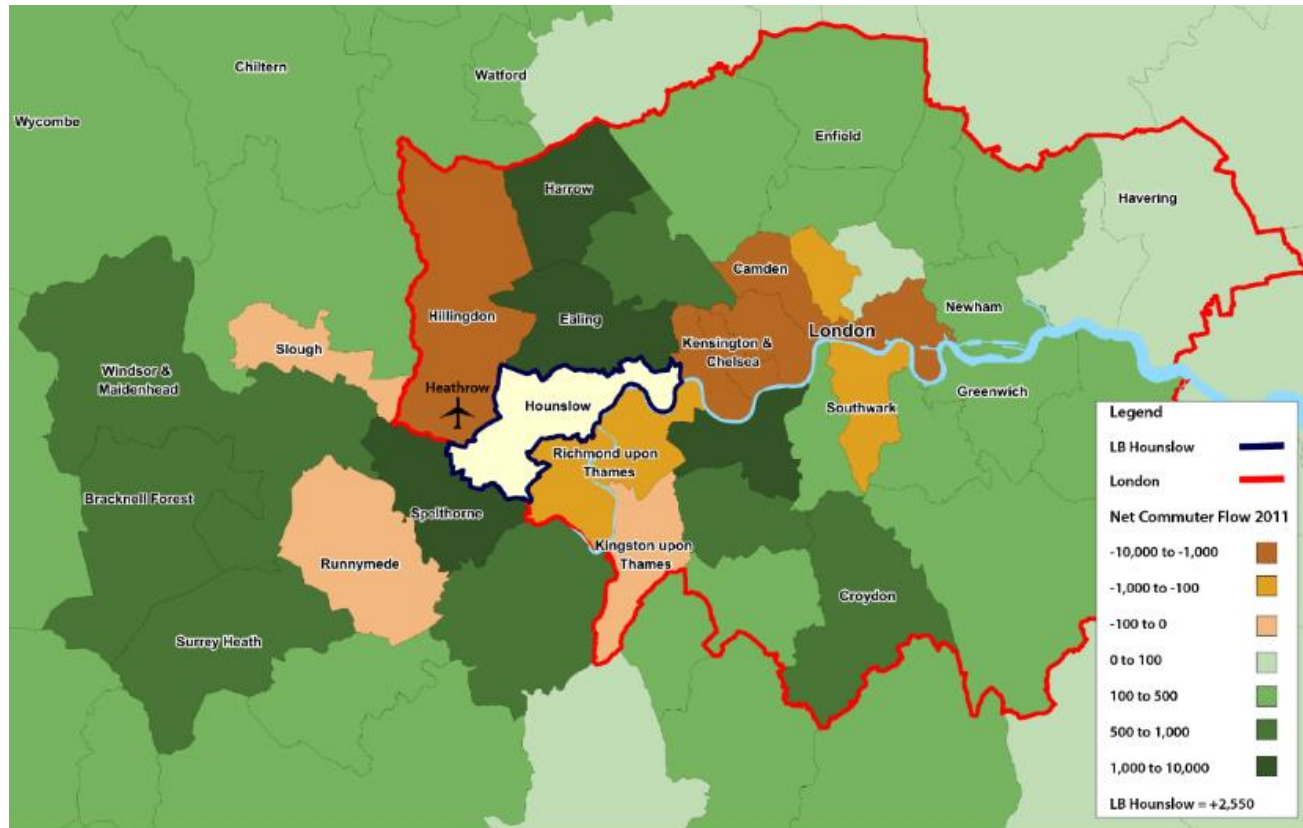
The above demonstrates the importance of Heathrow to the Hounslow economy.

While the airport is located in the neighbouring Borough of Hillingdon, the airport bears a major influence on the Hounslow economy, in terms of labour market linkages and supply chains linkages and dependencies.

Research undertaken as part of the Hounslow LEA (2011) suggested that around 10-15% of Hounslow's businesses are dependent on Heathrow, with a significant proportion of employment also reliant on the airport. The research also found that businesses / sectors with links to Heathrow outperformed other areas of the local and citywide economy during the recession.

While Heathrow is particularly important to the economy of the west of the Borough (particularly the business parks and industrial estates around Hatton and Bedfont), proximity to Heathrow is also an important influencing factor for businesses located across the rest of the Borough, including the corporates and multinational companies in the Golden Mile.

Figure 2.4 Travel to Work Patterns, 2011



Reading the map:

- Areas with colour in the green colour scale: there is a net inflow of commuters to Hounslow from these areas on a daily basis.
- Areas on the orange colour scale: there is a net outflow of commuters from Hounslow to these areas on a daily basis.

Source: Regeneris Consulting, 2015, based on Census 2011 data

Hounslow's Labour Market

- 2.16 The Hounslow LEA (2013) states that levels of participation in the labour market in Hounslow are relatively strong, with above average economic activity rates. That said, the LEA notes that challenges exist within certain groups: the gender employment rate gap for instance, is significantly above national average and labour market participation is also low among young & ethnic minority groups.
- 2.17 Evidence presented in the LEA suggests that Hounslow faces a number of labour market challenges including:
- Below average skills levels – Hounslow has slightly below average skills levels compared to London as a whole, notably with a higher proportion of unqualified residents. However, skills levels have been improving over recent years.
 - Skills shortages - one in four employers in Hounslow had skill shortage vacancies or skills gaps in their workforce; more than a quarter of vacancies across Hounslow are hard to fill due to skill shortages. ICT, Media, Creative, Science and Tourism sectors are identified as having potential skills issues.
- 2.18 That said, it is again important to note that the local economy is dynamic with strong labour market interdependencies between Hounslow and the wider London and south east economies. This is highlighted by travel to work movements: a large proportion of high skilled, high value jobs based in the Borough (primarily in larger companies), are held by in-commuters, while Hounslow residents are

more likely to be working in elementary occupations and less likely to be working in professional occupations than the London average.

- 2.19 These labour flows have crucial implications for Hounslow's economic performance, benefitting both its businesses and its residents. Evidence from the 2011 Census suggests that:
- While there are around 176,000 working age people living in Hounslow, this rises to around 9.5 million when the Borough's wider functional labour market geography³ is taken into account;
 - Hounslow has access to a large pool of skilled labour: there are 70,000 residents with Level 4 (degree level) or higher qualifications in the Borough; rising to over 4 million when the Borough's functional labour market area is considered.

Table 2.3 Hounslow: Labour Market Functionality, 2011

		LB Hounslow
Local Labour Market	Working Age Pop	175,600
	Pop with Level 4 Skills	70,000
Travel to Work Area*	Working Age Pop	9,435,400
	Pop with Level 4 Skills	4,001,300

Source: Regeneris Consulting, 2015, based on Census 2011 data

Hounslow's Private Sector Economy

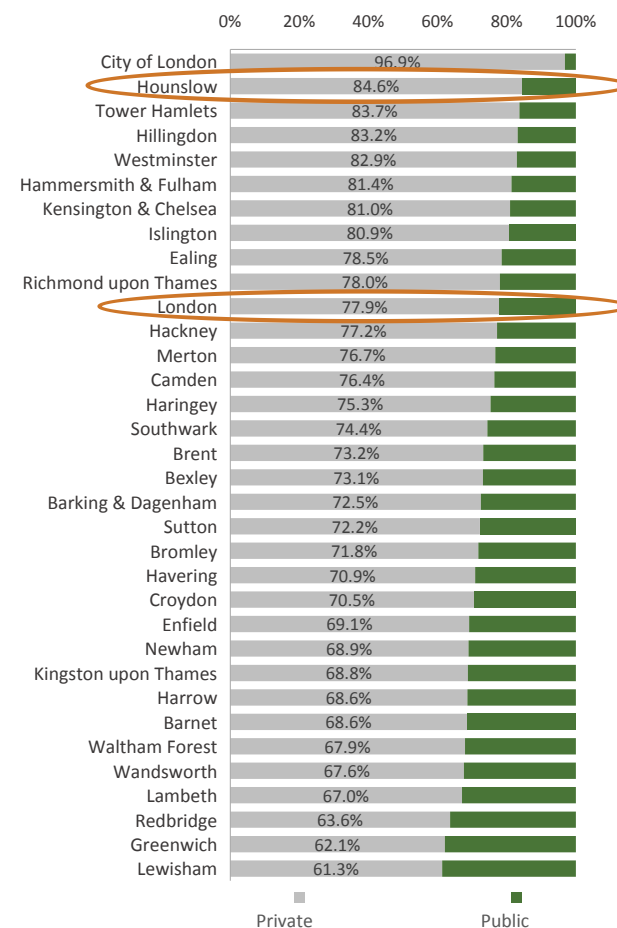
- 2.20 Analysis of a range of indicators suggests that Hounslow has a relatively high value economy.

Hounslow each day (according to data from the 2011 Census). This effectively covers all of London and part of the wider south east.

³ The Hounslow travel to work area has been broadly defined for the purposes of this work as all local authority areas from which there are labour flows of more than 50 people into

- 2.21 The Borough has a strong private sector. Data from BRES highlights that the private sector accounts for 85% of all jobs locally. This represents a higher proportion than seen in any other London Borough with the exception of the City of London (which is in some respects an anomaly given the non-residential nature of that area). The private sector in Hounslow has performed particularly strongly in recent years, registering growth of 14% between 2008 and 2013 (compared to growth of 5% across London as a whole).
- 2.22 This is a significant finding in the context of UK level ambitions to strengthen the private sector in the period since the 2008/9 recession and resulting economic downturn.

Figure 2.5 Hounslow's Private Sector Economy, 2013



Source: Regeneris Consulting, 2015, based on ONS IDBR and BRES Data and using a Centre for Cities definition of private sector employment, accessed at <http://www.centreforcities.org/publication/cities-outlook-2015/>

2.23 The sector composition of the Hounslow economy is explored in detail in the next chapter and in chapter 5.

Summary and Implications

2.24 The above analysis highlights that across a range of indicators, Hounslow is arguably one of London's strongest performing and most resilient economies.

2.25 In recent years, the Borough has registered the strongest levels of economic growth in west London, with growth in both the employment and business bases well above London wide averages.

2.26 The Borough is also home to a large private sector economy, with one of the lowest levels of public sector dependence in London. This is an important strength for the Borough in the context of UK Government ambitions to rely less upon public sector employment. The strong private sector economy means that Hounslow is arguable less exposed to projected (ongoing) contractions in the size of the public sector over the coming decade.

2.27 Hounslow's economic strengths are spread throughout the Borough – with regionally significant clusters of business in the east (particularly the Golden Mile but also in and around Chiswick) and strong clusters of activity linked to the operation of Heathrow airport in the centre and west of the Borough.

2.28 There are some inconsistencies in terms of performance, principally in Feltham, which has seen a decrease in employment in the last five years. As has been the case historically, growth has been more significant in the east of the borough than the west.

2.29 Given the presence of numerous major employers and business clusters, the Borough has an important role to play in informing and shaping the economic development narrative in London. The

borough is arguably a more important contributor to the London economy than it is often given credit for – ensuring that this is recognised strategically and in regional policy is an important early objective for LB Hounslow and its partners.

2.30 More details on Hounslow's economic performance – and the implications of and policy response to this – is explored in more detail in the following chapters via detailed analysis of the local enterprise base and the Borough's sector specialisms.

3. Sector Composition of the Hounslow Economy

Key Messages

This chapter examines the composition of the Hounslow economy. Our analysis segments the economy into three sector groupings:

1. Defining Sectors

Hounslow has a number of sector specialisms which are a defining feature for the area regionally. These are:

- Transport and Logistics – Hounslow has the second highest concentration of Transport and Logistics jobs in London after Hillingdon. There are around 12,000 jobs in Hounslow and a very high specialisation of activities supporting air transport operations at Heathrow. Employment has grown strongly since 2009.
- ICT and Digital Media – Hounslow has the second highest concentration of ICT and Digital Media jobs in London after Islington. This is a significant finding considering the policy focus being placed on east London in terms of the growth of the ICT and Digital Media sector. There are up to 12,900 of these jobs in Hounslow with over half relating to software development and consulting. Employment has grown by 50% since 2009.
- Media and Broadcasting – Hounslow has the highest concentration of Media and Broadcasting jobs in London. While a large number of these relate to the presence of Sky, this is a significant finding considering the policy focus being placed on east London in terms of the growth of the tech and media

sectors. There are up to 18,800 jobs and the employment base has almost doubled since 2009. Aside from Sky, the Borough boasts a cluster of firms with a large proportion related to TV production and broadcasting activities concentrated in Chiswick.

- In addition, Hounslow has a number of other sector specialisms – Advanced Manufacturing and Oil and Gas. Both of these are relative small sectors currently, but are high value and have potential to grow given UK and regional policy emphasis.

2. Regional Growth Sectors

In addition to these defining sectors, there are a number of other sectors which are considered important in policy terms to local and regional growth:

- Professional and Business Services – up to 32,500 jobs and 3,500 businesses. While this does not represent a relative specialism for the Borough, it plays an important role in driving the local economy. Key activities within the sector are in facilities management, advertising, building cleaning and consultancy.
- The cross cutting Tourism and Low Carbon sectors are also considered in this chapter given the policy emphasis and growth trajectory of these at the local level. While neither of these represent a relative specialism for Hounslow, both are important components of the local economy.

3. Local Service Sectors

These are sectors that mainly serve a local population. Demand relates to local residents & users and should increase as more residents move into an area. In Hounslow, these include:

- Wholesale and retail – this is one of the largest sectors in the Borough, with around 2,000 businesses providing around

19,900 jobs. However, the employment base has declined by around 5% in recent years (2009-13).

- Leisure and hospitality – this sector has a relatively average degree of specialisation in Hounslow relative to London averages. However, the sector contains around 15,400 jobs spread across 1,100 businesses.
- Public sector activities – public sector activities contribute a combined total of around 22,100 jobs, around 15% of all employment in the Borough. This includes around 9,900 health jobs, around 8,500 education jobs and around 3,800 public administration jobs. However, public sector employment is underrepresented in Hounslow compared to the London average.

3.1 This chapter examines the sector composition of the Hounslow economy, focusing on current sectors strengths and future sector opportunities.

3.2 It should be noted that the emphasis of this chapter is on segmenting the economy and establishing sector strengths. Full profiles of key sectors are then set out in Chapter 5.

Current Sector Composition

3.3 This section provides an overview of Hounslow’s employment sectors strengths and specialisms. The sector composition of the Hounslow economy is outlined below in Table 3.1, drawing on business data from IDBR, MINT and employment data from BRES.

Important note about the data in Table 3.1

Table 3.1 is intended for illustrative purposes to demonstrate the broad segmentation of the Hounslow economy.

It should be noted that a number of the sectors in the table overlap with each other; this is the case for the ICT and Digital Media, Media and Broadcasting, Advanced Manufacturing and Professional and Business Services sectors. As such, the individual sectors in the table sum to more than 100% of the Hounslow economy.

Table 3.1 Summary of Sectoral Composition of Hounslow Economy

	Businesses						Employment			
	UK Business Count, 2014				MINT UK		BRES, 2013			
	2014		Change		2014		2013		Change	
	No.	% of all	LQ* <i>i</i>	2011-14 (%)	No.	% of all	No.	% of all	LQ	2009-13 (%) <i>iv</i>
Natural Resources (inc Oil and Gas)	<10	0%	0.2	-	100	1%	600	0.5%	2.9	78.2%
Manufacturing and Construction	1,000	8%	0.9	22.6%	1,300	10%	6,700	5%	0.9	9.1%
Advanced Manu (inc. overlap) <i>vi</i>	100	1%	0.6	-5%	200	1%	2,900	2%	1.8	-2%
Transport & Logistics	600	5%	2.6	16.0%	600	5%	12,000	9%	2.1	31.0%
Wholesale and Retail	2,000	16%	1.0	11.0%	1,700	13%	19,900	14%	1.1	-5.2%
Hospitality, Leisure and Other Services	1,100	9%	1.0	13.4%	800	7%	15,400	11%	1.0	14.6%
Public sector (inc. public admin, health and education)	900	7%	0.9	12.0%	1,000	8%	22,100	15%	0.7	2.4%
ICT & Digital Media (inc. overlap) <i>vi</i>	1,900	16%	2.0	51%	1,900	14%	12,900	9%	1.8	50%
Media & Broadcasting (inc. overlap) <i>vi</i>	400	3%	0.8	19%	500	4%	18,800	13%	2.8	84%
Professional and Business Support Services (inc. overlap) <i>vi</i>	3,500	29%	0.8	25%	3,600	28%	32,500	23%	0.7	1%
Other Creative ^{*iii}	600	5%	0.6	12.9%	400	3%	3,000	2%	0.6	61.9%
Other Services ^{*ii}	400	3%	0.9	2.9%	900	7%	2,200	2%	0.9	30.9%
Whole Economy (exc. overlap) ^{*v}	12,500	100%	1.0	21.4%	19,800	100%	143,400	100%	1.0	14.9%

*i: Note: LQ stands for Location Quotient. This provides a measure of the relative specialisation of a sector in a local area, in this case versus the London average. A score of more than 1.0 signifies performance above the London average. A score of 1.0 reflects performance at the London average. A score of below 1.0 signifies below average performance.

*ii - Other Services includes a range of activities not included elsewhere including renting and leasing activities, repair activities and personal service activities

*iii - Other Creative activities includes those parts of the creative industries not covered under ICT and Digital Media and Media, including creative manufacturing activities, publishing and creative business services such as design and architecture.

*iv: for sector analysis, changes in data definitions mean that we have analysed change over time from 2009-2013 rather than 2008-2013 (as used in table 2.1). As a result, there is variation in the Borough level figure (15%) compared to the longer 5 year time period (12%).

*vi – our definitions of a number of sectors overlap with other sectors. This is the case for the ICT & Digital Media, Media & Broadcasting, Advanced Manufacturing and Professional & Business Services sectors. As a result, employment and business numbers for the individual sectors in the table sum to more than 100% of the Hounslow economy.

*v – figures in the 'Whole Economy' row exclude any areas of overlap between sectors and thus represent 100% of employment and business activity in Hounslow.

Source: Regeneris Consulting, 2015, based on information from BRES, IDBR and Mint UK

Hounslow's Comparative Specialisms

- 3.4 The table above highlights that, statistically, Hounslow has a number of sector specialisms which are significant in the regional context. These sectors are introduced below and then examined in full detail in Chapter 5. Analysis below is based on the UK Business Count (business) and BRES (employment) data presented in the table above.

Transport and Logistics

- 3.5 The Transport and Logistics sector comprises a range of activities including land and air transport activities, cargo, and warehousing. The Hounslow Transport and Logistics sector provides around 12,000 jobs and 600 businesses.

The sector is a strong defining feature in Hounslow's economy. Activity in the sector is more than twice as concentrated in Hounslow as is average across London. Across London, only neighbouring Hillingdon contains a higher concentration of Transport and Logistics sector jobs than Hounslow (reflecting the presence of Heathrow).

- 3.6 The sector has experienced strong growth in recent years in both its employment base (+31%, 2009-13) and business base (+16%, 2011-2014).

Media and Broadcasting

- 3.7 The Media and Broadcasting sector comprises a range of activities including printing and publishing activities, creative activities such as broadcasting and business services such as advertising. The Hounslow Media and Broadcasting sector provides around 18,800

jobs and 400 businesses (including areas of overlap with other sectors).

The sector represents a strong specialism for Hounslow in the London context. Media and Broadcasting jobs are more concentrated in Hounslow than in any other London Borough. In total, employment in the sector is nearly three times more concentrated in Hounslow than is average across London as a whole. In absolute terms, only Camden and Westminster (well established locations for media activities) have more jobs in the sector.

- 3.8 The sector has experienced strong growth in recent years in both its employment base (+84%, 2009-13) and business base (+19%, 2011-2014).

ICT and Digital Media sector

- 3.9 The ICT and Digital Media sector comprises a range of activities including manufacturing, wholesale and retail, more creative activities such as publishing and software, and business services (such as consultancy activities). Data suggests that the Hounslow ICT and Digital Media sector provides around 12,900 jobs and 1,900 businesses (including areas of overlap with other sectors).

Again, the sector represents a strong specialism for Hounslow in the London context. Both the employment and businesses bases in the sector are nearly twice as concentrated in Hounslow as is average across London. Only Islington contains a higher concentration of ICT and Digital Media jobs than Hounslow. In absolute terms, only Westminster, the City, Camden, Islington and Tower Hamlets have more jobs in the sector (these largely reflect the well-established

clusters of activity throughout central London and around Shoreditch).

- 3.10 The sector has experienced strong growth in recent years in both its employment base (+50%, 2009-13) and business base (+51%, 2011-2014).

Other Sector Specialisms

- 3.11 In addition to these three sectors, specialisms have also been identified for a number of other sectors including Advanced Manufacturing and Oil and Gas. However, these sectors are currently relatively small in the Borough:
- Advanced Manufacturing – a comparatively small sector providing 2,900 (including areas of sector overlap as per table 3.1) and 100 businesses. Employment in the sector is more than twice as concentrated in Hounslow than is average across London
 - Oil and Gas – this is a nascent sector in Hounslow, comprising around 500 jobs. That said, the sector is more than twice as concentrated in Hounslow than is average across London and employment has grown strongly in recent years (2009-13).

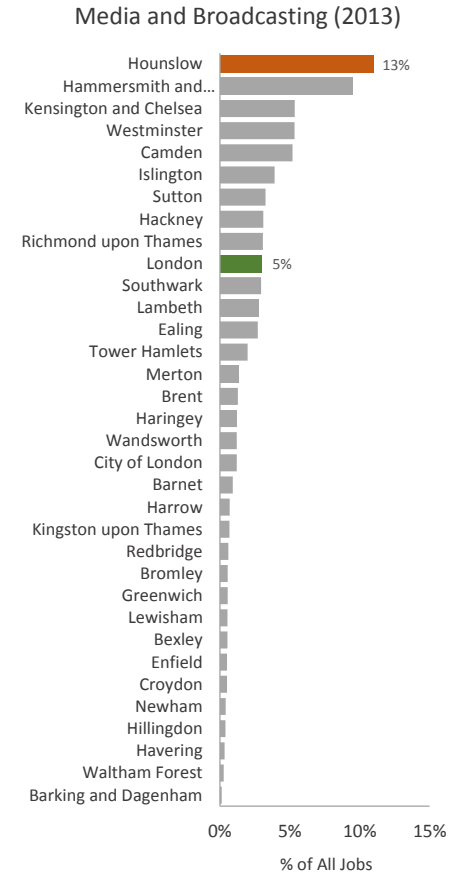
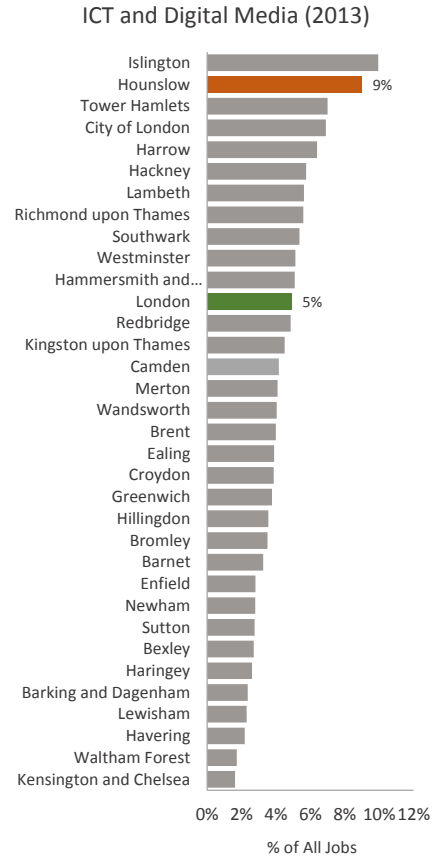
Analysis and Implications

- 3.12 The charts below highlight the strong degree of specialisation in the Hounslow Transport and Logistics, Media and Broadcasting and ICT and Digital Media sectors when compared to other London Borough's.
- 3.13 These are significant findings and highlight the fact that Hounslow should be playing an active role in contributing to the London wide

economic development narrative, particularly in relation to these key sectors.

- 3.14 This is especially the case for the ICT and Digital Media and Media and Broadcasting sectors: while these are priority sectors at the London level (referenced within the LEPs Economic Plan, Mayor's 2020 Vision and the London Plan). Much of the emphasis on growth in these sectors in London policy and intervention terms has been focused around strengths in central and inner east London (e.g Tech City). Comparatively little has been made of the potential for outer London Borough's such as Hounslow to play a role in driving sector growth. This is explored in more detail in Chapter 5 within full sector profiles of Hounslow's sector specialisms.

In Context: Hounslow's Sector Specialisms - Concentration of Sector Jobs in Local Economy



Source: BRES, 2013

Other Important Employment Sectors

3.15 In addition to the sector specialisms above, there are a number of other sectors which play an integral role in the Hounslow economy. Again, analysis below is based on the UK Business Count (business) and BRES (employment) data presented in Table 3.1 above:

- Professional and Business Support Services – data suggests that the combined Professional and Business Services sector accounts for a large proportion of activity in Hounslow, contributing a total of up to 32,500 jobs and 3,500 businesses. While this accounts for nearly a quarter of employment and nearly a third of businesses, levels of activity in the sector are less concentrated locally than is average across London.
- Wholesale and Retail – the wholesale and retail sector has an average level of specialisation relative to the London average. That said, this is one of the largest sectors in the Borough, with around 2,000 businesses providing around 19,900 jobs. However, the employment base has declined by around 5% in recent years (2009-13).
- Public sector – public sector activities contribute a combined total of around 22,100 jobs, around 15% of all employment in the Borough. This includes around 9,900 health jobs, around 8,500 education jobs and around 3,800 public administration jobs. However, as suggested by the previous analysis regarding the private sector economy, public sector employment is underrepresented in Hounslow compared to the London average. This is the case for each of the constituent parts (public administration, health and education).

- Hospitality, Leisure and Other Services – this sector has a relatively average degree of specialisation in Hounslow relative to London averages. However, the sector contains around 15,400 jobs spread across 1,100 businesses. Employment in the sector has also grown strongly in recent years (2009-13).

Cross Cutting Sectors

3.16 In addition to the sectors discussed above, it is important to note a number of additional sectors which ‘cut across’ an economy and influence other activities – creative industries, Tourism and the Low Carbon economy:

- Creative industries – the creative industries is a target growth sector at both the London and UK levels. The creative industries largely comprise activities under the sectors described above, particularly ICT and Digital Media and Media and Broadcasting. Reflecting the strong specialisms of Hounslow in these two sectors, the Borough also has a very strong creative industries sector: we estimate that creative activities contribute around 21,000 jobs locally. This represents around 14% of the total employment base, double the average concentration seen across London. Growth has been strong in recent years, with employment increasing by around 80% (2009-13). Hounslow has the second highest concentration of creative jobs in London, second only to Hammersmith and Fulham.
- Tourism – the standard definition of Tourism include activities such as transport, food and drink, accommodation and culture / leisure activities. However, it should be noted that this is a problematic and broad definition given that many of these activities will comprise both tourism and non-tourism

activities. These caveats aside, high level analysis suggests that the broadly defined Tourism sector contributes around 15,300 in Hounslow – a lower concentration of activity than is average across London. There has been strong employment growth in the sector in recent years (2009-13).

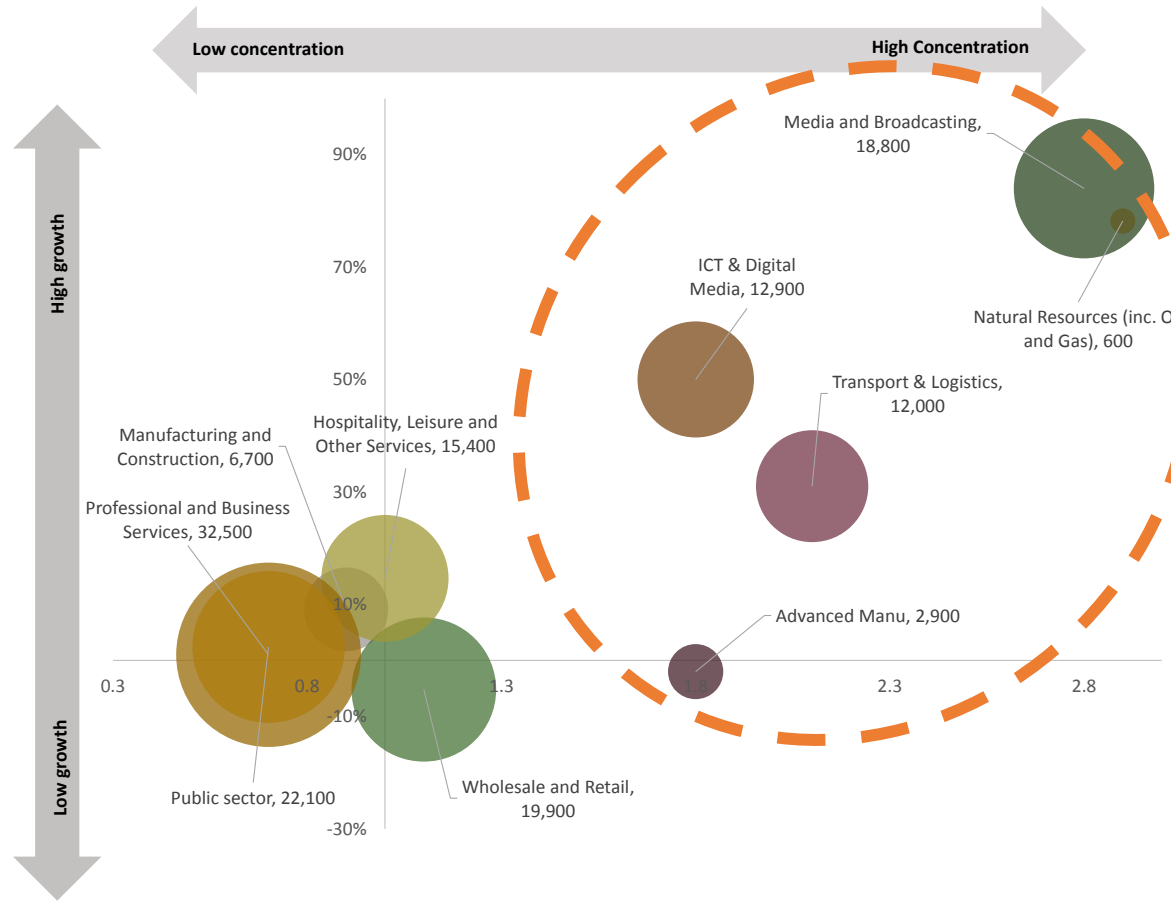
- Low Carbon economy – it is also difficult to define the Low Carbon sector. ONS's SIC codes do not segment activities which are specifically Low Carbon. That said, Regeneris has developed a model⁴ for estimated Low Carbon activity in local economies. Using this model, we estimate that there are around 2,800 Low Carbon jobs in the Borough, with the concentration of activity slightly lower than is average across London.

Summary: Hounslow's Sector Strengths

- 3.17 The above analysis is summarised in the chart below which compares Hounslow's sectors in terms of their size, degree of specialisation and growth trajectory.
- 3.18 The chart highlights the strengths and importance of Hounslow's defining sectors, ICT and Digital, Media and Broadcasting and Transport and Logistics (and to a lesser extent Oil and Gas and Advanced Manufacturing), which are clearly clustered in the top right quadrant of the chart.

⁴ This is set out in more detail in Chapter 5.

Hounslow Sectors: Size, Concentration and Trajectory



The chart summarises Hounslow’s sectors in terms of their size, degree of specialisation and growth trajectory:

- Quantum of employment (2013) – denoted by the size of the bubble.
- Degree of specialisation (2013) – concentration (as defined by Location Quotient) relative to the London average denoted by horizontal positioning, with bubbles on the right of the chart showing greatest degree of specialisation
- Sector trajectory – employment change (2008-13) denoted by vertical positioning, with bubbles at the top of the chart showing greatest level of growth in percentage terms.
- The orange bubble denotes the cluster of sectors which are areas of specialism for Hounslow

Note – the chart excludes the Tourism, Low Carbon and creative industries sectors which cut across a number of the sectors illustrated.

Source: Regeneris Consulting based on IDBR and BRES. Note the size of each bubble represents the number jobs in each sector.

London's Growth Sectors

- 3.19 The London Plan (2011) and the Mayor's 2020 Vision (2013) and the London LEP Economic Strategy (2015) identify those sectors which will be most important in driving future growth in the wider London economy.
- 3.20 The London Plan highlights the important role that Outer London has in contributing to growth by providing an attractive location for sectors which are currently located outside the capital in the wider South East region. It also flags up the Mayor's commitment towards London's Low Carbon future and ensuring that future growth occurs in a broad range of new (e.g. creative economy) and established sectors (e.g. professional services).
- 3.21 The Mayor's 2020 Vision notes that while professional and financial services will continue to be a strong growth sector for the capital, the creative industries (particularly ICT and Digital Media and wider media activities), and high value bio-tech, nano-tech and green-tech are increasingly choosing to locate in London.
- 3.22 Lastly, it emphasises that London is a gateway to both Europe and the rest of the globe, and thus its role as a top destination for tourism should be recognised.

Segmenting Hounslow's Economy

- 3.23 In developing an evidence base for sectors which are likely to be of most important in both defining Hounslow and in driving future economic growth, both existing strengths and future growth prospects have been considered:
- **Existing Hounslow strengths:** based on analysis of sector data, review of council policy documents and consultation,

existing sector strengths for Hounslow include Transport and Logistics, ICT and Digital Media, and Media and Broadcasting.

- **Key London sectors:** based on opportunity sectors targets in the London Plan, London LEP Economic Strategy and the Mayor's 2020 Vision. Future priority sectors at the London level include digital and creative industries, Low Carbon activities and financial and business services.
- 3.24 The following three sector typologies have been defined to segment the Hounslow economy according to strengths and opportunities. These typologies provide a framework within which Hounslow can consider its policy response:
- **Defining sectors** - sectors that provide a 'unique selling point' and definition for an area and differentiate it from other locations and competitors. In Hounslow, these include Transport and Logistics, ICT and Digital Media and Media and Broadcasting. Activity within these sectors in Hounslow represent significant clusters within the regional context. Advanced Manufacturing and Oil and Gas are also relative specialisms, but are relatively small sectors in terms of employment numbers at this stage.
 - **Regional growth sectors** - these are the sectors – in many cases high value sectors – being targeted for growth at the London level. In Hounslow, these sectors include ICT and Digital Media, Media and Broadcasting, professional and business support services, the Low Carbon economy and Tourism.
 - **Service sectors** – sectors that mainly serve a local population. Demand relates to local residents & users and should increase as more residents move into an area. In Hounslow, these

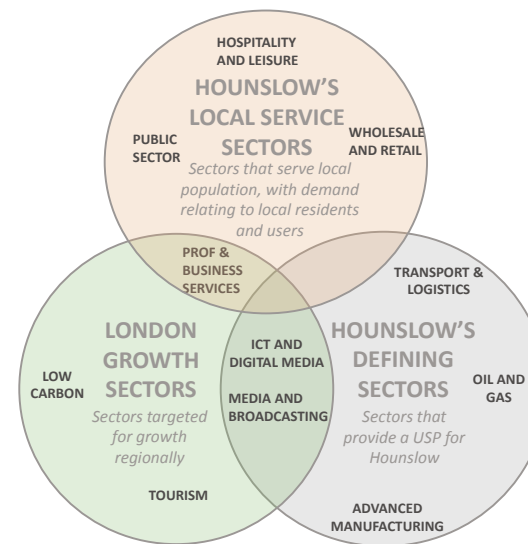
include: wholesale and retail, leisure and hospitality, and public sector activities.

3.25 The response to support each of these types of sector may vary:

- Defining sectors are likely to require highly tailored support to enable innovation and growth within Hounslow. The council will need to maintain an ongoing dialogue with companies as well as sector representative bodies, supporting them to respond to specific challenges and opportunities within their specific markets.
- In responding to London growth sectors, LB Hounslow and partners will need to work closely with regional partners, articulating the case for locations in London compared to other places in London.
- Local service sectors will grow as a result of growing populations and increased use of local places (particularly town centres). The quality and value of future sector activity can be influenced by working with developers and operators, as well as supporting existing businesses to capitalise upon the opportunity new developments and populations provide.

3.26 The diagram below plots the sectors/activities considered in this chapter against the three sector typologies. It should be noted that none of these sectors should be considered in isolation: in many cases there is significant overlap between the sectors.

Figure 3.3 Hounslow: Segmenting the Economy



Note 1: While the Low Carbon and Tourism cross cutting sectors are included in the diagram, it should be noted that these comprise a range of activities across the economy. Tourism, for example, comprises activities from the hospitality and leisure and transport sectors.

Note 2: Creative industries are excluded given that activity in this sector largely replicates the ICT and Digital Media and Media and Broadcasting sectors.

Source: Regeneris Consulting, 2015

3.27 Hounslow’s defining and opportunity sectors – including possible policy responses –are considered in more detail in Chapter 5, via a series of detailed sector profiles.

4. Business and Enterprise in Hounslow

Summary of Key Findings

This chapter provides a detailed examination of the characteristics and performance of the Hounslow business base. Key findings taken from the analysis include:

- Hounslow is home to a large base of micro (0-4 employees) and small businesses (5-20 employees). In total these account for around 93% of all businesses. While not atypical in the London context, these businesses play an important role in the local economy: small and micro businesses are responsible for a large amount of recent growth in Hounslow and they also contribute around a quarter of the employment base.
- While micro and small businesses play an important role in the local economy, perhaps a more strongly defining feature of the Hounslow economy is its base of larger businesses. Around 100 businesses (including those cluster around the Golden Mile) employ more than 250 people locally; these support around 40% of the local employment base, a significant proportion of the local economy. Aside from direct employment benefits, these large businesses play an important role in supporting small businesses in the Hounslow economy as a result of supply chain linkages and multiplier spending in local areas by employees.

- Analysis in the chapter highlights that Hounslow tends to perform at or below the London average in terms of enterprise. That said analysis at a more local geographical level highlights that the east of the Borough (particularly around Chiswick) is a comparatively enterprising place, with high levels of self-employment and homeworking and a concentration of sole traders. Given the important role that micro enterprises and small businesses are playing in Hounslow in terms of providing jobs for local people and driving growth in the business base, ensuring a supportive environment in which businesses can be established and grow is an economic development imperative.

As part of this research we have undertaken an extensive process of consultation and engagement with 200 local businesses. Key findings from this include:

- Businesses are generally positive about Hounslow as a place to do business, particularly in terms of its location (access to markets), access to skilled staff, and transport connections. Proximity to Heathrow was identified as a key factor influencing the location of firms in the area.
- While business performance has been mixed in recent years (only a third of firms have experienced employment growth over the past 5 years), business are relatively optimistic about future performance. Nearly half of firms were expecting to grow in employment terms in the next few years. Strong competition in the market place (particularly from larger firms) was identified as the most significant barrier to achieving growth.
- Hounslow's businesses are typically engaged in markets and supply chains which reach far beyond the Borough's boundaries. In many instances, this is internationally, with proximity to Heathrow a key factor in helping businesses to export.

- The majority of businesses did not report any specific difficulties in recruiting or any skills gaps. That said, skills gaps which were identified as existing include IT development / software skill (ICT and Digital Media sector) and drivers (Transport and Logistics).
- The majority of firms use internal or informal mechanisms to recruit staff, and few have sought support from external organisations in this in the past. Around a quarter of those consulted have taken on apprentices or trainees in the past and just under half are interested in doing so in the future.

- 4.1 The Hounslow Local Economic Assessment (2011) and Update (2013) provides a detailed review of Hounslow's business base and enterprise performance.
- 4.2 This chapter looks to build upon the findings from that research, providing detailed analysis of the characteristics and performance of the business base and the issues and challenges facing businesses across the area. Again, it should be noted that the focus of the study is on Hounslow's micro businesses and SMEs; that said, the Borough's base of larger companies also forms an important part of the analysis given that these contribute a significant proportion of employment and hence act as important drivers in the local economy.
- 4.3 The research is based on detailed analysis of economic datasets such as ONS Business Demography, IDBR and MINT UK and also draws on emerging findings from the programme of business engagement undertaken as part of this study. The approach we have taken to business engagement is summarised in Appendix D.

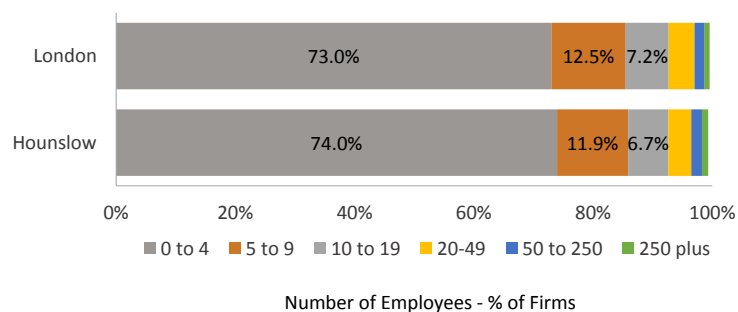
Overall Structure of the Business Base

- 4.4 The profile of Hounslow's business base is not atypical in the London context: data from the ONS Business Demography datasets suggests that around 99% of the business base comprises businesses employing fewer than 250 people (the traditional definition for small and medium sized enterprises or SME's).
- 4.5 Of these, the majority of business are micro sized enterprises, employing fewer than 5 people. Official statistics (ONS Business Demography) suggest that micro enterprises account for around three quarters of all businesses in Hounslow. In reality, the figure is likely to be significantly higher: many of the smallest enterprises are often excluded from government datasets as they fall below official accounting thresholds such as the VAT registration threshold of around £80,000.
- 4.6 The size profile of Hounslow businesses is summarised in the table below; the contents of the table are explored in more detail later in this chapter.

London Borough of Hounslow: Sectors Research

Table 4.1 Hounslow: Business Size Profile Summary, 2014

	Businesses		Employment
	Number	%	%
0 to 4	9,200	74%	8%
5 to 9	1,500	12%	6%
10 to 19	800	7%	8%
20 to 49	500	4%	12%
50 to 250	200	2%	25%
250 plus	100	1%	42%
Total	12,500	100%	100%



Source: IDBR, 2014

- 4.7 Reflecting this size profile, the vast majority of Hounslow's businesses (as is the case across London) have relatively low turnover levels (based on ONS Business Demography data): over 40% of local businesses (around 4,600 businesses in real terms) turnover less than £100,000 per annum. At the other end of the spectrum only around 1 in ten business (around 1,100 businesses in real terms) turnover more than £1 million per annum, with around 3% (around 400 business in real terms) turning over in excess of £5 million per annum.

- 4.8 Again, it is important to note that these government figures are likely to exclude some of the smallest businesses and as such, in reality the proportion of businesses turning over less than £100,000 is likely to be even greater.

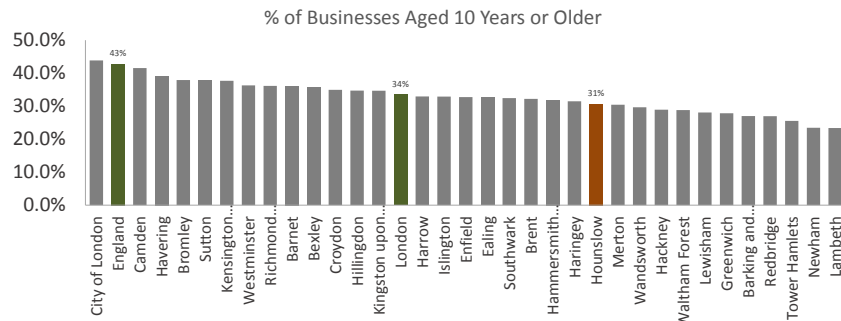
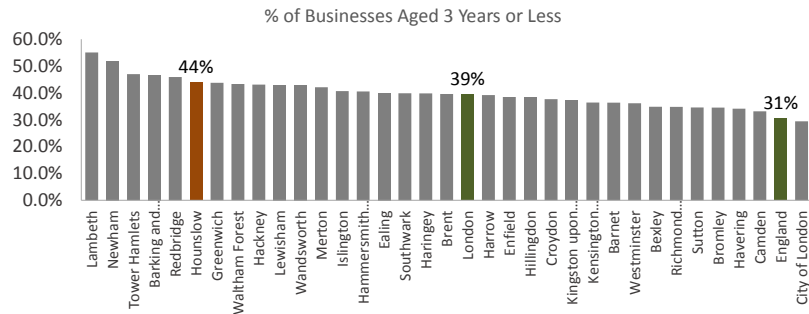
Table 4.2 Business Profile by Turnover Band

		Turnover size band						
		£0-49,000	£50-99,000	£100-249,000	£250-499,000	£0.5m-£1m	£1m-£5m	£5m plus
Hounslow	No	1,700	2,900	3,300	1,100	600	700	400
	%	16%	27%	31%	10%	6%	7%	3%
London	%	16%	24%	31%	11%	7%	8%	3%

Source: ONS Business Demography, 2014

- 4.9 When set within the wider London context, the age profile of Hounslow's business base is skewed slightly towards younger businesses. ONS Business Demography data suggests that around 44% of all businesses in the Borough (4,400 in absolute terms) are aged 3 years or younger, compared to an average of around 39% across London as a whole. At the other end of the spectrum, around 32% of the Borough's businesses (around 3,100 in total) are aged over 10 years, compared to the London average of 34%.

Figure 4.1 Age Profile of Businesses Across London Borough's



Source: ONS Business Demography, 2014

4.10 These indicators suggest that while the Borough is home to a number of large and well established businesses, the Borough is largely characterised by a comparatively large and young base of small and micro sized businesses. While there is no dataset which corroborates this information, anecdotal evidence has highlighted that Hounslow's

small business community is characterised by high levels of ethnic and cultural diversity, reflecting wider population characteristics.

4.11 These trends are considered in more detail below, with consideration in turn of each business size group.

Large Business in Hounslow

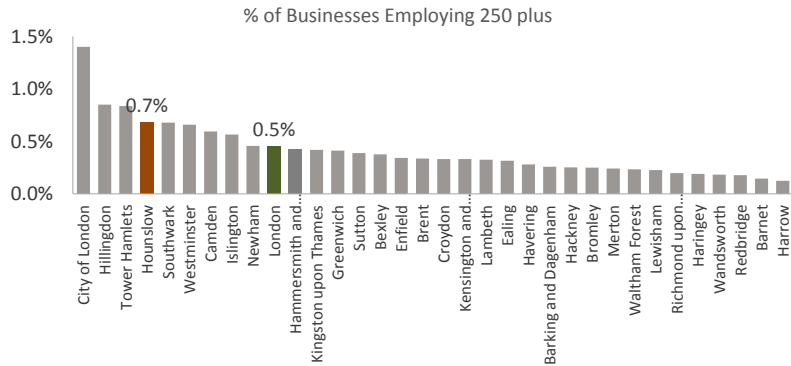
4.12 This section provides an overview of Hounslow's large business base. For statistical purposes, the large business base is defined as those businesses employing 250 people or more.

4.13 Analysis throughout the section below is based on analysis of the IDBR 2014 dataset.

Overview of Large Business Base

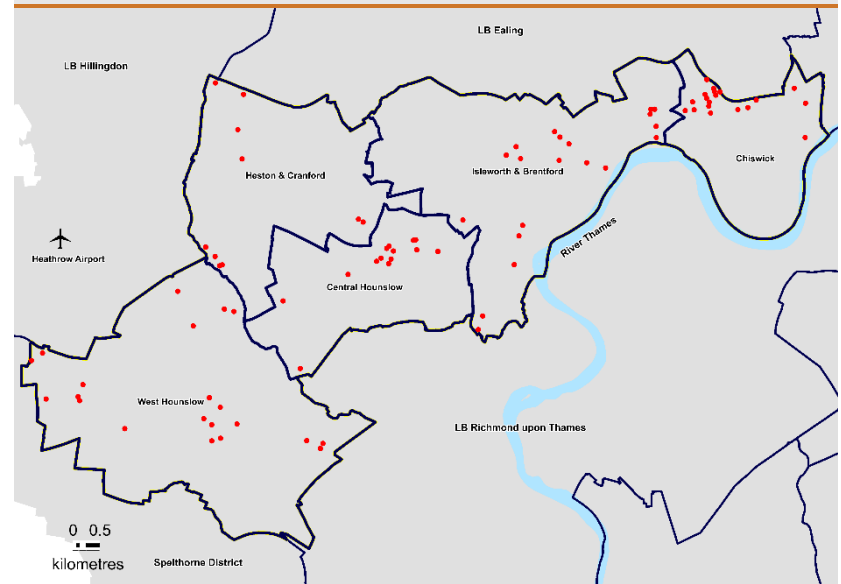
4.14 There are around 100 of these businesses in Hounslow, comprising around 1% of the whole business base. As highlighted by the chart below, this is one of the larger bases of large business seen across all London Borough's.

Figure 4.2 Size of the Large Business Base Across London Borough's



Source: IDBR, 2014

Figure 4.3 Hounslow's Large Businesses (250 employees plus)



Source: Regeneris Consulting, 2015, based on ONS IDBR Data

- 4.15 While these business account for a relatively small proportion of the total business base, they are an important driver of the local economy and labour market, accounting for around 42% of the Borough's employment (an estimated 59,000 jobs in absolute terms).
- 4.16 The number of large businesses in the Borough has remained unchanged in recent years (2011-2014), despite strong growth across the business base as a whole.
- 4.17 The Borough's large businesses are distributed across Hounslow with around half located in the broadly defined east⁵ of the Borough, and half in the west. There are particular concentrations found in and around the Golden Mile, Chiswick and Hounslow town centre.

- 4.18 Hounslow's large businesses are distributed relatively broadly across a number of sectors, including business support services (17%), wholesale and retail (15%), public sector (15%), Transport and Logistics (12%), ICT and Digital Media (11%), hospitality, leisure and recreation (10%), and professional services (10%).
- 4.19 Many of the Borough's large businesses are relatively high profile firms, whose presence locally is seen as a significant asset for the local

⁵ Our broadly defined east of the Borough incorporates Chiswick, Brentford (including the Golden Mile) and Isleworth.

(and wider west London) economy. In many instances activities being undertaken by these large employers in Hounslow are high value activities including a number headquarters functions. These firms include Sky, Glaxo Smith Kline, OCS Group, Cisco International, Royal Mail Group, SAP Ltd, Tascor Services, British Airways, Babcock Airports and Atlas Cleaning. There are also a number of large public sector employers including West Middlesex University Hospital and the London Borough of Hounslow.

Medium Sized Enterprises in Hounslow

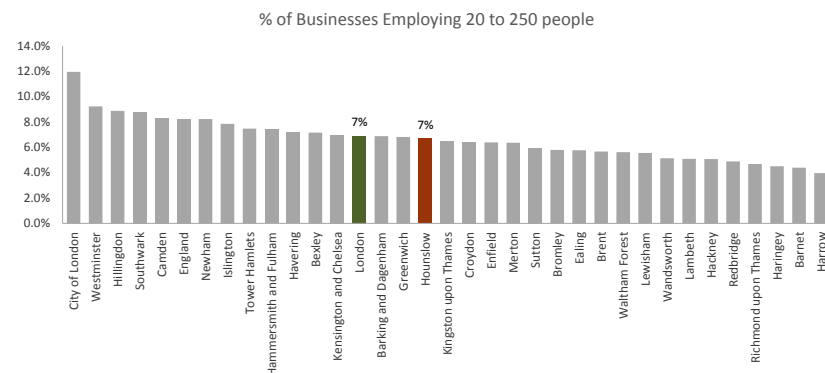
4.20 This section provides an overview of Hounslow’s small and medium sized business base. For statistical purposes, we have defined the SME business base as those businesses employing between 20 and 250 people (we have categorised those employing fewer than 20 people as small and micro businesses, considered separately below). Again, analysis throughout the section below is based on analysis of the IDBR 2014 dataset.

Overview of Medium Sized Business Base

- 4.21 There are around 700 of these businesses in Hounslow, comprising around 6% of the whole business base. However, it is worth noting that this is a broad business category and it is worth splitting it down further to consider smaller medium sized businesses (those employing 20 to 50 people) and larger medium sized businesses (those employing 50 to 250 people). The former of the two categories accounts for around 60% of the Borough’s medium sized businesses (500 businesses in total, 4% of the total business base).
- 4.22 The size of the medium sized business base has been relatively stable in recent years (2011-14).

4.23 As highlighted by the chart below, the size of Hounslow’s small and medium sized business base is relatively typical when set against the context of other London Borough’s.

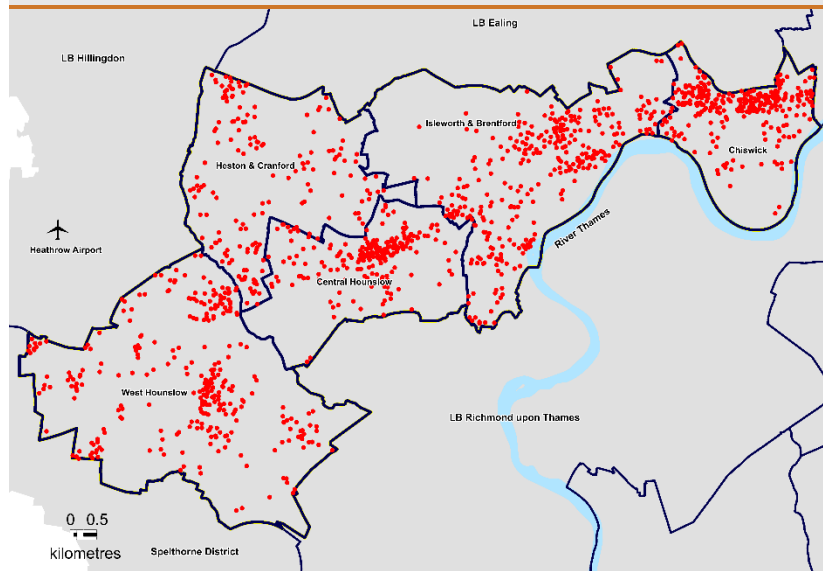
Figure 4.4 Size of the Medium Sized Business Base Across London Borough’s



Source: IDBR, 2014

- 4.24 Medium sized businesses are an integral component of the local economy and labour market, accounting for around 37% of the Borough’s employment (an estimated 53,000 jobs in absolute terms).
- 4.25 As with the large business base, these businesses are distributed across Hounslow with around half located in the broadly defined east of the Borough, and half in the west. Particular concentrations are found in and around Chiswick, Brentford and the Golden Mile, Hounslow, and Feltham.

Figure 4.5 Hounslow's Medium Sized Business Base (20 to 250 employees)



Source: Regeneris Consulting, 2015, based on ONS IDBR Data

- 4.26 Hounslow's medium sized businesses are distributed across a number of sectors, including wholesale and retail (17%, 150 businesses), public sector (19%, 200 organisations), hospitality, leisure and recreation (14%, 100 businesses), business support services (13%, 100 businesses, and professional services (10%, 100 businesses) and Transport and Logistics (10%; 100 businesses).

Small and Micro Businesses in Hounslow

- 4.27 This section provides an overview of Hounslow's small and micro business base. For statistical purposes, we have defined:

- The small business base as those businesses employing fewer than 5-20 people.
- The micro business base as those businesses employing fewer than 5 people.

- 4.28 Again, analysis throughout the section below is based on analysis of the IDBR 2014 dataset.

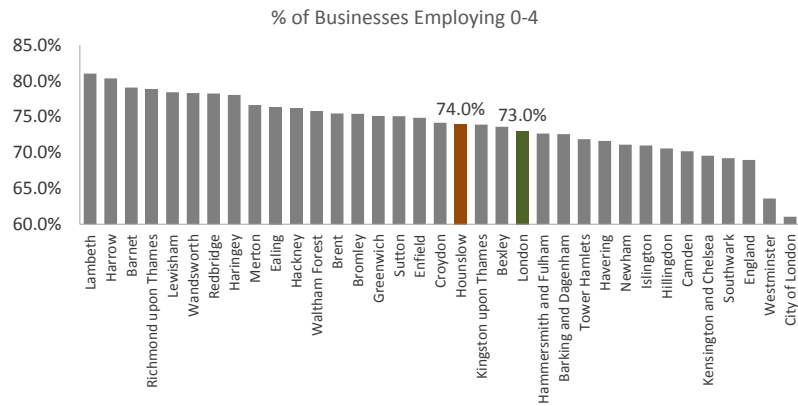
Overview of the Small and Micro Business Base

- 4.29 Small and Micro businesses account for a large proportion of the Hounslow business base. There are around 11,500 of these businesses in Hounslow, comprising around 93% of the whole business base and accounting for around 21% of the Borough's employment base (an estimated 31,000 jobs in absolute terms).

- 4.30 However, as discussed earlier, the actual size of the small and micro business base in Hounslow is likely to be much larger, reflecting businesses which fall below official accounting thresholds. Although there is no way of accurately assessing this, our research suggests that there could be as many as 7,800 additional firms in the Borough on top of the official estimate; many of these are likely to be micro sized businesses.

- 4.31 The majority of these businesses are micro businesses, employing fewer than 5 people. Around 80% (9,200) of businesses showing up in official statistics in the small and micro business category are actually micro businesses employing fewer than 5 people (around three quarters of the total business base). These micro businesses contribute around 12,000 jobs (around 8% of the employment base). However, as highlighted by the chart below, the size of Hounslow's micro business base is relatively typical when set against the context of other London Borough's.

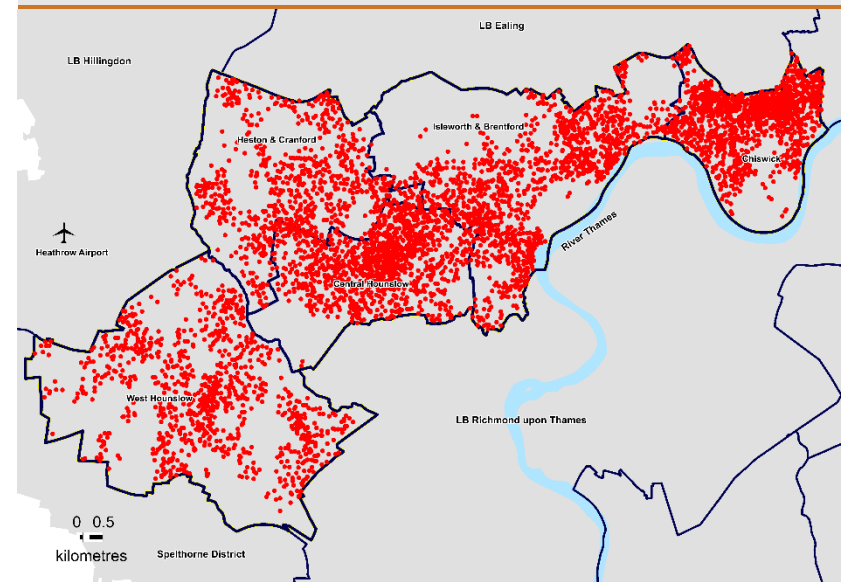
Figure 4.6 Size of the Micro Business Base (focusing on the 0-4 segment) across London Borough's



Source: IDBR, 2014

- 4.32 Evidence suggests that micro businesses have contributed much as the growth in the local business base in recent years. The size of the small and micro business base has grown strongly since 2011, by around 2,100 firms (growth of around 22%). This accounts for around 90% of all growth in the Hounslow business base. However, the majority of growth has come from within the micro segment of the business base: this grew by around 1,800 firms from 2011 to 2014 (growth of 23%). This growth rate has been slightly above the London wide average of 19%, and is the highest growth seen in west London.
- 4.33 As with the large business base, these businesses are distributed across Hounslow with around half located in the broadly defined east of the Borough, and half in the west. Particular concentrations are found in and around Chiswick, Brentford, Hounslow, Isleworth and Feltham.

Figure 4.7 Hounslow's Micro Business Base (0-4 employees).



Source: Regeneris Consulting, 2015, based on ONS IDBR Data

- 4.34 Hounslow's small and micro business are distributed across a number of sectors, including business support services (22%, 2,200 businesses), professional services (21%, 1,900 businesses), ICT and Digital Media (11%, 1,000 businesses) and wholesale and retail (11%, 1,000 businesses) and Hospitality, Leisure and Recreation (8%; 800 businesses).

Analysis and Implications

- 4.35 The analysis above highlights that the Hounslow business base is not not atypical in the wider London and UK context.

- 4.36 The Borough is home to a large base of micro and small businesses, which account for around 93% of all businesses – similar to the proportion seen across London. While not atypical, these businesses play an important role in the local economy: small and micro businesses are responsible for a large amount of recent growth in Hounslow and they also contribute around a quarter of the employment base. Anecdotally, these jobs are more likely to be taken by local or west London residents than might be the case with larger businesses.
- 4.37 While micro and small businesses clearly play an important role in the local economy, perhaps a more strongly defining feature of the Hounslow economy is its base of larger businesses. A relatively small number of businesses employing more than 250 people support around 40% of the local employment base. This is a significant proportion of the local economy, notwithstanding the fact that (anecdotally) a higher proportion of these jobs (particularly in higher value activities) are likely to be taken by non-Hounslow residents.
- 4.38 Aside from these direct employment benefits, these large businesses also play an important role in supporting small businesses in the Hounslow economy, as a result of supply chain linkages and multiplier spending in local areas by employees. The large businesses (particularly those in the Golden Mile) also have an important role to play in terms of the external reputation and perception of Hounslow as a place to do business.
- 4.39 The inter-relationship between Hounslow’s base of large and small businesses – including implications for Hounslow as a council – is considered in more detail in throughout the rest of the report.

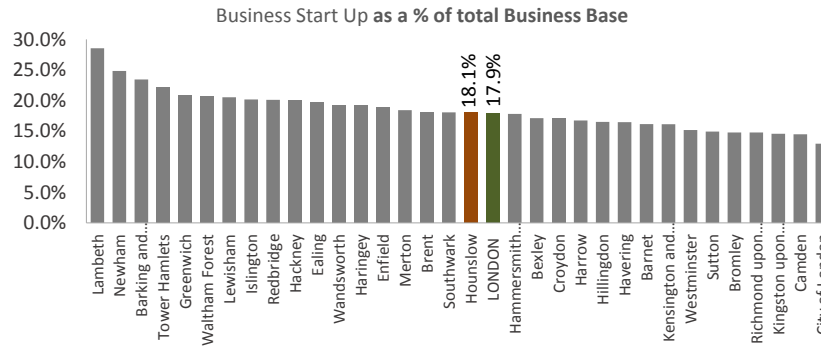
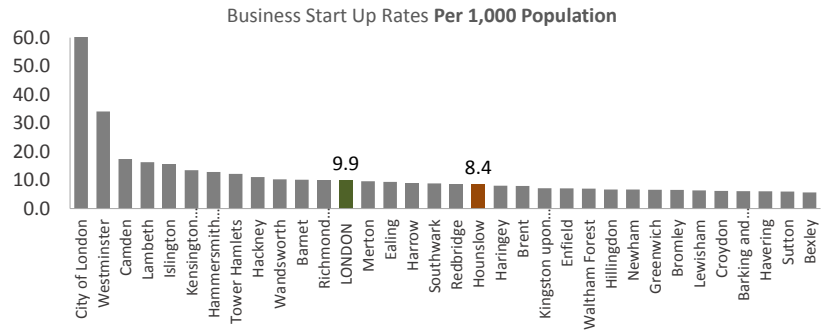
Enterprise in Hounslow

- 4.40 This section provides an overview of enterprise performance in Hounslow, drawing upon a range of indicators to understand levels of enterprise, the performance of enterprise and the characteristics of enterprise.

Business Start Ups

- 4.41 The Hounslow LEA (2011 and 2013) noted strong enterprise performance in the Borough, with high levels of business start-up. However, the research also found relatively low business survival rates resulting in high levels of business churn.
- 4.42 Our review of the data (ONS Business Demography Dataset) suggests a more mixed picture in terms of business start-up rates. In 2013, there were around 2,200 business start-ups in Hounslow. This can be contextualised in a number of ways:
- As a rate of the total population – Hounslow has a start-up rate of 7 businesses per 1,000 population. This rate is slightly below the London average and is relatively average when compared to other London Borough’s. This suggests that the propensity of entrepreneurialism amongst Hounslow’s population is relatively average in the London context;
 - As a percentage of the total business base – Hounslow’s start-up rate is around 17% when compared as a percentage of the total business base. In this respect Hounslow performs close to the London average.

Figure 4.8 Hounslow’s Business Start Up Performance (2013).



Source: Regeneris Consulting, 2015, based on ONS Business Demography Data

- 4.43 Despite the above, data from the ONS Business Demography dataset suggests that Hounslow’s business start-up rates have increased strongly by around 69% over the past decade and are now around 900 businesses per annum higher than they were in 2004. This performance is above the London average (56% growth) and the Borough ranks 10th among London Boroughs. As with locations throughout the UK, the majority of growth has been registered in the period since the economic downturn (2010 onwards).
- 4.44 Evidence from Start Up Britain⁶ suggests that start up rates are highest in the centre of the Borough (in and around Hounslow town centre) and in the east of the Borough (around Chiswick). Start-up rates are lower in the west of the Borough.

Other Indicators of Enterprise

- 4.45 While business start-up rates provide a good indication of levels of enterprise within an economy, analysis of other indicators such as the number of sole traders, self-employment levels and home working levels helps to provide additional insight and depth to the analysis:
- Sole traders – official datasets (IDBR)⁷ suggest that there are around 3,900 sole trader businesses in Hounslow. However, as with micro businesses, the actual number is likely to be much higher, reflecting that many soletrader businesses will fall below official accounting thresholds. Although there is no way of accurately assessing this, our research suggests that there could be as many as 7,800 additional firms in the

⁶ Accessed at <http://www.startupbritain.co/>

⁷ For the purposes of analysis, we have assumed sole traders to be those businesses showing up as having either 0 or 1 jobs

Borough on top of official estimate; many of these are likely to be micro sized businesses (including sole traders).

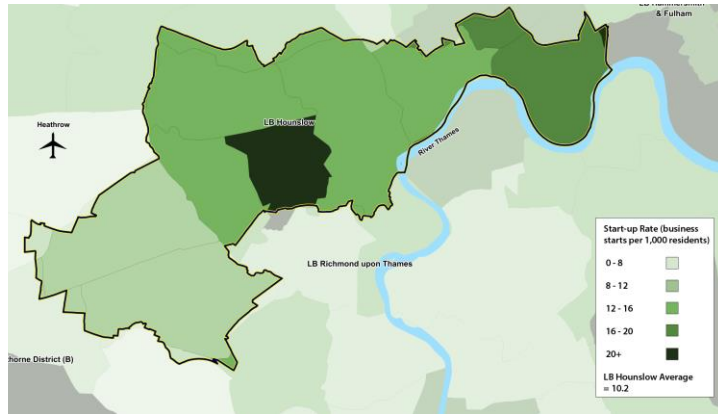
- Self-employment – self-employment data from the 2011 Census provides a further indication of the entrepreneurial tendencies of the local population, although it should be noted that those in self-employment may not actually work in the Borough in which they live. In total, there are around 20,000 self-employed people living in Hounslow. This represents around 16% of all those residents in employment, slightly below the London average of 18%. However, there was a stronger than average increase in the number of self-employed people in the Borough of 74% in the decade to 2011. Self-employment rates are particularly high in the east of the Borough;
- Homeworking – levels of homeworking provides further evidence of enterprising activity, although it should be noted that homeworkers may not necessarily be self-employed or engaging in enterprise. At the 2011 Census, there were around 11,100 homeworkers living in Hounslow. This represents around 9% of all those residents in employment, slightly below the London and national averages. However, there was a stronger than average increase in the number of homeworkers of 29% in the decade to 2011. Again, levels of homeworking are particularly high in the east of the Borough.

4.46 The geography of enterprise in the Borough is mapped overleaf.

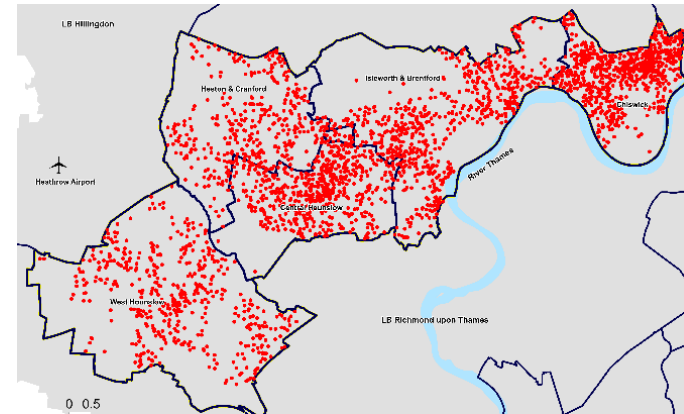


Figure 4.9 Geography of Enterprise in Hounslow

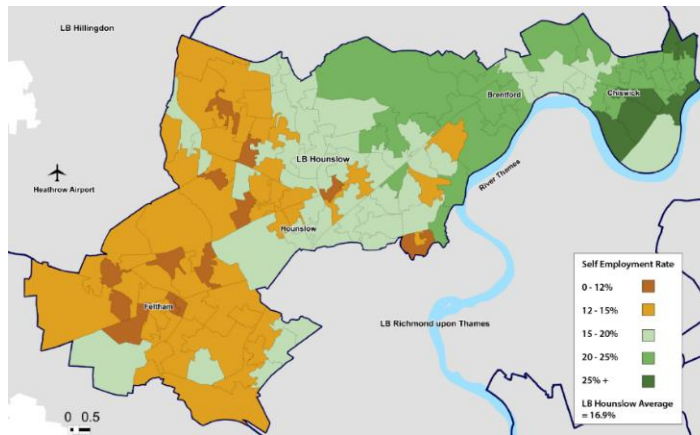
Business start-ups (2014)



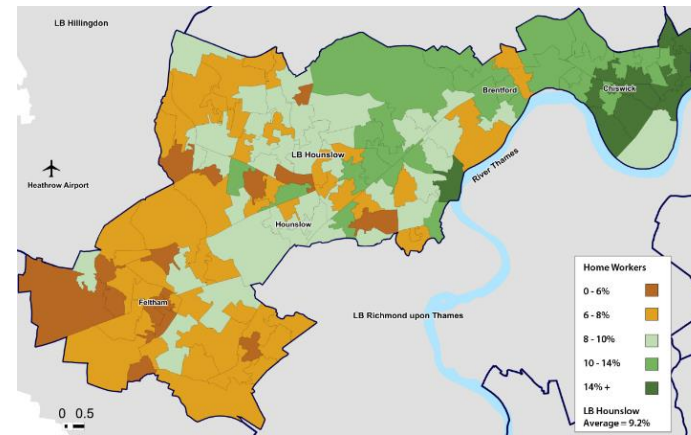
Sole Traders (business location, 2014)



Self-Employment (% of those in employment, 2011)



Home Workers (% of those in employment, 2011)

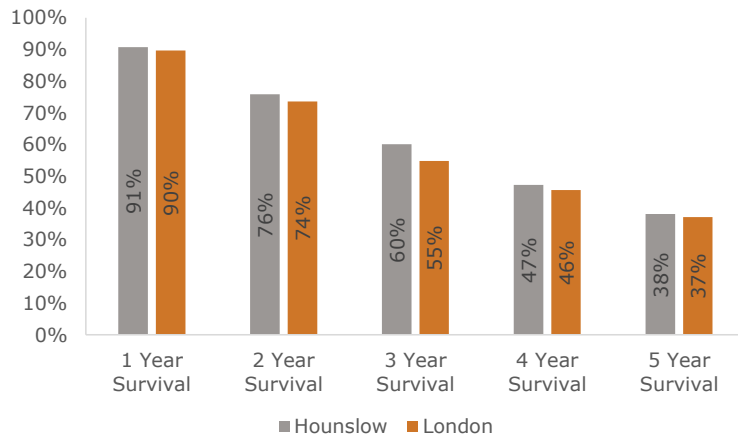


Source: Regeneris Consulting, 2015, based on Start Up Britain (start-ups), IDBR (sole traders) and the 2011 Census (home working and self-employment)

Business Survival

- 4.47 Data from the ONS Business Demography dataset suggests that in 2013 there were 1,300 business deaths in Hounslow, a rate of 4.8 per 1,000 population. This business is lower than the London average of 5.9. As a result, net business change in 2013 was around +940 businesses or 3.5 per 1,000 population. This is slightly below the London average of 4.0 per 1,000 population
- 4.48 Average survival rates for new businesses in the Borough are 91% after 1 year, 76% after 2 years, 60% after 3 years, 47% after 4 years and 38% after 5 years. These survival rates are slightly above London averages.

Figure 4.10 Hounslow’s Business Survival Rates (2013)



Source: Regeneris Consulting, 2015, based on ONS Business Demography Data

Analysis and Implications

- 4.49 The above analysis highlights that Hounslow tends to perform at or below the London average in terms of enterprise.
- 4.50 Whilst, survival rates are relatively average, more enterprise activity (even if this also meant a higher level of failure/deregistration) would mean that Hounslow would mirror the higher levels of churn which are present in other growth locations in London and define more entrepreneurial localities.
- 4.51 Analysis at a more local level does highlight that the east of the Borough (particularly around Chiswick) is a comparatively enterprising place, with high levels of self-employment and homeworking and a concentration of sole traders.
- 4.52 The challenges facing local enterprise (focusing on micro and small businesses) is explored below. The Hounslow business support environment – and possible interventions – are examined in detail in Chapter 6.

Performance and Perceptions of Businesses

- 4.53 As part of our research we have undertaken detailed engagement with businesses located within the Borough. This involved structured consultations with 200 businesses across the Borough. The sample of businesses was stratified to focus on sole traders, micro and small businesses and on a number of Hounslow’s key sectors, including Transport and Logistics, Media and Broadcasting, ICT and Digital Media, Professional and Business Services and Advanced Manufacturing.

A Note of Caution

It should be noted that it was not the scope nor intention of the study to undertake a full and representative business survey.

The focus was on a more detailed engagement / consultation process with local businesses, with emphasis on generating qualitative evidence on the factors influencing the Hounslow business base rather than robust statistical judgements.

While quantitative analysis of responses has been provided throughout this report, this should be treated with caution given the relatively small sample: particular where sector by sector analysis is provided.

For a full quantitative overview of the Hounslow business base, please refer to the full business survey conducted as part of the 2011 Hounslow LEA.

More detail on our approach to this engagement process is provided in Appendix C.

Hounslow as a Business Location

4.54 Businesses gave a variety of reasons for being located within Hounslow:

- The Borough's **physical location** was the most commonly cited factor, identified by around a third of firms. Of these firms, around half specifically identified proximity to Heathrow as being important, while other firms mentioned

strong transport connections and proximity to central London or wider core business markets as being important.

- **Convenience** was also cited as an important locational factor, particularly by smaller firms: proximity to the homes of company directors, owners or staff was cited by around 30% of firms.
- **Business accommodation and premises** was another important factor: around 10% of those businesses engaged with were operating from home, while just under 10% identified the quality and cost of business accommodation
- A further 10% of businesses identified **historic** reasons as being the main location factor
- A relatively small number of businesses cited **proximity to supplier / markets or clustering** as being the key factor.

4.55 Related to this final finding, the vast majority of businesses engaged did not identify themselves as being part of a **specific business cluster**. Those that did (around 12%) largely identified their cluster as being the wider business estate (or managed workspace) 'community'. However, a number of more sector specific clusters were mentioned, namely the clusters of ICT (software and digital development) and Media and Broadcasting businesses in the east of the Borough. These clusters are explored in more detail in the next chapter.

4.56 In general businesses seem satisfied with Hounslow as a business location: just over two thirds of firms rated Hounslow as a good place to do business, with only a very small proportion dissatisfied (around 5%) rating it as poor. Hounslow scored particularly well in terms of:

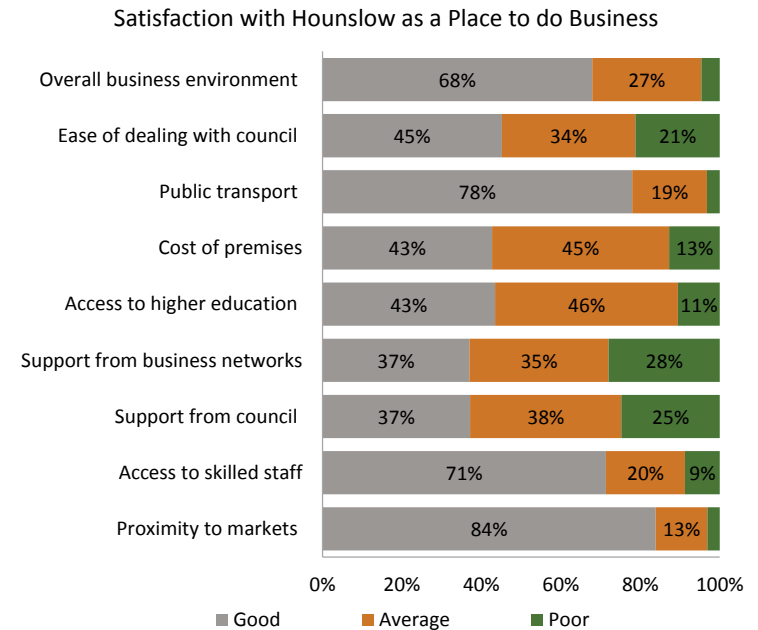
- proximity to markets (rated as good by 84%),

London Borough of Hounslow: Sectors Research

- public transport (rated as good by 78%)
- access to appropriately skilled staff (rated good by 71%).

4.57 As highlighted by Figure 3.12, satisfaction levels were more mixed in terms of support from the council and wider business networks, the ease of dealing with the council, access to higher education and the cost of premises. Dissatisfaction was highest for the former two of these categories – over 25% of respondents rated the support to businesses from the council and wider business networks as being poor.

Figure 4.11 Business Satisfaction with Hounslow as a Place to Do Business



Source: Regeneris Consulting, 2015

4.58 When asked to elaborate on the above findings, businesses cited a number of core strengths and weaknesses. These largely reflect the findings:

- Strengths – the most common strengths cited related to transport and accessibility. Proximity to **Heathrow** was particularly important, along with proximity to the **motorway network and Central London**. Other strengths included the

presence of local **business clusters** (mainly focusing around media and ICT in the east of the Borough) and the quality and relative value of **business accommodation**. A number of the businesses mentioned the **quality of the Borough** as a place to live as being a strength, although it should be noted that comments relate to specific parts of the Borough rather than the Borough as a whole (Chiswick and the east of the Borough tended to be cited in this regard).

- Weaknesses – the most common weakness of Hounslow as a place to do businesses was cited as levels of **local congestion and traffic**. A few businesses also cited a lack of **parking** as being an issue. Other weaknesses were deemed to be the **quality of particular town centres** (Hounslow and Brentford town centres in particular). Businesses also highlighted concerns with the **responsiveness of and support provided by the council**, along with the quality of delivery of statutory services, particularly **street cleaning and waste**.

Further consideration of business satisfaction with Hounslow as a place to do business is provided in *Chapter 5* in terms of satisfaction with the premises and future intentions of businesses.

Business Performance

4.59 As might be expected, businesses engaged had experienced varying performance in recent years. While around 35% of businesses reported no change in turnover over the past 5 years, around 40% reported turnover increases and 20% reported turnover decreases. While still mixed, business performance in terms of employment has generally been more stable than turnover performance: around half of firms reported no change in employment over the past 5 years,

while a third reported an increase in the number of jobs and 13% reported a decrease.

- 4.60 While performance has been mixed for firms across all sectors interviewed, performance has tended to be strongest for firms in the creative (e.g. ICT and Digital) and business services sectors and less strong in more traditional sectors such as manufacturing and Transport and Logistics.
- 4.61 These mixed trends in terms of business performance reflect a multitude of factors, not least the ongoing impacts of the 2008-9 recession and the resulting global economic downturn. Business reported that this has increased competition and reduced business confidence. The trends also highlight the fact that the relationship between turnover and employment performance is not linear. A trend of firms ‘entrenching’ their position by neither growing nor shrinking, is one which was noted across the UK economy during the economic downturn and reflected uncertainty and a lack of confidence in long term economic growth prospects.
- 4.62 That said, correlating with improving economic conditions across the UK, the confidence of business in Hounslow is improving: nearly half of businesses engaged were optimistic about the potential for employment growth within their firm in the next few years.
- 4.63 In terms of areas where such growth is likely to emerge from, around half of businesses thought that growth would relate to enhancing existing services and product offers. Around a quarter of businesses saw potential to secure growth by moving into new geographical markets either at the UK or international levels (exporting is considered in more detail in the next section). Around 10% of businesses thought there was potential to secure growth via diversification into new product or service areas.

- 4.64 Around two thirds of firms identify specific barriers / challenges which may constrain growth in future years. These were relatively diverse and include:
- Business costs (including regulatory costs and rent and staff costs) was cited as the main barrier to growth by around 15% of businesses
 - Competition in the marketplace was also identified as a barrier for businesses, cited by around 12% firms
 - Around 10% of firms identified the strength of their markets and the wider economy as the biggest barriers to growth
 - A further 10% cited resource constraints as the main issue, particularly in terms of ability to undertake effective marketing
 - Around 7% of businesses saw skills constraints as an issue, while 5% mentioned the size / quality of their premises (this is considered in more detail in chapter 5).

Business Operations

Markets and supply chains

- 4.65 Hounslow's businesses are typically engaging in markets and supply chains over large geographical areas.
- 4.66 The vast majority of firms reported that their markets extend across London and to a lesser extent the UK and internationally. Typically, for those sectors engaged with, a relatively small proportion of the customer base is located within Hounslow

- 4.67 The same is true for supply chains. Very few businesses engaged with had supply chains which were primarily located in Hounslow. That said, around a quarter of those businesses engaged with reported that they had supply chain relationships with one or some of the areas larger employers / businesses. While this was spread across a range of sectors, it was particularly common among Manufacturing, Businesses Support, Transport and Logistics and ICT and Digital Media businesses. Heathrow Airport was the most common business engaged, while Sky, GSK and BA were also cited by a number of firms.
- 4.68 The majority of businesses (70%) did not identify there to be any specific barriers to access supply chain linkages with these larger companies. However, for those that did, lack of resources (time and skills) to develop linkages / engage in marketing, and a perception that they were at an unfair advantage in terms of competition with larger businesses were the most common reasons cited.
- 4.69 Around 40% of those businesses engaged with are involved in exporting to overseas markets. This is particularly common among the Transport and Logistics sector and to a lesser extent the Media and ICT and Digital sectors. Export markets were varied, with around half exporting largely within Europe. Common markets cited further afield were the USA, South Asia and Japan. Linkages with air carriers at Heathrow Airport was mentioned as a driving factor behind export activity by a number of firms.
- 4.70 Around half of those businesses exporting cited barriers to growing their international activities, the most common of which were competition from bigger businesses, connections / experience, resource / capacity issues and expense. Despite this, the vast majority (over 90%) of businesses engaged in exporting have received no external support to support their activities in recent years.

Current Staffing

- 4.71 The majority of staff employed by the businesses engaged with were employed on a full time basis on permanent contracts.
- 4.72 Over two thirds of businesses engaged with, reported that all their staff were employed on a full time basis, while over 80% of businesses reported that over three quarters of their staff were full time. Levels of part time working were highest in manufacturing sectors and also in creative industries (such as media).
- 4.73 While the majority of staff employed by businesses are permanent, around 30% of businesses reported taking on additional staff on a short term basis – using agency workers, sub-contractors or freelancers. This was particularly common in the media sector (freelancers) and Transport and Logistics sector (short term agency workers in warehouses).
- 4.74 The majority of firms (over 90%) reported experiencing no difficulty in retaining their staff.

Skills and Recruitment

- 4.75 Around 40% of businesses engaged with have recruited at some point in the last 18 months.
- 4.76 The majority of these businesses (80%) reported they experienced no difficulties in recruiting appropriately skilled staff. Skills challenges which were reported include IT development / software skill (ICT and Digital Media sector) and drivers (Transport and Logistics). However, it should be noted that these were reported by a small number of firms and are not necessarily representative. The majority (over 95%) of firms did not identify any Hounslow specific challenges in recruiting staff.

While around 80% of businesses reported no difficulties in recruiting staff, it is important to note that the remaining 20% (1 in 5 businesses did report difficulties). While it must be noted that the business engagement process was not representative, it is interesting that this aligns to some extent with previous findings set out in the Hounslow LEA (1 in 4 businesses identified skills gaps / shortages in their workforce). This highlights the importance of the work that the Hounslow Skills and Employment team is doing in working with employers and providers to tackle skills gaps, including helping local residents to upskill and access employment.

- 4.77 Around 55% of those who have recruited recently used word of mouth or friends and family to recruit. Around 20% use internal / external advertising (e.g. online or in the media) while a similar proportion use external recruitment agencies. Only a very small number of firms reporting using public agencies, such as Job Centre Plus or education institutions such as universities.
- 4.78 Of those engaged with, around a quarter have taken on apprentices or provided work placements in recent years. These were spread relatively broadly across the key sectors engaged with. Across these firms:
- Around 40 apprentices had been taken on and 26 ultimately retained
 - Around 40 trainees had been taken on, with 20 retained
 - Around 21 work placements had been provided with 3 then retained.
- 4.79 Around 44% of businesses reported they would be willing to consider taking on an apprentice, trainee or providing a placement in the

coming years. These were spread broadly across the sectors, but specifically within Transport and Logistics and professional services.

Training

- 4.80 Of those businesses engaged with, around three quarters did not have formal staff training plans / procedures. Those that did were typically the larger companies engaged with.
- 4.81 The majority of firms (over 80%) report that they provide some form of training to staff. For those firms which do provide training, this is typically in-house (over 90% of firms), with much of this reported to be 'on the job' training rather than formal training programmes. Very few firms reported using external training sources.

Research and Development and Innovation

- 4.82 Only around a quarter of firms reported engaging in R&D / innovation activities. These firms are spread across a number of the sectors engaged with (including ICT and Media, professional services and Advanced Manufacturing), but typically excluding Transport and Logistics.
- 4.83 As would be expected given the above responses, relatively few businesses reported collaborating with other organisations to support R&D and innovation activity. Those that have, have engaged with a range of organisations, typically private sector firms / consultancies. Only a few firms have reported collaborating with universities or research institutions.
- 4.84 Similarly, few businesses have sought support from other organisations. Those that have, have typically sought financial support, mainly from banks. Only a small number of firms reported

engaging with wider sources of funding (e.g. angel investors, venture capitalists).

Analysis and Implications

- 4.85 The findings above reinforce many of the commonly held perceptions regarding the main drivers and influencing factors in the Hounslow economy.
- 4.86 Perhaps the defining characteristics and strength of the economy is its locational position – close to Heathrow airport and central London, with strong connectivity to the rest of the UK. While the engagement process was not large enough to be deemed representative, there was also evidence regarding the pull of some of Hounslow's large employers such as Sky and GSK (along with Heathrow in neighbouring Hillingdon) to locate locally.
- 4.87 The research has highlighted that while businesses are generally positive about prospects for future growth, a number of challenges remains. Some of these are macro-economic challenges such as ongoing concern about demand in UK and global business markets and the ability to compete with larger firms. However, other challenges were cited which can be influenced by policy at the local, regional and national levels, including the supply of certain skills and supply of adequate business premises and infrastructure.
- 4.88 Further findings from the business engagement are outlined in the subsequent chapters, including sector specific findings (Chapter 4) and findings on business accommodation and support needs (Chapter 5). Local responses to these, to help support micro and small businesses in Hounslow, are considered in detail in Chapters 6 and 7.

5. Hounslow’s Key Sectors

Summary of Key Findings

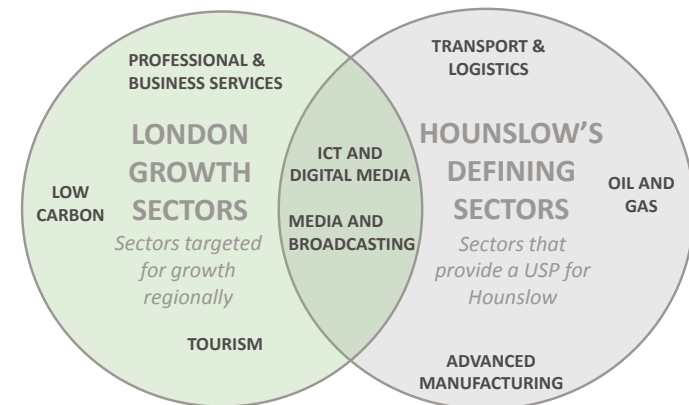
This section provides an in-depth analysis into Hounslow’s key sectors.

Focus on the chapter is placed on Hounslow’s defining sectors and regional growth sectors given these are high value sectors where Hounslow has a comparative advantage and / or where there is a clear opportunity to take advantage of regional level ambitions for sector growth:

- Defining Sectors identified in Chapter 3 are Transport and Logistics, ICT and Digital Media, and Media and Broadcasting. Advanced Manufacturing and Oil and Gas are also specialisms but are comparatively small at this stage. Infographics summarising sectors performance and characteristics are provided throughout the chapter. The findings emphasise the need for the London Borough of Hounslow to better communicate these sector strengths. This is particularly the case in terms of the ICT and Digital Media and Media and Broadcasting sectors, given the current policy emphasis and narrative on the growth of these sectors in central and inner east London.
- Regional Growth Sectors identified in Chapter 3 are Professional and Business Services, Low Carbon and Tourism. Again, infographics summarising sectors performance and characteristics are provided throughout the chapter.

- 5.1 This section provides an in-depth analysis into Hounslow’s key sectors as identified in chapter 3.
- 5.2 Focus in this chapter is placed on Hounslow’s ‘defining’ sectors, along with those identified as being important regionally:

Figure 5.1 Hounslow’s Defining Sectors and Regional Growth Sectors



Source: Regeneris Consulting, 2015

- 5.3 The focus on these sectors within this report reflects the fact that these are higher value sectors where Hounslow has a comparative advantage and / or where there is a clear opportunity to take advantage of regional level ambitions for sector growth.
- 5.4 For each of these sectors we have produced a sector profile which provide an overview of Hounslow’s current performance alongside opportunities and drivers of growth. The information underpinning this analysis is drawn from a number of sources including government employment and business data as well as primary research via interviews with Hounslow businesses. Sources and references are included throughout where relevant.

5.5 As set out in Chapter 3, sectors such as wholesale and retail and public sector activities such as health and education contribute a significant quantum of jobs locally. However, we have not focused on these within this chapter as these are largely sectors serving local markets, with lower levels of value added and a lower growth trajectory. While clearly important components of the local economy, these sectors play less of a role in articulating the specialist and distinctive nature of the Hounslow economy.

Figure 5.2 Hounslow’s Local Service Sectors



Source: Regeneris Consulting, 2015

Defining Sector: Transport and Logistics

5.6 The transportation and logistics sector includes activities related to both passenger and commercial transport by land, sea and air. This includes freight transport by road, sea and air. It also includes the operation of warehousing and cargo handling for all forms of

transport. A description of the main sub sectors is provided later in this section, and a full sector definition is provided in Appendix B.

Current Sector Performance

5.7 As highlighted in chapter 3, the Borough has the second highest concentration of Transport and Logistics sector employment across all London Boroughs, only behind neighbouring Hillingdon (reflecting the presence of Heathrow in that Borough). Performance of the sector is explored in more detail below. Employment data is from BRES and business data is from IDBR and the UK Business Counts.

Sector Overview

5.8 At present, this sector has a total of 12,000 jobs in Hounslow, representing 9% of the Borough’s total employment base. Employment in this sector has increased by 31% (+2,800 jobs) since 2009, which is high compared to a 3% increase in the sector across London as a whole. Transport and logistic employment in Hounslow has a location quotient of 2.1, which indicates that the Borough’s concentration of this activity is higher than that of London’s.

Table 5.1 Transport and Logistics Employment, 2013

	Jobs	% all jobs	Change 09-13	LQ
Hounslow	12,000	9%	31%	2.1
London	184,400	4%	3%	-

Source: BRES

5.9 The number of Transport and Logistics firms in Hounslow has grown significantly in recent years. Since 2011 the number of businesses has increased by 16% (in line with the sector’s growth across London) now totalling 600 firms. This represents 5% of the Borough’s total

business base. However, business counts from Mint UK suggest that there could be as many as 670 Transport and Logistics businesses operating in Hounslow. While these additional businesses have not been validated, they are likely to be sole traders and micro businesses which fall below the threshold which qualifies them on the IDBR dataset.⁸ The Mint UK data suggests that as much as 13% of the sector could be underestimated using Government IDBR data.

Table 5.2 Transport and Logistics Businesses, 2014

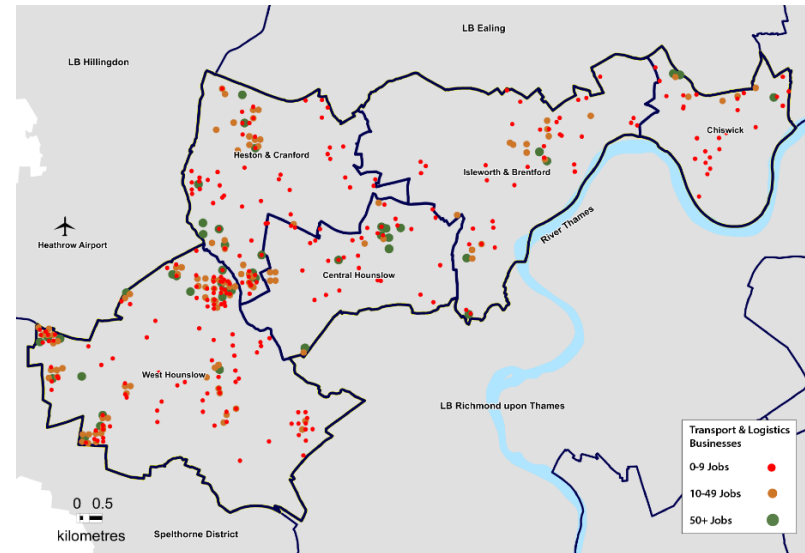
	No.	% bus. base	Change 11-14	LQ
Hounslow	600	5%	16%	2.6
London	8,580	2%	0%	-

Source: UK Business Counts

- 5.10 There is a much greater proportion of medium and large businesses operating in this sector compared to the Borough average: 8% of Transport and Logistics companies in Hounslow employ more than 20 people, compared to 3% across the Borough’s total business base. While this is not surprising given the labour intensity of this sector, interviews with businesses in this sector suggest that employment supported by this sector is likely to be even higher due to the number of sub-contracted and contracted employees.
- 5.11 Transportation and logistics businesses in Hounslow tend to be located in the western part of the Borough near Heathrow, with 37% located in Feltham and Cranford alone. An additional 27% are situated in Heston and Hounslow.

⁸ Businesses included in IDBR data are those which: register for VAT purposes with HMRC, operating a PAYE Scheme registered with HMRC and incorporated firms registered at Companies House.

Figure 5.3 Distribution of Hounslow Transport and Logistics Businesses



Source: Regeneris Consulting based on IDBR

Local Specialisms and Assets

- 5.12 The main factors influencing the Hounslow Transport and Logistics sector is the operation of and activities relating to Heathrow airport.
- 5.13 The sub-sector activities in the Transport and Logistics sector in Hounslow are largely dominated by other transport activities,

representing 40% of the sector’s employment base (4,800 jobs across 200 businesses). Almost all of these sub-sector jobs are in servicing air transport. The other significant sub-sectors are land and water passenger transport (3,300 jobs and 120 businesses) and air passenger transport (1,600 jobs and 25 businesses). While cargo activities is a smaller sub-sector activity with about 500 jobs and 10 companies, it has the highest employment location quotient (5.9) across all transport sub-sectors, indicating a very high concentration of cargo activity in Hounslow.

Table 5.3 Transport and Logistics Sub-Sector Employment, 2013

Sub-sector	Jobs	LQ	Hounslow Change 09-11	London Change 09-11
Air Freight Transport	<50	3.2	-65%	-33%
Air Passenger Transport	1,600	1.4	61%	-12%
Cargo	500	5.9	-23%	38%
Freight Transport	<50	0.0	-96%	-2%
Land and Water Freight Transport	1,100	3.5	47%	22%
Land and Water Passenger transport	3,300	1.4	56%	18%
Other Transport	4,800	3.7	24%	-17%
Space Transport	<50			
Warehousing	600	1.5	1%	79%
Total	12,000	2.1	31%	3%

Source: BRES

- 5.14 The key transport and logistic businesses located in Hounslow include: Menzies Aviation, Dnata Limited, DHL, Jubilee, Maze 1 Limited, Expeditors International, Ceva Freight, Swissport Cargo Services, Air France KLM, Geodis Wilson and Gefco U.K.
- 5.15 Hounslow’s Transport and Logistics sector is supported by a number of assets in the local area. The most significant of these is proximity to Heathrow and the demand generated through operations of this hub airport. Other assets include connections to the motorway network, which provides an accessible link out of London to the rest of the country.

UK Level Drivers and Trajectory

- 5.16 A summary of the main factors affecting sector growth at the UK level is provided below.

Size and Growth Potential

- 5.17 The Transport and Logistics sector is hugely important to the UK economy and is largely driven by the wider macroeconomic performance. Although the sector suffered from the 2008 recession, the logistics sector improved in 2013 into 2014 across the UK, showing the first year-on-year improvement since 2010.⁹ The Freight Transport Association (FTA) conducts an annual member’s survey of Transport and Logistics companies, with the most recent survey finding 58% of members expecting increased business activity during 2014.
- 5.18 Future growth in Transport and Logistics companies is expected to come from overseas markets, particularly the BRICS countries.

⁹ FTA and PwC (2014), The Logistics Report 2014

Businesses surveyed by the FTA highlighted the top five sectors where growth will be generated from in the near future: distribution and haulage, public authorities, manufacturing, construction and recycling waste.

- 5.19 There are also other factors that will support future growth of the sector, especially technological adoption. Vehicle and driver performance data integration is becoming increasingly important in this regard. This is a means of improving fuel consumption and reducing emissions of carbon, ultimately making logistics operations more efficient.

Challenges to Growth

- 5.20 More than half of Transport and Logistics CEOs are still concerned about a wide range of issues that can constrain future growth. The most cited threats to future growth are: slow growth in developed economies, volatile energy costs, over-regulation and increasing tax burden.¹⁰
- 5.21 Another important driver of industry is the expansion of social media and online shopping. These factors are causing supply chains to be reconfigured (e.g. to include near sourcing and reshoring). Reshoring of production has been identified as a possibility for sectors including textiles, computer manufacturing and electronics, amongst others. While the trend is still in the very early stages, if it does progress it represents a huge opportunity for the UK Transport and Logistics sector. It will be important to ensure that the UK's transport infrastructure is globally competitive to absorb this demand.

¹⁰ FTA and PwC (2014), The Logistics Report 2014

¹¹ FTA and PwC (2014), The Logistics Report 2014

Skills

- 5.22 The technological and commercial developments for the Transport and Logistics sector mean that new and more highly skilled workers are needed. Employment across the UK Logistics sector is expected to increase by 10% over the period 2010-2020, equal to an additional 917,000 workers.¹¹
- 5.23 Data from the Annual Population Survey (2012) looked at the age profile of particular skills in the Transport and Logistics sector. It found that the logistics workforce is an ageing one, with a very low proportion of workers aged under 25. Over half of firms surveyed in the Skills for Logistics, Employer Skills Survey (2013) noted that recruitment difficulties were a consequence of a low number of applications with the required skills.

Regional and Local Level Drivers

- 5.24 Compared to the UK, London's logistics sector has a higher proportion of activities in post and courier, wholesale and air freight. It has a much lower concentration of road freight activity compared to the rest of the country.¹²
- 5.25 The most significant factor influencing the sector in London (and more locally in west London) is the current debate about the future of UK airport capacity. The Davies Commission is due to make a recommendation on future airport expansion in the south east of England in 2015. Given the integral role that Heathrow plays in the Hounslow Transport and Logistics sector (and wider economy), the

¹² TfL (2009), Working Paper 37: London's Logistics Sector

recommendations of the commission will to a large extent shape the future of the sector locally. A third runway at Heathrow would be expected to provide a boost to the Hounslow economy and stimulus for further growth in the local Transport and Logistics sector. Conversely, an alternative recommendation could result in a negative impact on the Hounslow economy. A recent report by Parsons Brinkerhof and Berkeley Hanover Consulting¹³ estimated that the closure of Heathrow could result in the loss of around 36,000 jobs in the Borough's economy.

- 5.26 The upcoming 2015 elections are also causing some hesitation in industry given the range of issues that local councils control that directly affect this industry. These include: loading/ unloading provision, local speed limits, pedestrianisation, cycle infrastructure, truck access and movement restrictions, local air quality policy and support for alternative fuel infrastructure.
- 5.27 More locally, consultation with businesses and stakeholders in the Borough highlighted concern regarding the congestion and traffic throughout the Borough. While external connectivity and transport linkages are one of the Borough's core strengths, concern regarding the quality of the Borough's roads and congestion hotspots was frequently mentioned as a core concern influencing the performance of the sector locally.

Hounslow Business Perspectives

- 5.28 Key findings from the Transport and Logistics business engagement process are summarised below:

General Overview

- Majority of businesses engaged with were in freight forwarding or related activities such as courier, haulage and delivery of import/exports. The remainder were related to the air industry.
- Three-quarters of businesses were located in Hounslow due to proximity to Heathrow and/or other transport links such as the M25.
- Over half of businesses (64%) were located solely within Hounslow and a similar proportion had been in operation for over 10 years.
- The majority of businesses engaged with were currently export or sell overseas.

Business Support and Skills

- Less than half of firms belonged to networking groups, but those that do belonged to networks including: WCA, BBA Aviation, RHA, IATA and BIFA.
- Three quarters of businesses had not sought any support in recent years and did not intend to seek support in the future.
- 81% of businesses did not have any difficulties retaining staff.
- The main challenges for the recruitment of staff included the lack of drivers due to the CPC required.

¹³ Heathrow Employment Impact Study, Parsons Brinkerhof and Berkeley Hanover Consulting (2013), <http://www.hounslow.gov.uk/employmentimpactstudy>

Premises and Accommodation

- The majority of the businesses (71%) were happy with their current business premises and were unlikely to move in the next 5 years.
- Given the nature of the business, very few businesses expressed an interest or need for incubation or flexible workspace.

Summary: Sector Overview and Prospects

- 5.29 The Hounslow Transport and Logistics sector is summarised in the infographic overleaf. The infographic provides an overview of current sector performance in the Borough, local specialisms and strengths and the key drivers influencing future sector growth. The infographic is intended as a high level overview of the sector in Hounslow, providing headline statistics and information. Please refer to the above narrative for more detailed insight.
- 5.30 The infographic highlights the importance of the Transport and Logistics sector to Hounslow: it is a key driver of the local economy in terms of employment and enterprise, and also provides a strong specialism for the Borough within the regional context.
- 5.31 There are a number of points to make regarding the future of the sector in Hounslow:
- The importance of Heathrow – ultimately, the future of the Hounslow Transport and Logistics sector will be driven by future decision making regarding Heathrow airport. Continued lobbying regarding the importance of Heathrow to the west London economy is thus imperative.

- Linking to Low Carbon opportunities – adapting to new Low Carbon policies is a key challenge for the Hounslow Transport and Logistics sector. If the sector is to remain competitive in the future it will need to evolve to implement new processes and practices. This also represents an opportunity to improve efficiencies and deliver enhanced productivity.
- Local connectivity – one of the biggest concerns raised by businesses in Hounslow was congestion on the local road network. Clearly, this has the potential to shape the future performance of Transport and Logistics firms in the Borough and continued efforts to enhance access and connectivity throughout west London are thus important.

5.32 Further recommendations are set out in Chapter 7.

Figure 5.4 Summary of Hounslow's Transport and Logistics Sector

London Borough of Hounslow: Transport & Logistics Sector

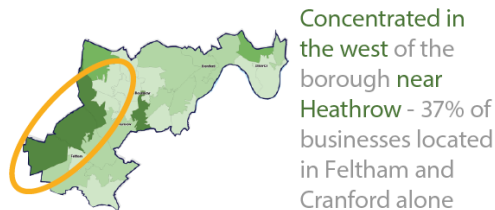
Local Overview



High employment concentration: **x2.1** the London average



Larger average business size than other sectors locally - 8% employ 20+ people compared to 3% overall



Sector Trends



Sector reliant on wider economic performance - future growth expected to be driven by overseas markets, particularly the BRICS countries

Increasing fuel efficiency

Vehicle and driver performance data integration

Reshoring of production

Higher skilled workforce

Supply chain efficiency



Main threats to sector growth are **volatile energy costs, an ageing workforce, over-regulation and an increasing tax burden**

Local Specialisms

» **Transport Activities** - 40% of the sector's employment base (4,800 jobs) across 200 businesses

» **Land & Water Passenger Transport** - 3,300 jobs in 120 businesses

» **Air Passenger Transport** - 1,600 jobs across 25 businesses

» **Cargo Activities** - 500 jobs representing an employment concentration 5.9 times the London average

Local Perspectives

» **Heathrow** - 75% of companies state that Heathrow and/or other transport links are the reason for being based in the area

» **Established** - 70% of local businesses have been trading for more than 10 years

» **International** - 90% of surveyed businesses currently sell or export overseas

» **Skills** - Technological and commercial developments mean that more highly skilled workers are needed - nonetheless, there is still a shortage of lower skilled workers

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK



Defining Sector: ICT and Digital Media

5.33 The ICT and Digital sector is a broad sector comprising a range of activities including manufacturing, wholesale and retail, more creative activities such as publishing and software, and business services (such as consultancy activities). A description of the main sub sectors is provided later in this section, and a full sector definition is provided in Appendix C. Employment data is from BRES and business data is from IDBR and the UK Business Counts.

Current performance

5.34 As highlighted in chapter 3, the Borough has the second highest concentration of ICT and Digital Media employment across all London Boroughs, only behind Islington. In absolute terms, only Westminster, the City, Camden, Islington and Tower Hamlets have more jobs in the sector (these largely reflect the well-established clusters of activity throughout central London and around Shoreditch). This is a significant finding for Hounslow considering the current regional focus on east London in terms of tech and media activities (e.g. tech city). Performance of the sector is explored in more detail below.

Sector Overview

5.35 Employment in ICT and Digital activities in Hounslow has grown significantly in recent years, representing a sizable proportion of the local employment base. At present ICT and Digital activities in Hounslow account for 12,900 jobs in the Borough, having grown by 50% since 2009. This is significantly higher than the sector's growth across London as a whole (26%). The number of jobs in this sector accounts for 9% of the Borough's total employment. Employment in

ICT and Digital activities is more concentrated in Hounslow compared to the London level (location quotient = 1.8).

Table 5.4 ICT and Digital Employment, 2013

	Jobs	% total employment	Change 09-13	LQ
Hounslow	12,900	9%	50%	1.8%
London	234,683	5%	26%	-

Source: BRES

5.36 Government IDBR data indicates that there are around 1,900 businesses operating in Hounslow's ICT and Digital sector. This equates to 16% of the Borough's business base. The business location quotient for this sector in Hounslow is high compared to London (2.0) indicating a real specialism. The number of businesses operating in ICT and Digital activities in Hounslow has increased by 51% since 2011, compared to a 21% growth in the sector's business base across London. Business counts from Mint UK are very similar to government data, estimating the size of the sector to be in the region of 1,900 businesses.

Table 5.5 ICT and Digital Businesses, 2014

	Businesses	% total bus. base	Change 11-14	LQ
Hounslow	1,900	16%	51%	2.0
London	41,200	9%	21%	-

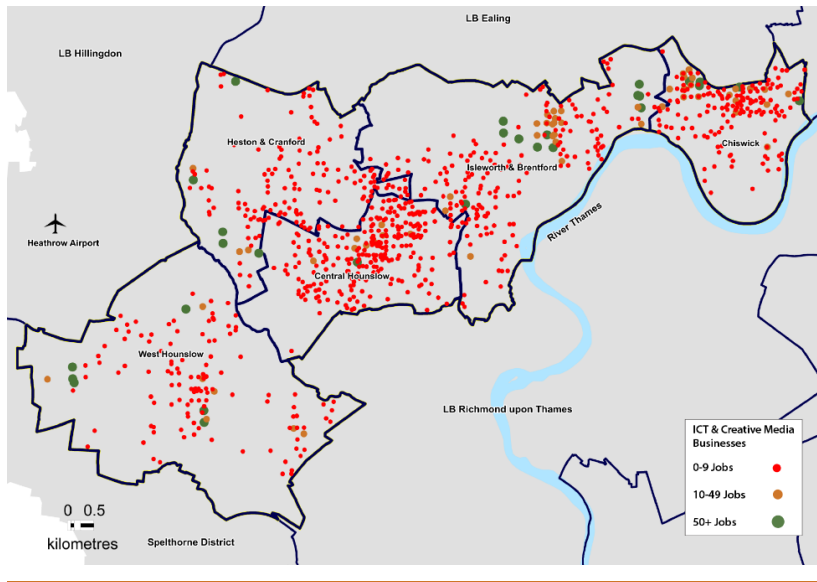
Source: UK Business Counts

5.37 ICT and Digital businesses in Hounslow largely classify as micro, with 94% of firms employing between 0 and 4 people. This is an extremely high proportion of micro businesses compared with the average

across Hounslow’s business base (81%). Nevertheless, there are a few large employers in this sector in Hounslow, including the likes of Cisco Systems, IBM, Sky and EMC Computer Systems.

- 5.38 Nearly a third of Hounslow’s ICT and Digital businesses are located in Hounslow town centre (27%) with another small proportion (13%) located just to the north in Heston. While the remainder are spread across the Borough, 20% are located in the east of the Borough in Turnham Green and Chiswick.

Figure 5.5 Distribution of Hounslow ICT and Digital



Source: Regeneris Consulting based on IDBR

Local Specialisms and Assets

- 5.39 Half of Hounslow’s ICT and Digital employment is concentrated in one sub-sector: development and business activities (6,600 jobs). This sub-sector includes activities relating to computer consultancy and software development. An additional 33% of employment is concentrated in wholesale of computers and software (4,300 jobs). While ICT and digital publishing activities (e.g. publishing of computer games) only comprise 400 jobs in Hounslow, this sub-sector has the highest employment LQ across the sector (4.2) and has doubled in employment since 2009.

Table 5.6 ICT and Digital Sub-Sector Employment, 2013

Sub-sector	Jobs	LQ	Hounslow Change 09-11	London Change 09-11
Data	100	0.3	-5%	78%
Development and Business Activities	6,600	1.5	12%	27%
Publishing	400	4.2	53%	0%
Repair	300	2.4	-41%	7%
Reproduction of Media	<50	0.6	-	-4%
Retail	100	0.8	-29%	-30%
Telecoms	1,000	0.6	12%	28%
Wholesale	4,300	9.7	554%	19%
Manufacture	100	1.1	-20%	14%
Total	12,900	1.8	50%	26%

Source: BRES

- 5.40 This sector is supported by a number of local assets in Hounslow. These include the cluster of TV broadcast channels and platform operators. Consultation indicates that TV industry is increasingly

having to adapt new technologies and delivery models given the high number of people viewing programmes online and on mobile devices. This represents a huge market for ICT and digital activities.

UK Sector Trajectory

- 5.41 The ICT sector is one of central government's priority sectors for growth, driven not only by its own high value potential but also its enabling role, helping to drive innovation and productivity in other sectors. As a priority sector for the UK economy, central government is supporting this sector's growth through Innovate UK's Connected Digital Economy Catapult in London and UKTI's Technology Partnership programme, amongst other initiatives.
- 5.42 The ICT sector contributed around 8% (£105 billion) to UK Gross Value added (GVA)¹⁴ in 2011 and supported 1.3 million jobs in the UK in 2011.¹⁵ While the sector was strongly impacted in 2008/2009 by the recession and resulting economic downturn, it has grown significantly over the last two years. KPMG's Tech Sector Monitor UK assesses the ICT sector's recent performance. It found that the end of 2013 saw the fastest improvement in company profitability over the last six years.
- 5.43 The ICT sector includes a broad range of sub-sector activities, which is constantly changing and evolving due to the fast pace rate of technological advancement in the sector. The World Economic Forum's 2012 Global Competitiveness rankings found that the UK had

one of the most conducive environments for ICT development with high levels of ICT adoption by citizens, businesses and governments.

- 5.44 At the national level, the UK has existing strengths in a number of ICT sub-sectors, which have significant growth potential: big data, e-commerce, mobility and connectivity, and government's role as a catalyst.

London Sector Trajectory

- 5.45 One of the most valuable assets of Hounslow's ICT and digital cluster is the fact that it is a part of the wider London ICT sector. Over the last few years, London's ICT and Digital sector has grown tremendously, not only in terms of value but in the political backing of the Mayor's office as well as central government in promoting London as a global hub for ICT and Digital activities.
- 5.46 The London LEP Economic Strategy states that the (broadly defined) tech sector in the London area is now larger than that of the Silicon Valley, with around three quarters of a million jobs across London and the wider south and east of England. The report identifies the more tightly defined Digital Technologies sector as one of London's three fastest growing sectors, with growth of £2.9 billion GVA since 2009. London now has 32 accelerators and incubators for start-up companies, out of 50 in the UK.¹⁶ At present London has around 24,000 ICT and software companies, the highest number of firms in any European city.¹⁷

¹⁴ Gross Value Added (GVA) is a measure in economics of the value of goods and services produced in an area, industry or sector of an economy. It is the standard measure used to measure local economic size and growth in the UK.

¹⁵ HM Government (2013), Information Economy Strategy

¹⁶ GLA (2014), Mayor outlines vision to make London the tech capital of the world

¹⁷ London Enterprise Panel (2013), Jobs and Growth Plan for London

- 5.47 Reflecting this, the ICT and Digital sector is one of the core sectors being targeted for growth at the London level, as referenced within the London Plan, the London LEP Economic Strategy and the Mayor's 2020 Vision. The political and policy backing paired with the real economic growth of the sector gives Hounslow a real opportunity to be a part of this sector's future growth while benefitting from the numerous policies being put in place to overcome challenges facing the sector.
- 5.48 That said, strategically, much of the focus on growth of the sector in London is focused around central and inner east London (particularly around Shoreditch and the so called 'Silicon Roundabout'). This is emphasised in the recent Tech Nation report¹⁸ by Tech City. The report highlights inner east London to be the UK's most significant cluster of digital employment, comprising around 250,000 jobs. The report highlights the strong growth trajectory of the cluster, with a doubling of the number of incorporated firms in the sector between 2010 and 2013.
- 5.49 While much of the growth of the tech sector in inner east London has been organic, the high growth trajectory in recent years also reflects the strong focus placed on the cluster in national and regional policy, with the concept of TechCity becoming reinforced both in economic strategy terms and popular consciousness.
- 5.50 Significantly, the Tech Nation report does not acknowledge ICT and Digital strengths across the wider London area (including in west London), indicating the need to communicate more strongly Hounslow's comparative specialism in the sector.

¹⁸ Tech Nation Powering the Digital Economy (2015), Tech City, accessed from <http://www.techcityuk.com/wp-content/uploads/2015/02/Tech%20Nation%202015.pdf>

¹⁹ HM Government (2013), Information Economy Strategy

Sector Growth Drivers

- 5.51 A summary of the main factors affecting sector growth is provided below.
- Competition – from a competition perspective, one of the largest challenges to growing the UK's ICT and Digital industry is the threat of international competition, especially in the US and Asia. The threat from international competition is particularly high for this sector given the intangibility and ease of distribution of many of the sector's products.¹⁹
 - Access to Finance – another significant challenge facing the sector relates to access to finance for established firms looking to grow their business beyond the start-up face. While there is good financial support options for start-ups, businesses who are looking to scale up are increasingly having to look to the US and Asia for funding.²⁰
 - Infrastructure – access to high quality digital infrastructure, particularly fast and reliable broadband, is a pre-requisite for the sector. Challenges persist across the UK in this respect, including in London. The London LEP Economic Strategy highlights for example that broadband speed in London lags behind that in other global cities.
 - Skills – around 129,000 new recruits are required by the UK ICT industry a year and this figure is expected to grow at

²⁰ KPMG (2014), Growing the UK Tech Sector

almost twice the UK rate through to 2020.²¹ Nevertheless, there was a decline in the number of students studying ICT related subjects over the last decade. Research from GfK²² found that despite the growing demand for new ICT professionals, the UK is experiencing an annual shortfall of around 40,000 scientists, engineers and technicians. However, it also notes that recent graduates in computer science on average have higher levels of unemployment compared to other degrees. This points to a well-known gap between ICT graduates and the real needs of industry for new graduates to be “work ready”. These challenges apply at the London level: the London LEP Economic Strategy reports that 80% of TechCity businesses say that a lack of skilled workers is the biggest barrier to growth. Developer, user experience and web designer skills are identified as being particularly challenging. The Tech Partnership is one particular initiative that is looking to address this skills issue. It is a network of employers recognised by government that is taking forward the work of e-skills UK. The Partnership’s aim is by 2020 to have created a 50:50 gender balance, make digital careers in the top quartile of desirable jobs for 16-21 year olds, and double the number of tech apprentices.

Local Business perspectives

5.52 Key findings from the ICT and Digital Media business engagement process are summarised below:

General Overview

- The majority of businesses interviewed operated in the following sub-sectors: software developers, computer consultants, repair, web design and digital marketing.
- The majority of respondents in this sector worked from home and found that Hounslow gave them access to clients in central London while also an affordable place to live.
- Many of the businesses that had experienced an increase in annual turnover attributed this to the growing ICT sector in Hounslow and London in general, as well as demand generated specifically at TechCity.

Business Support and Skills

- A significant proportion of these businesses sought support to start-up their business and make regular use of accounting and legal services.
- Interestingly, others cited the experience they got working in a large ICT/ Digital company (e.g. Sky) as a source of information and support which they drew on to start-up their own firm.
- Almost all of the business owners interviewed were international (a high proportion originally from India) who drew on support from family in London to start-up their business.

²¹ HM Government (2013), Information Economy Strategy

²² GfK (2013) Tech City Growth Stunted by Talent Shortage and Lack of Access to Capital

- A number of businesses in this sector often hire freelancers for specific tasks rather than full-time employees. Software development skills were the most required, but marketing was also cited.
- Recruitment is mostly done in house through LinkedIn or personal recommendations.

Premises and Accommodation

- Although the majority of the businesses interviewed worked from home, they did mention that spaces to meet clients or potential partners would be helpful to have access to.
- Most stated that if they were to move, they would stay in Hounslow due to the high quality of life and proximity to home.
- There is a general interest in incubation space amongst the smallest firms, with the key requirements being a desk, internet and support services.

Summary: Sector Overview and the Hounslow Opportunity

- 5.53 The Hounslow ICT and Digital Media sector is summarised in the infographic overleaf. The infographic provides an overview of current sector performance in the Borough, local specialisms and strengths and the key drivers influencing future sector growth. The infographic is intended as a high level overview of the sector in Hounslow, providing headline statistics and information. Please refer to the above narrative for more detailed insight.

- 5.54 The infographic highlights the importance of the ICT and Digital Media sector to Hounslow: it is a key driver of the local economy in terms of employment and enterprise, and also provides a strong specialism for the Borough within the regional context.

- 5.55 There are a number of points to make regarding the future of the sector in Hounslow:

- Unlike the ‘Tech City’ locations in east London, the sector in Hounslow is anchored by larger businesses who are likely to have significant influence in the area. Supporting these larger companies should be a priority in the future. Of equal importance is ensuring that Hounslow is recognised as a key node for the sectors growth in London and receives the resource to support and retain this position.
- Communication – there is a clear need to better communicate Hounslow’s specialism in ICT and Digital sector given the current focus on central and inner east London in policy and investment terms.
- Working with business – the importance of Hounslow’s major digital and media businesses such as Sky should not be underestimated in both attracting small business to the Borough and spinning out new companies / enterprises. Continuing to work closely with these businesses to ensure they remain in the Borough in the long term will be important in supporting the continued growth of the sector locally
- Business infrastructure – the evidence suggests that high speed broadband is a pre-requisite for ICT and Digital Media companies, while the supply of flexible and affordable SME workspace (and hubs for homeworkers) can help enterprise to flourish. Ensuring Hounslow continues to offer adequate

and high level business infrastructure will thus be critical in retaining and developing the sector further.

5.56 Further recommendations are set out in Chapter 7.

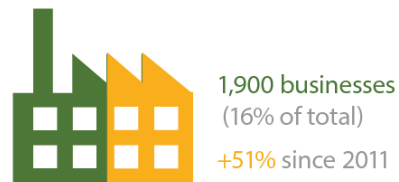
Figure 5.6 Summary of Hounslow's ICT and Digital Media Sector

London Borough of Hounslow: ICT & Digital Sector

Local Overview



High employment concentration: **x1.8** the London average



Large proportion of micro-businesses - 94% employ 0-4 people compared to 81% across the overall business base



Sector Trends



Driven by both its own high value potential and its enabling role, helping to drive innovation and productivity in other sectors



UK is experiencing an annual shortfall of 40,000 scientists, engineers and technicians, while international competition (from US and Asia) is also a major challenge to growth

Local Specialisms

- » Development and Business Activities - includes activities relating to computer consultancy and software development; this sub-sector constitutes over half of Hounslow's ICT & Digital sector employment (6,600 jobs)
- » Wholesale of Computers & Software - 33% of sector employment (4,300 jobs)
- » Digital Publishing Activities - 400 jobs having grown 53% between 2009 and 2011

Local Perspectives

- » Home Working - majority of survey respondents worked from home and found that Hounslow gave them access to clients in central London and an affordable place to live
- » Established - many business owners cited the experience they got working in a large ICT/ Digital company (e.g. Sky) as a source of information and support which they drew on to start their own firm
- » Skills - marketing and software development were the most sought after skills in this sector locally

Source Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

Defining Sector: Media and Broadcasting

5.57 The Media and Broadcasting sector comprises a range of activities including printing and publishing activities, creative activities such as broadcasting and business services such as advertising. A description of the main sub sectors is provided later in this section, and a full sector definition is provided in Appendix B. Employment data is from BRES and business data is from IDBR and the UK Business Counts.

Current performance

5.58 As highlighted in chapter 3, the Borough has the highest concentration of Media and Broadcasting employment across all London Boroughs. In absolute terms, only Camden and Westminster (well established locations for media activities) have more jobs in the sector. While this strength locally largely reflects the presence of Sky on the Golden Mile, this is still a significant comparative sector strength for the Borough. Performance of the sector is explored in more detail below.

Sector Overview

5.59 Hounslow’s Media and Broadcasting sector focuses on the more creative activities within the digital create sphere. These include activities relating to sound and video recording, publishing, motion picture production, sound and music recording and television production, amongst others.

5.60 Media and Broadcasting activities is one of Hounslow’s largest sectors in terms of employment. The sector has around 18,800 jobs and has seen an 84% growth in employment since 2009, making it the

fastest growing sector in the Borough. This compares with a 23% employment increase in the London-wide Media sector. In addition to this, media employment is more than two times more concentrated in Hounslow than it is in London (LQ=2.8).

Table 5.7 Media and Broadcasting Employment, 2013

	Jobs	% total employment	Change 09-13	LQ
Hounslow	18,800	13%	84%	2.8
London	222,000	5%	23%	

Source: BRES

5.61 Hounslow’s Media sector has around 400 businesses according to Government IDBR data. Since 2011, the number of Media companies in Hounslow has grown by 19%. This level of growth is higher than that experienced in Media at the London level (4%). However, Mint UK business counts suggest that Hounslow’s Media sector could contain as many as 530 firms, suggesting that as much as 23% of the sector could be underestimated by official Government counts. This is likely to reflect the high number of sole traders and freelancers operating in this sector, a point highlighted by firms in the Regeneris business interviews.

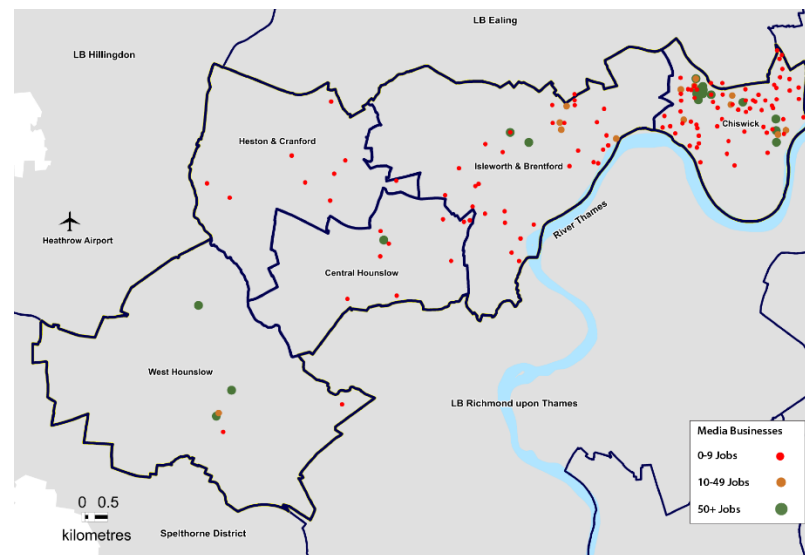
Table 5.8 Media and Broadcasting Businesses, 2014

	Businesses	% total bus. base	Change 11-14	LQ
Hounslow	400	3%	19%	0.8
London	18,850	4%	4%	-

Source: UK Business Counts

- 5.62 However, the business location quotient of Hounslow’s Media sector is only 0.8, meaning that Media businesses are less concentrated in Hounslow compared to London as a whole. When interpreted with the high employment location quotient, this means that Hounslow has a few Media businesses that are employing a very large number of people. Therefore, although 99% of the businesses employ between 0 and 4 people, there is a small number of very large employers in the area. This finding is likely to reflect the presence of large TV broadcasting companies such as Sky and Discovery.
- 5.63 Hounslow’s Media sector is predominately located in the east of the Borough. Of Hounslow’s key sectors, it is the one which shows the greatest co-location. One third (33%) of this sector’s businesses in Hounslow are located in Turnham Green, with an additional 17% in the neighbouring Chiswick.

Figure 5.7 Distribution of Hounslow Media and Broadcasting Firms



Source: Regeneris Consulting based on IDBR

Local Specialisms and Assets

- 5.64 While the Hounslow Media and Broadcasting sector is largely driven by the presence of Sky on the Golden Mile, the Borough also contains a number of other specialisms and clusters of activity.
- 5.65 Over three-quarters (78%) of Hounslow’s Media employment is concentrated in production and broadcasting sub-sector activities. This sector comprises 14,700 jobs and has grown in employment by 118% since 2009. This sub-sector also has a very high employment location quotient of 5.3. This sub-sector comprises close to 300 businesses in Hounslow, having increased by 28% since 2011. Hounslow’s Media sector’s second largest sub-sector activity is Wider

Professional Services related to Media (160 businesses and 3,400 jobs).

Table 5.9 Media and Broadcasting Sub-Sector Employment, 2013

Sub-sector	Jobs	LQ	Hounslow Change 09-11	London Change 09-11
Printing	100	0.4	-28%	-17%
Production and Broadcasting	14,700	5.3	118%	27%
Publishing	500	0.5	231%	-7%
Renting	<50	1.1	-13%	-9%
Reproduction of Media	<50	0.3	-38%	-6%
Retail	100	0.6	-64%	-36%
Wider Professional Services	3,400	1.3	21%	57%
Total	18,800	2.8	84%	23%

Source: BRES

- 5.66 The significance of the local Media and Broadcasting sector is highlighted by the inclusion of the east part of the Borough (including Chiswick and the Golden Mile within the TV Triangle cluster, which also takes in parts of Hammersmith and Fulham). The initiatives of TV Triangle are aiming to put the cluster on the map and develop a Media focused tech cluster in West London.
- 5.67 Hounslow has a number of local assets driving the Media and Broadcasting sector. As previously noted, Sky is located on the Golden Mile and contributes around 70% of employment in the sector locally. It has not been possible to map Sky’s supply chain as

part of this study. That said, consultation with businesses and stakeholders has confirmed the hypothesis that Sky acts as a pull / draw for other businesses located in the area, both in the Media and Broadcasting sector and in wider creative and professional service sectors.

- 5.68 Aside from Sky, the Enjoy-Work cluster at the Chiswick Business Park is also seen as an asset for the local Media and Broadcasting sector. This contains a number of large multi-national Media and Broadcasting businesses, which consultation suggests are helping provide an important presence in attracting new Media firms to the area.

UK Level Drivers and Trajectory

- 5.69 A summary of the main factors affecting sector growth at the UK level is provided below.

Size and Growth Potential

- 5.70 The UK has a real strength in media activities: it has the largest broadcasting hub in Europe, the leading online advertising market in Europe, one of the world’s largest music industries in terms of exports and the fastest growing digital economy in the G20.²³
- 5.71 The UK is home to some of the world’s largest publishing companies. It is estimated that the value of the UK publishing industry is £10 billion, with 40% of this coming from exports. Similarly, the UK music

²³ CBI (2014), The Creative Nation: a growth strategy for the UK’s creative industries

industry generates around £3.5 billion globally and is the largest exporter of music after the United States.²⁴

- 5.72 The natural strengths of the UK media sector (and wider creative industries) is the size of the UK's e-commerce market (the largest per head in the world) and how 'digitally savvy' the population is. Research indicates that four in five Brits are now using internet on the move, thereby increasing the benefits businesses can access by tapping into digital platforms and e-commerce markets.²⁵
- 5.73 The Media sector and its role in the UK's wider creative industries represents one of the UK's leading sectors. Future growth is likely to be driven by the gaming, animation and digital creative sub-sector. At the global level, the games sector is projected to grow by 6.5% per annum to 2016 and the UK entertainment and media market alone is forecast to reach £63bn by 2016.²⁶

Challenges to Growth

- 5.74 Create UK (2014) identified a gap in the provision of private funding and debt finance for business expansion and growth that goes beyond initial start-up or individual projects. This financing gap tends to exist particularly in the creative and media sectors for two main reasons. The first is due to a fragmented funding landscape, making it difficult for media firms to understand which financial products they are eligible to access. The second is that traditional financial products are not compatible with media firm business models, whose main assets are IP-based.

- 5.75 Infrastructure, particularly superfast broadband, is another factor that can act as a barrier to growth in the media sector (as well as the ICT and creative sector). At present 73% of households have access to speeds of 30Mbit/s, although not all are connected due to a lack of Internet Service Provider incentive. Although the UK is on track to achieve the EU 2020 target of 30Mbit/s total coverage and 98% 4G coverage by 2017, Create UK notes that a more strategic long-term vision for digital infrastructure is needed to stay competitive.²⁷
- 5.76 Across policy broadband is identified as an area where London needs to improve radically. Average download speeds of 18Mbit/s (Ofcom, 2013) compare poorly in the UK and Europe, something which is exacerbated by the fact that performance is even worse in the eastern city fringes (Tech City).
- 5.77 Interestingly, this appears to be less of an issue for Hounslow which, in the LEP Economic Strategy, is identified as an (positive) outlier in terms of download speeds.

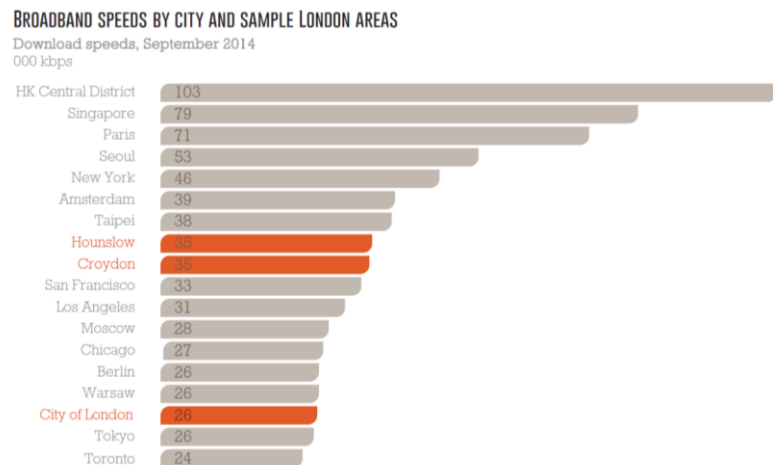
²⁴ Creative Industries Council (2014), *Create UK

²⁵ CBI (2014), The Creative Nation: a growth strategy for the UK's creative industries

²⁶ Technology Strategy Board (2013), Creative Industries Strategy 2013-16

²⁷ Creative Industries Council (2014), *Create UK

Figure 5.8 Broadband By Sample London Areas and International Comparators



Source: London Enterprise Partnership 2036 Agenda for Jobs and Growth

Skills

5.78 There are several factors which are causing firms in the media industry (as well as the wider digital creative industries) to experience difficulties in recruiting highly-skilled employees. CBI notes that these sectors often require a broad range of skills that span both art and design but also technology, maths and engineering. Similarly, Create UK highlights the need for an emphasis on STEAM (science, technology, engineering, arts and maths) subjects rather than just STEM.

- 5.79 Another area which can be strengthened relating to skills in the media sector is increasing the diversity of the sector’s workforce. It is recognised that the demographics of employment in this sector are not reflective of the population and there is an opportunity to increase the diversity of new talent coming through the pipeline. Create UK sets out a number of initiatives to tackle this issue, such as supporting targeted diversity campaigns.
- 5.80 Industrial partnerships are increasingly being used to bridge the skills gap mentioned above. One of the most notable is the second round of the Employer Ownership Pilot. The bid, submitted by Channel 4, will be managed by Creative Skillset on behalf of over 500 creative industries employers particularly in film, TV, games and digital media.

Regional Drivers

- 5.81 Like the ICT and Digital Media sector, the Media and Broadcasting sector is one of the core sectors being targeted for growth at the London level, as referenced within the London Plan, the London LEP Economic Strategy and the Mayor’s 2020 Vision.
- 5.82 The heart of the UK media industry is in London. Television publishing and advertising together generate more than 6% of the UK economy’s total exports, with half of this employment concentrated in the capital city.²⁸ This sub-sector activity also has one of the highest level of productivity in London (over £170,000 per employee per annum), resulting from the high amount of exports²⁹.
- 5.83 There is a large degree of overlap between the ICT and Digital Media and Media and Broadcasting sectors. With this in mind, it is worth emphasising again the policy focus on central and inner east London

²⁸ Deloitte (2013), London Enabling a world leading digital hub

²⁹ Deloitte (2013), London Enabling a world leading digital hub

(particularly around Shoreditch and the so called 'Silicon Roundabout' and its estimated cluster of 250,000 jobs).

- 5.84 Aside from this, London has a number of well-established Media and Broadcasting clusters, including Soho. As with the ICT and Digital Media sector, there is also a strong current policy focus on the Media and Broadcasting sector in east London. This is best demonstrated by the investment in the Here East digital quarter at the Olympic Park in Stratford. This has already attracted a major media sector anchor tenant in BT Sport and is seen as a flagship development for London's Media and Broadcasting sector.
- 5.85 That said, while London has a number of established media clusters, there is potential to establish a tech cluster for start-ups focused on media and TV production activities. Consultation has indicated that there is a high level of technological adoption and innovation in the sector at the moment (as traditional mediums adapt to mobile), which represents a large opportunity to draw on the London talent and start-up momentum.

Local Business perspectives

- 5.86 Key findings from the Media and Broadcasting business engagement process are summarised below:

General Overview

- The biggest factor driving firms to locate in Hounslow is because the owners/ directors live locally and operate from home offices.
- Businesses perceive growth prospects arising from improving reputation, emphasising the importance of word-of-mouth recruitment and client networks.

- Big business was identified as a detriment to small business, due to commonly using in house services and 'under-cutting' small business.

Business Support and Skills

- The most common membership to a support group was the Chamber of commerce, which was identified as useful to gain information and network.
- Very few businesses sought external support in the past and are not looking to seek support in the future.
- Freelance work is very common in this sector due to the project by project nature of the industry. The most commonly used recruitment tool is word of mouth through existing clients.
- Very few firms identified any skills gaps or difficulty in recruiting the necessary staff. Few firms have taken on apprenticeships in the past and some expressed a desire to do so in the future.

Premises and Accommodation

- The majority of businesses interviewed were satisfied with existing premises. Due to the online nature of work, having a good internet connection and enough physical space to work are the main requirements to achieve suitability.
- Businesses cited the need for more space to grow as the biggest barrier. Those working from a home office identified the need for a professional space to meet with clients as an issue, as well as lack of fibre optic broadband.

- Those who would consider relocating to new space have a desire to stay in Hounslow, but are not interested in moving into a shared work space.

Summary: Sector Overview and the Hounslow Opportunity

- 5.87 The Hounslow Media and Broadcasting sector is summarised in the infographic overleaf. The infographic provides an overview of current sector performance in the Borough, local specialisms and strengths and the key drivers influencing future sector growth. The infographic is intended as a high level overview of the sector in Hounslow, providing headline statistics and information. Please refer to the above narrative for more detailed insight.
- 5.88 The infographic highlights the importance of the Media and Broadcasting sector to Hounslow: it is a key driver of the local economy in terms of employment and enterprise, and also provides a strong specialism for the Borough within the regional context.
- 5.89 There are a number of points to make regarding the future of the sector in Hounslow; these largely mirror those set out previously under the ICT and Digital Media sector given the strong overlap between the two sectors:
- The Media and Broadcasting sector clusters over boundaries with other local authorities and subsequently, collaboration on planning and infrastructure is important. Working more closely with LB Hammersmith and Fulham and the TV triangle will facilitate this.
 - Communication – as with ICT and Digital Media, there is a clear need to better communicate the West London specialism in the Media and Broadcasting sector given the

current focus on east London in policy and investment terms. Hounslow's performance in terms of broadband and connectivity should be an important part of this offer.

- Working with business – the importance of Hounslow's major Media and Broadcasting businesses such as Sky should not be underestimated in both attracting small business to the Borough and spinning out new companies / enterprises. Continuing to work closely with these businesses to ensure they remain in the Borough in the long term will be important in supporting the continued growth of the sector locally
- Business infrastructure – the evidence suggests that high speed broadband is a pre-requisite for Media and Broadcasting companies, while the supply of flexible and affordable SME workspace (and hubs for homeworkers) can help enterprise to flourish. Ensuring Hounslow continues to offer adequate and high level business infrastructure will thus be critical in retaining and developing the sector further.

5.90 Further recommendations are set out in Chapter 7.

Table 5.10 Summary of Hounslow’s Media and Broadcasting Sector

London Borough of Hounslow: Media & Broadcasting Sector

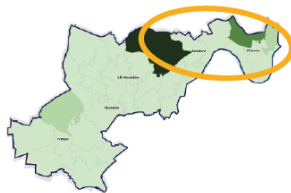
Local Overview



High employment concentration: **x2.8** the London average



Sky is the main employer, supporting over 70% of sector jobs - but 99% of businesses employ 0-4 people



Concentrated in the east of the borough - 50% of businesses are located in Turnham Green and Chiswick

Sector Trends



Export driven and domestic growth expected - UK entertainment and media market alone is forecast to reach £63bn by 2016



Main threats to sector growth are a **fragmented funding landscape**, **incompatibility of traditional financial products** and **infrastructure gaps**

Local Strengths

» TV Triangle - a regionally significant media tech and broadcasting cluster

» Production & Broadcasting - 78% of the sector’s employment base across almost 300 businesses. Has an employment concentration 5.3 times the London average

» Wider Professional Services related to Media - 3,400 jobs in 160 businesses

Local Perspectives

» Technology - the online presence of the media sector promotes a large freelance workforce who work from home, with specialist equipment and fibre optic broadband commonly seen as the only necessary tools to do business

» Knowledge Transfer - Start ups expressed a desire for a mentoring service while industry experts expressed a desire to provide a mentoring role, representing a potential sustainable cycle of knowledge transfer

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK



Other Defining Sectors

- 5.91 In addition to the three core defining sector described above, our analysis has highlighted 2 more niche defining sectors in the Borough – Advanced Manufacturing and Oil and Gas. While these show a strong specialism locally relative to the London average, they are currently comparatively small in employment terms when compared to other sectors in the Hounslow economy.

Advanced Manufacturing

- 5.92 The Advanced Manufacturing sector focuses on activities that are likely to be of higher-value, both in terms of their production process and/or their final output. This sector includes activities such as the manufacturing of optical instruments, fibre optic cables, vehicles, machinery and engines. A description of the main sub sectors is provided later in this section, and a full sector definition is provided in Appendix B. Employment data is from BRES and business data is from IDBR and the UK Business Counts.

Sector Overview

- 5.93 Hounslow’s Advanced Manufacturing sector supports around 2,900 jobs. Although employment in this sector has contracted since 2009 (-2.0%), it does have a high location quotient compared to London (LQ=1.8). This indicates that Advanced Manufacturing activities make up double the proportion of Hounslow’s employment base than they do in the wider London economy.

	Jobs	% total employment	Change 09-13	LQ
Hounslow	2,900	2%	-2%	1.8
London	52,000	1%	-16%	-

Source: BRES

- 5.94 This sector’s business base comprises about 100 firms according to the Government’s IDBR data. Since 2011, the number of businesses in this sector has decreased slightly (-5%). This compares to a 6% increase in the sector’s business base across London as a whole.

	Businesses	% total bus. base	Change 11-14	LQ
Hounslow	100	1%	-5%	0.6
London	6,500	1%	6%	-

Source: UK Business Counts

- 5.95 Nevertheless, data from Mint UK indicates that the sector could contain as many as 170 businesses, suggesting that Government data could underestimate as much as 38% of the sector’s business base. This suggests that Hounslow may have a significant number of micro businesses trading in this sector, which fall below the VAT threshold to be counted in Government business counts.
- 5.96 Government data on the size of Advanced Manufacturing businesses in Hounslow supports this finding: about half of all Advanced Manufacturing businesses in Hounslow employ between 0 and 4 people.
- 5.97 Advanced Manufacturing businesses in Hounslow are evenly spread across the Borough, with some co-location in the west of the Borough

near Heathrow. Close to 30% of the Advanced Manufacturing businesses are located in Feltham and Hanworth, suggesting that these activities may be linked directly or indirectly to Heathrow’s operation.

Local Specialisms and Assets

5.98 Hounslow’s Advanced Manufacturing activities are spread across a number of sub-sectors. The largest is repair activities, which comprises 1,000 jobs in Hounslow and is extremely concentrated in the Borough compared to London (LQ=7.2). These activities are most likely linked to the operations of Heathrow Airport. The manufacture of gas and chemicals is also a large sub-sector in Hounslow, employing 700 people, however employment has declined slightly (-2%) in this sector since 2009. Hounslow’s fastest growing sub-sector in Advanced Manufacturing is the manufacturing of electronics, which now comprises which now comprises 500 jobs in the Borough with a LQ of 1.8.

Table 5.13 Advanced Manufacturing Sub-Sector Employment, 2013

Sub-sector	Jobs	LQ	Hounslow Change 09-11	London Change 09-11
Automotive	<50	0.2	-87%	-29%
Electronics	500	1.7	88%	21%
Equipment and Machinery	300	2.3	2%	-43%
Gases and Chemicals	700	1.1	-2%	-4%

Plastics and Synthetics	<50	0.1	-86%	-46%
Other Transport	400	1.7	-30%	-37%
Pharmaceuticals	<50	0.3	600%	-47%
Repairs	1,000	7.2	10%	4%
Total	2,900	1.8	-2%	-16%

Source: BRES

- 5.99 Although Hounslow’s Advanced Manufacturing sector is small relative to its other key sectors, the Borough does have several key businesses operating locally including Honeywell UK and American Medical Systems UK.
- 5.100 Reflecting the sub-sector strengths, Heathrow represents an important asset to the Advanced Manufacturing sector through the demand it generates for repair activities and the connectivity benefits it provides in terms of access to global workers.
- 5.101 Anecdotally, the strength of the sector locally is also likely to be influenced by the presence of major multinational and headquarter functions on the Golden Mile, including major high value manufacturing firms such as GSK³⁰.

Sector Growth Drivers

- 5.102 Advanced Manufacturing has been identified as one of the Government’s priority growth sectors, due in part to the role it is playing in rebalancing the UK economy. It is a high value generating sector per employee, accounting for 20% of all UK manufacturing output with only 5% of its employment. SMEs represent a relatively

³⁰ It should be noted that pharmaceuticals does not fall within the definition of advanced manufacturing.

smaller proportion of the sector than average- 65% compared to 74% across all sectors³¹.

5.103 There are a number of factors that are influencing the sector's growth and development across the UK. These include:

- **The Macro-Economic Context** – the 2008/9 recession and resulting economic downturn had a wide ranging impact upon manufacturing activity in the UK, with a noted fall in demand for goods. Whilst manufacturing is seen as an important sector in determining the scale of the economic recovery, the ability of the sector to grow will be dependent on a complex range of factors, including import and export markets and UK consumer demand;
- **International demand:** linked to the above, the sector's success is less reliant on domestic market demand and the vitality of other economic sectors than other parts of the economy. International demand and the health of the global economy is influential.
- **Brand UK** – whilst the long term trend has been a decline in the scale of traditional manufacturing activity, there is increasingly a movement which supports buying products 'made in the UK'. Consequently, there is still a limited future for the physical manufacturing of certain lower value goods in the UK. As costs in other locations increase, there is also potential for companies which had previously left the UK to return;
- **Technological advancement:** the sector is driven by continuous technological advancement that increases

efficiencies and value generation. Firms must continue to adapt the latest technologies to remain competitive.

- **Efficiency** – in order to compete globally, the UK Manufacturing sector will need to become more efficient, in terms of reducing low skilled elements of the workforce while increasing value generation;
- **Demographic Change** – whilst an ageing population will affect the manufacturing workforce, it will also create new manufacturing demand. There is likely to be particular growth in health and pharmaceutical related manufacturing, which are typically relatively high value activities.
- **Skills gaps:** the sector is knowledge intensive, requiring high skills levels – particularly relating to STEM subjects. The future success of Advanced Manufacturing activities will rely on the sector's ability to access the amount of skilled labour to meet its needs.³²

5.104 More locally, the future potential of Hounslow's Advanced Manufacturing sector, and its particular local strengths in repairs related to transport and electronics, is significantly linked to the Borough's Transport and Logistics activities as well as Heathrow. The Government's ongoing review of airport capacity and proposals to expand Heathrow could represent a real opportunity for this sector as well as others which support these operations.

³¹ UKCES (2012), *Sector Skills Insights: Advanced Manufacturing*

³² UKCES (2012), *Manufacturing Sector Assessment*

Summary: Sector Overview and the Hounslow Opportunity

- 5.105 The Hounslow Advanced Manufacturing sector is summarised in the infographic overleaf. The infographic provides an overview of current sector performance in the Borough, local specialisms and strengths and the key drivers influencing future sector growth. The infographic is intended as a high level overview of the sector in Hounslow, providing headline statistics and information. Please refer to the above narrative for more detailed insight.
- 5.106 The infographic highlights the fact that while comparatively small, this is a high value sector which is currently a relative specialism for the Borough.
- 5.107 There are a number of points to make regarding the future of the sector in Hounslow. Given the sector is currently relatively small, efforts should be made to protecting and supporting existing business and jobs. Areas of focus could include:
- Business Support – ensuring that business have access to the support that they need to retain and grow their activities, whether this is signposting to local business networks or to regional or national support provision such as MAS and Growth Accelerator.
 - Skills – linking local employers and training providers to ensure that current and future skills needs are met, and that local residents are able to access local jobs
 - Premises and Infrastructure – understanding business needs in terms of premises and infrastructure, particularly where these are constraining business performance. The business engagement process here has suggested that the majority of firms are happy with their existing premises. There may

however, be scope to support smaller more modern workshop type spaces (2,000-5,000sqf) or collaborative shared spaces (such as Fab Labs) to support new generations of manufacturing activity

- Links to Higher Education – Hounslow businesses have access to a network of world leading higher education institutes for science and technology. Provision is also strong in west London, with Brunel University and the University of West London (UWL). Where possible, efforts should be made to engage businesses with the activities of HEI, either through university enterprise support services, business networking, or, where relevant through more formal research commercialisation collaborations or locational opportunities. UWL for example has highlighted its ambitions to improve linkages with the local business base and is exploring ways to deliver enterprise support via an SME workspace / incubation facility (this is considered in more detail in the next chapter).



Table 5.14 Summary of Hounslow’s Advanced Manufacturing Sector

London Borough of Hounslow: Advanced Manufacturing

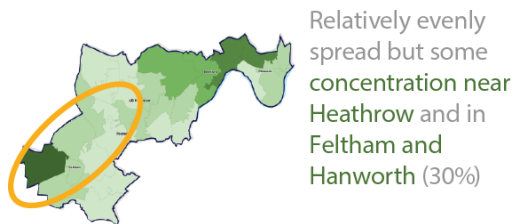
Local Overview



High employment concentration: **x1.8** the London average



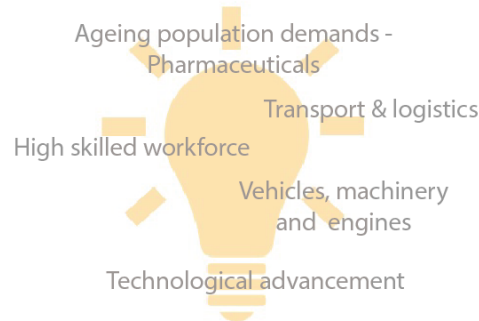
Relatively low proportion of micro-businesses - 50% employ 0-4 people compared to 81% overall



Sector Trends



The sustainability agenda will lead to growth opportunities in the manufacturing sector to develop more sustainable technologies



Actual process of manufacturing increasingly being carried out abroad - R&D will be driver of UK growth which will create a more footloose sector

Local Specialisms

- » Repair Activities - most likely linked to operations at Heathrow, this sub-sector employs a third of the borough’s Advanced Manufacturing jobs (1,000 jobs)
- » Manufacture of Electronics - one of the borough’s fastest growing sub-sectors having grown to 500 jobs (+88%) since 2009
- » Manufacture of Gas and Chemicals - another large sub-sector supporting 700 jobs with an employment concentration slightly above the London average

Local Perspectives

- » Skills - access to a highly skilled workforce is of paramount importance to businesses in this sector. Knowledge transfer and linkages with educational institutions are key
- » Heathrow - important for local businesses not just for international connectivity but for the demand it generates for repair activities

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK



Oil and Gas

5.108 The Oil and Gas sector is a relatively niche sector within the context of the wider Hounslow economy. However, it has been identified as being an interest given its strong growth in recent years and a strong level of specialism relative to London averages.

Current Performance

5.109 Although the Oil and Gas sector has not been identified as one of Hounslow's core employment sectors, the statistical evidence (BRES) highlights significant growth in the sector in Hounslow in recent years. In 2009 the Borough had around 100 Oil and Gas jobs and this has increased to 500 in the latest employment counts (BRES).

5.110 As a result, the employment in the sector in Hounslow is now around three times more concentrated than is average across London.

5.111 Consultation with property agents and major business parks found that these firms are tending to congregate in the west of the Borough, with a number locating in Chiswick Business Park. It was suggested that these firms are choosing Chiswick as their base to run their Europe Middle East and Africa (EMEA) operations, due in part to connectivity links to Heathrow. Anecdotally, several of these firms have relocated away from Aberdeen in recent years.

5.112 Again, as with other sectors, this highlights the attractiveness of Hounslow for high value economic sectors and activities primarily reflecting its strong transport connectivity with proximity to central London markets and access to UK and international markets via Heathrow.

Future Sector Drivers

5.113 Oil and Gas is a niche sector which requires specific skills, supply chains and educational links. In the past, it has been important for companies to locate close to extraction, but increasingly this is less important as the sector globalises and operates from six or seven key hubs. One of the world's most important Oil and Gas hubs is Aberdeen. However strong economic linkages remain with London, given the importance of the industry to the UK economy and its finances.

5.114 The most significant factors influencing the sector in the future will be:

- Oil price and industry costs (clearly a constraint currently)
- Labour markets and recruitment (the sector has traditionally struggled to recruit UK based staff)
- The need to cluster and generate agglomeration benefits.

5.115 This need for proximity and high skilled labour means that if the sector is to grow anywhere in the UK outside of Aberdeen, it is likely to be in London.

Summary: Sector Overview and the Hounslow Opportunity

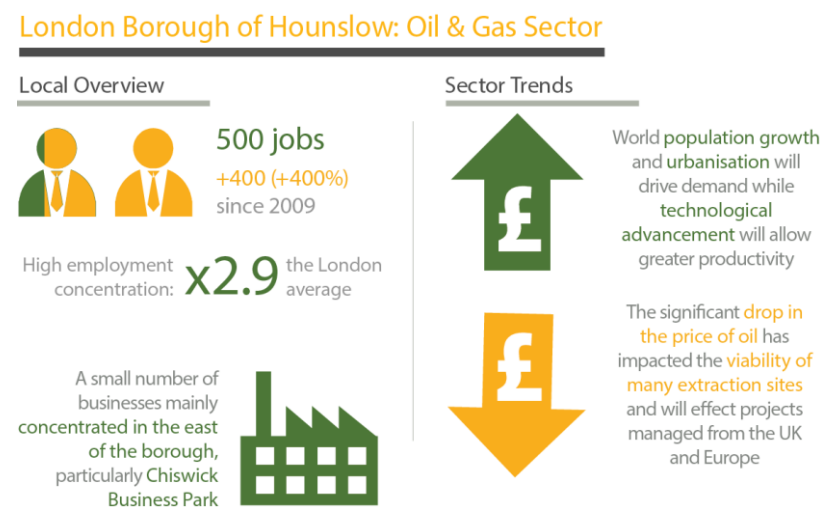
5.116 The nascent Hounslow Oil and Gas sector is summarised in the infographic below. The infographic is intended as a high level overview of the sector in Hounslow, providing headline statistics and information. Please refer to the above narrative for more detailed insight.

5.117 The infographic highlights the fact that while comparatively small, this is a high value sector which is both growing and a relative specialism for the Borough.

5.118 There are a number of points to make regarding the future of the sector in Hounslow:

- If Hounslow is to achieve significant growth in its Oil and Gas sector, it would need to undertake specific and targeted marketing. With diminishing resource in the North Sea, it could be argued that Aberdeen’s geographical advantage is less significant than it once was and that companies could be convinced to locate or collocate to a London base such as Chiswick Park.
- Given the current oil price slump, vigilance is crucial. The state of flux which this has created could provide opportunities as companies review their operational and locational requirements. The fall out of this is unknown, but this could present opportunities for Hounslow.
- To attract more operators in the sector, HE linkages would be important, particularly, in providing the specific skills the sector requires.

Table 5.15 Summary of Hounslow’s Oil and Gas Sector



Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

London Growth Sector: Professional and Business Support Services

5.119 The Professional and Business Services sector is a broad sector comprising activities ranging from financial services to professional consultancy activities and a range of business support activities such as recruitment, security and business administration activities. A description of the main sub sectors is provided later in this section, and a full sector definition is provided in Appendix B. Employment data is from BRES and business data is from IDBR and the UK Business Counts.

Current performance

5.120 As highlighted in chapter 3, while the Professional and Business Support Services sector is not a specific sector specialism for Hounslow within the London context, the sector accounts for a large proportion of activity in the Boroughs employment and businesses bases. Performance of the sector is explored in more detail below.

Sector Overview

5.121 The Professional and Business Services sector includes activities such as legal and accounting, financial services and real estate.

5.122 Hounslow’s Professional and Business Support Services sectors comprise a large proportion (23%) of the Borough’s employment base, equal to 32,500 jobs. However, despite the sector’s large employment base, it does not have an exceptionally high concentration of activity in Hounslow compared to the London average. The location quotient for Business and Professional Service activities is 0.7. While the sector’s employment across London grew by 16% since 2009, it increased by just 1% in Hounslow specifically. The growth of this key sector is significantly outpaced by other sectors such as ICT and Media.

Table 5.16 Professional and Business Support Services Employment, 2013

	Jobs	% total employment	Change 09-13	LQ
Hounslow	32,500	23%	1%	0.7
London	1,496,100	33%	16%	-

Source: BRES

5.123 Professional and Business Support Services businesses in Hounslow make up 29% of the Borough’s business base. Government IDBR data indicates that there are 3,500 businesses in the sector and this figure is in line with that of Mint UK. Similar to its employment profile, Business and Professional Services in Hounslow does not have a high business location quotient relative to London (0.8). Nevertheless, the business base in Hounslow increased by 29% since 2011 compared to a London-wide increase of 22%.

Table 5.17 Professional and Business Support Services Businesses, 2014

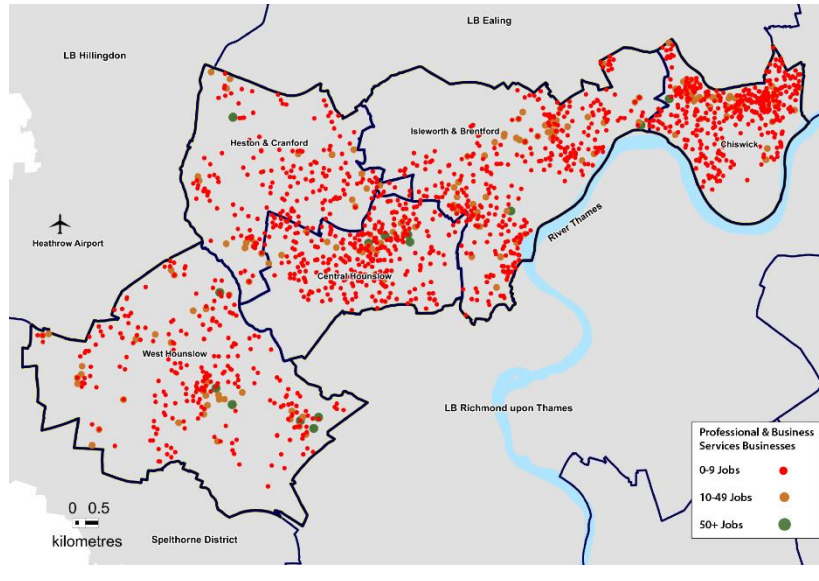
	Businesses	% total bus. base	Change 11-14	LQ
Hounslow	3,500	29%	25%	0.8
London	169,850	37%	22%	-

Source: UK Business Counts

5.124 The majority of businesses in this sector range between 0 to 4 employees (87%). While almost all businesses in this sector classify as small to medium, Hounslow does have a very small proportion of large Professional and Business Service companies (25 companies equal to 1% of the sector’s business base).

5.125 Professional and Business Support services companies are largely co-located in Hounslow town centre (20%) and to the east in Chiswick and Turnham Green (about 30%). The remainder of the businesses in these sectors are relatively spread across the Borough.

Figure 5.9 Distribution of Hounslow Professional and Business Support Services Firms



Source: Regeneris Consulting based on IDBR

Local Specialisms and Assets

5.126 The Professional and Business Services sector is largely dominated by two sub-sector activities: Business Support Services and Other Professional Services. The largest activities in Business Support Services includes temporary employment agencies, building cleaning and facilities support. This sub-sector makes up 47% of the sector’s employment base. The largest activities in Other Professional Services are activities of head offices, advertising agencies, and management consultancies. This sub-sector represents 35% of the sector’s employment base. Other sub-sectors which have shown

significant employment growth since 2009 are the activities of holding companies and trusts (100 jobs) and real estate activities (2,200 jobs).

Table 5.18 Professional and Business Support Services Sub-Sector Employment, 2013

Sub-sector	Jobs	LQ	Hounslow Change 09-11	London Change 09-11
Business Support Services	15,200	1.1	-3%	16%
Financial Services	1,900	0.2	-18%	5%
Holding Companies and Trusts	100	0.3	252%	10%
Legal and Accounting Services	1,100	0.2	10%	9%
Other Professional Services	11,400	0.9	9%	31%
Real Estate	2,200	0.7	25%	16%
Scientific and Research	600	0.9	-40%	-11%
Total	32,500	0.7	1%	16%

Source: BRES

5.127 The local assets in Hounslow that can support the growth of this sector include Heathrow, both in terms of the demand it generates as well as the connectivity it offers to businesses located nearby. That said, much of the activity in the sector is likely to relate to servicing the needs of the local population as opposed to serving external markets.

UK Level Drivers and Trajectory

5.128 A summary of the main factors affecting sector growth at the UK level is provided below.

Size and Growth Potential

5.129 The UK Professional and Business Services sector is one of the UK's most competitive sectors, generating 11% of UK GVA and 12% of employment.³³ Not only does it have a trade surplus of £19 billion, but its value added to the economy has grown over 50% in real terms since 2000.³⁴ The sector is comprised of large, multinationals as well as small and medium sized firms which benefit from low barriers to entry.

5.130 The UK Professional and Business Services sector was equal to £153 billion in 2011 and is forecast to grow at 4% per annum until 2021, equal to a cumulative increase of nearly 50% in real terms.³⁵ There is a real opportunity for future growth in this sector to come from emerging economies such as China, India and Brazil. However, although this sector's exports are traditionally focused in the EU and the United States, it will be important for UK businesses to compete with Professional and Business Service sectors in Dubai, Singapore and Hong Kong to increase their market share in key emerging markets.

³³ HM Government (2013), Growth is Our Business: A Strategy for Professional and Business Services

³⁴ HM Government (2013), Growth is Our Business: A Strategy for Professional and Business Services

³⁵ HM Government (2012), Professional & Business Services

Challenges to Growth

5.131 The greatest challenge and potential opportunity facing the UK's Professional and Business Services sector is related to growth in overseas markets, particularly emerging economies. New global hubs competing in the Professional Services sector have emerged in Dubai, Shanghai, Hong Kong and Singapore. At the same time, emerging economies such as the BRICs represent huge growing markets where UK firms should look to grow their market share.

5.132 Additionally, increased (financial) regulation is putting pressure on the growth potential of the sector. This is particularly the case for smaller businesses who may lack the expertise or resources to conform.³⁶

Skills

5.133 The UK Commission for Employment and Skills expects an additional 600,000 UK jobs to be created in the Professional and Business Services sector in the next decade.³⁷ At present, over half of those employed in the sector have degree level qualifications or above, emphasising the importance of highly skilled labour needed to sustain this sector. In addition to the need for a highly qualified talent pool, this sector is highly sensitive to new hires being 'work ready.' A McKinsey survey of employers in this sector found they were

³⁶ UKCES (2012), *Financial and Other Professional Services Sector Assessment*

³⁷ HM Government (2013), Growth is Our Business: A Strategy for Professional and Business Services

generally less satisfied with the preparedness of new recruits than for other sectors as a whole.³⁸

- 5.134 Additionally, an ageing population will increase the availability of skilled workers as people remain in the labour market longer than in the past.

Regional Level Drivers

- 5.135 London is one of the world's financial capitals and the leading provider of many professional and support services associated with the financial industry. This includes activities such as legal services, management consultancy and accountancy, for all of which London is a global leader. These activities represent a huge market to which Hounslow has access, both in terms of a customer base and pool of talent.
- 5.136 Additionally, London's financial and professional services market has several key areas of specialism, including Islamic finance, for which the UK has become the leading western centre for Shariah-compliant financial services.³⁹ Additionally, it has developed specialised services around the maritime industry.

Local Business perspectives

- 5.137 Key findings from the Professional and Business Services business engagement process are summarised below.

General Overview

- The majority of these firms delivered some form of financial service, such as accountancy, bookkeeping, payroll, etc.
- The biggest factor driving these firms to locate in Hounslow is because the owners/ directors live locally and often operate from home offices.
- Businesses perceived growth prospects mainly stemming from word of mouth reputation, emphasising that it will need to come from their existing markets and client networks. The wider macro-economic climate was the primary barrier to growth cited.

Business Support and Skills

- Around half of businesses had sought external support in the past. The most commonly cited support providers are accountants, banks or other similar businesses.
- However, over half are planning on seeking advice in the future. The most cited areas where advice is needed are: finding suitable premises and help to take on apprentices/ trainees/ interns.
- The most commonly used recruitment tool was word of mouth through local SME networks as well as existing clients.
- Very few firms identified any skills gaps or difficulty in recruiting the necessary staff. Although the majority had not

³⁸ HM Government (2013), Growth is Our Business: A Strategy for Professional and Business Services

³⁹ City of London (2013), An Indispensable Industry

taken on apprenticeships to date, those who had had generally not retained them.

Premises and Accommodation

- The majority of businesses interviewed were satisfied with existing premises. Those who were not cited the need for more space to grow as the biggest issue.
- Those who would consider relocating to new space are considering managed workspace, with the desire to stay in Hounslow.

Summary: Sector Overview and the Hounslow Opportunity

5.138 The Hounslow Professional and Business Services sector is summarised in the infographic overleaf. The infographic provides an overview of current sector performance in the Borough, local specialisms and strengths and the key drivers influencing future sector growth. The infographic is intended as a high level overview of the sector in Hounslow, providing headline statistics and information. Please refer to the above narrative for more detailed insight.

5.139 The infographic highlights the importance of the Professional and Business Services sector to Hounslow: it is a key driver of the local economy in terms of the employment and enterprise it supports.

5.140 There are a number of points to make regarding the future of the sector in Hounslow:

- Growth – Ongoing growth in the business base, alongside strong levels of population growth projected across London. This has the potential to support future growth in Professional and Business Services across the city.

- Supporting the existing business base – Hounslow has a broad business base within the sector supporting local and regional markets. Supporting this breadth of activity, will not only support longer term growth, but will also ensure that other businesses have the support infrastructure they require to operate successfully within the borough.
- Filling support gaps – ensuring that businesses are able to access support to help them to grow and access new markets is important given the recent contractions in business support provision. Working closely with local and sub-regional business networks will be important in defining priorities and establishing delivery mechanisms.
- Skills training – a better skilled labour force helps to increase efficiency and growth. Training in new technologies and business management techniques also helps small business owners increase and exploit new markets and achieve growth. Linkages between training providers and employers will be important in ensuring that needs are met and catered for through training provision.

5.141 Further recommendations are set out in Chapter 7.

Table 5.19 Summary of Hounslow’s Professional and Business Services Sector

London Borough of Hounslow: Professional & Business Support Services Sector

Local Overview



Sector Trends



Local Specialisms

- » Business Support Services - includes temporary employment agencies, building cleaning and facilities support; makes up 47% of the sector's employment (15,200 jobs)
- » Other Professional Services - includes activities of head offices, advertising agencies, and management consultancy, contributing 35% of sector employment (11,400 jobs)
- » Real Estate Activities - comprises a large proportion of high street real estate agents; supports 2,200 jobs overall (+25% since 2009)

Local Perspectives

- » Reputation - business growth expected to come largely from existing markets and client networks
- » Space needs - the majority of businesses were satisfied with their premises, although some businesses reported a need for more space to grow
- » Support Needs - over half of businesses are planning on seeking advice in the future, primarily for finding suitable premises and help to take on apprentices/trainees/interns

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

Other Regional Growth Sectors

5.142 In addition to the above there are a number of other sectors targeted for growth at the regional level, most notably, Low Carbon Environmental Goods and Services and Tourism.

Low Carbon Environmental Goods and Services

5.143 The Low Carbon Environmental Goods and Services (Low Carbon sector hereafter) sector includes a diverse range of activities. These can be summarised under four main themes:

- **Decarbonising the Energy System** – focussing mainly on Low Carbon electricity production and distribution and Low Carbon transport;
- **Improving Resource Efficiency** – including a range of activities mainly focusing on waste management, recycling and reuse, sustainable material and eco-design;
- **Preserving and Enhancing the Natural Environment** – consisting of green infrastructure, sustainable agriculture and bio-diversity;
- **Multi-disciplinary** – incorporating activities such as consultancy and Research and Development, which operate across all three of the above segments.

5.144 Regeneris has designed an in-house model which breaks down the Low Carbon sector into four specific sub-sectors. It assesses the amount of employment in local sectors which have the potential to contribute to these four sub-sectors of the Low Carbon economy. This is summarised in Appendix C.

5.145 It is important to note that this is a cross cutting sector, which includes activities across the economy (including many of those activities explored in previous sector profiles, such as elements of manufacturing, engineering, construction and business services).

5.146 Employment data is from BRES and business data is from IDBR and the UK Business Counts.

Sector Overview

5.147 We estimate that Hounslow's Low Carbon economy comprises around 2,800 jobs, nearly half of which are concentrated in the decarbonising sub-sector. This includes activities relating to electricity, energy equipment and sustainable transport. Other notable sub-sectors include activities relating to improving resource efficiency (500 jobs in waste management, reuse and recycling) and multidisciplinary Low Carbon activities (500 jobs in engineering and technical testing).

5.148 Broadly speaking, the Hounslow Low Carbon economy is characterised by activities focused on serving the needs of the local populations (e.g. transport and waste management), rather than serving wider external Low Carbon markets.

5.149 The London Borough's with the largest proportion of Low Carbon jobs tend to be those in outer London – including Barking and Dagenham, Haringey, Greenwich, Bexley and Havering. This reflects the relative availability of land and space in those areas suitable for 'land hungry' Low Carbon activities such as waste management and recycling. Reflecting this, it should be noted that Low Carbon employment strengths in these areas typically relates to lower value and low employment density Low Carbon activities, which may be deemed undesirable within more densely populated areas.

5.150 Since 2008 employment in Hounslow’s Low Carbon economy has increased by 12%, compared to a 27% increase across London. The Borough’s employment in this sector is less concentrated than it is at the London level (LQ=0.9).

Table 5.20 Low Carbon Employment, 2013

	Jobs	% total employment	Change 09-13	LQ
Hounslow	2,800	2%	12%	0.9
London	105,300	2%	27%	-

Source: BRES

5.151 It is not possible to estimate the number of businesses operating in the sector using the Regeneris model as assumptions used to underpin the model are based on employment.

Future potential

5.152 The Low Carbon sector is a priority growth sector for the UK economy. It is at the heart of government policy in terms of reducing emissions, driving innovation and the provision of high value added jobs.

5.153 The Department for Business, Innovation and Skills (BIS) estimates that the sector currently supports GVA of £120 billion and employs around 0.9 million people.⁴⁰ The energy sector equates to a very small proportion of UK employment, but GVA created per employee is much greater than the economy’s average. The Low Carbon sector is also a key priority for the Mayor of London, as referenced within key

policy documents including the London Plan, London LEP Economic Strategy and the Mayor’s 2020 Vision.

5.154 There are a number of drivers influencing the performance of the sector nationally:

- Climate change and sustainability: these are major global, political and social issues which are driving the impetus for growth in this sector.
- Politics – while the Low Carbon sector has been identified within policy as a key sector for future growth, elements of the sector (for example nuclear and wind) remain politically contentious. The extent to which the sector is able to achieve growth locally will be influenced by how these political discussions play out;
- Creating energy security: linked to the above, there is a desire to achieve greater energy security in the UK, with less reliance on foreign energy supplies.
- Decommissioning and Repurposing – linked to the above, the need to decommission or repurpose old energy infrastructure brought about through the development of new technologies will help continual growth in this sector.
- Technology and innovation: the sector is driven by technological advancement that increases efficiencies and value generation. For companies to remain competitive in this sector they must ensure they are up-to-date with the leading technologies and applications.

⁴⁰ BIS (2012), Low Carbon Environmental Goods and Services

- Competition: there is significant competition from overseas in the Low Carbon sector. The extent to which it can represent a viable opportunity for economic growth at the local level will be dictated by the sub-sector specialisms that can be developed locally.⁴¹
- Skills Gaps – the sector suffers greater skill shortages than most other sectors. In addition the workforce is slightly older than the UK average and will see a relatively significant number of retirements in the coming decade. Potential shortages of appropriate labour could restrain growth⁴².

Summary: Sector Overview and the Hounslow Opportunity

- 5.155 The Hounslow Low Carbon sector is summarised in the infographic overleaf. The infographic provides an overview of current sector performance in the Borough, local specialisms and strengths and the key drivers influencing future sector growth. The infographic is intended as a high level overview of the sector in Hounslow, providing headline statistics and information. Please refer to the above narrative for more detailed insight.
- 5.156 While the infographic highlights that the Low Carbon sector isn't currently a sector of core importance to the Hounslow economy, it is clearly important to the Borough's future ambitions given wider regional and UK pressures to ensure that growth is delivered in an environmentally sustainable way.
- 5.157 There are a number of points to make regarding the future of the sector in Hounslow:

- Building upon existing advantages – proximity to Heathrow airport offers Hounslow a unique advantage to attract businesses servicing UK and global Low Carbon industries. Given the competitive nature of the market, identifying how these advantages can be exploited will be important in the short term to ensure that the opportunity is not lost
- Links to existing sector strengths - there is potential for Low Carbon activities within a number of Hounslow's largest employment sectors - particularly Transport and Logistics. Exploring where these opportunities exist and how they can be exploited will be important;
- Emerging complementary activity - plans for commercial and residential development in Hounslow will provide opportunities to apply new techniques, modern methods and Low Carbon strategies which could provide jobs and value for the local economy. Low Carbon housing and sustainable industrial parks are two potential interventions which could stimulate this. Ensuring appropriate Low Carbon principles are built into and applied in planning policy will help to drive this. The recently announced Hounslow Housing Zone provides an opportunity for the council to deliver best practise in this respect.
- Labour Force - The Low Carbon sector is a broad sector requiring a broad range of skills and specialisms. As such, it is important to identify the nature of emerging opportunities and their skills requirements. It will be important that local education institutions such as West Thames College support the evolution of local Low Carbon sector by responding to

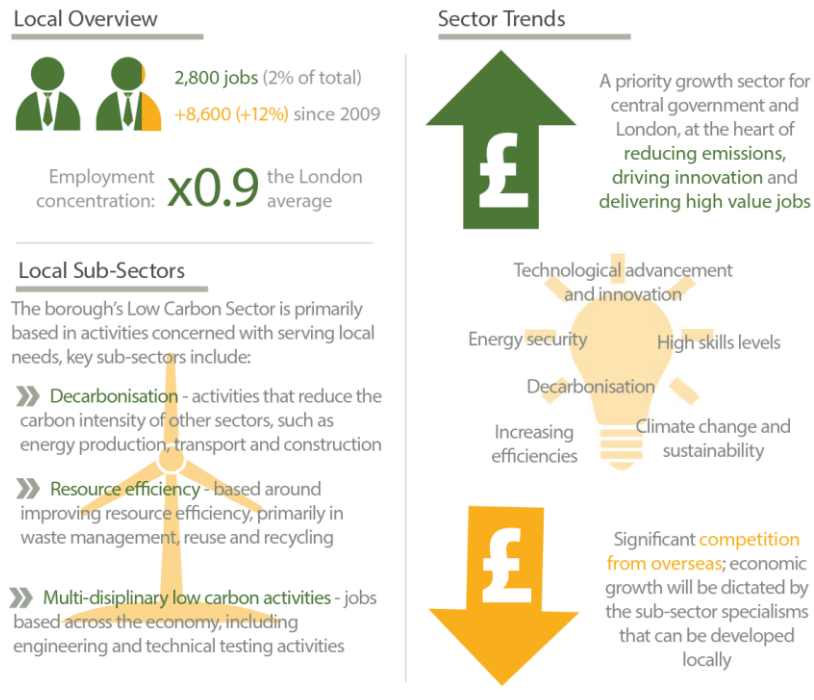
⁴¹ UKCES (2012), *Energy Production and Utilities Sector Assessment*

⁴² UKCES (2012), *Sector Skills Insights: Energy*.

emerging demand for Low Carbon skills in core sectors such as construction and engineering.

Table 5.21 Summary of Hounslow’s Low Carbon Sector

London Borough of Hounslow: Low Carbon Sector



Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

Tourism

5.158 The Tourism sector includes a variety of activities which can service both tourists and also the local population. These include sub-sector

activities ranging from accommodation, exhibitions and conferences, passenger transport, food and drink and recreation activities. A description of the main sub sectors is provided later in this section, and a full sector definition is provided in Appendix B.

5.159 It is important to note that the definition of the Tourism sector is broad: many of the activities included within the definition such as transport and food and drink are likely to serve local populations and markets more than visitor / tourism markets.

5.160 Employment data is from BRES and business data is from IDBR and the UK Business Counts.

Sector Overview

5.161 The activities in Hounslow which can contribute to the Tourism sector comprise 15,300 jobs, representing over 11% of the Borough’s employment base. Although Hounslow’s location quotient in this sector does not indicate a specialisation (LQ=0.8), employment has grown by 41% since 2009. This compares to a 17% growth across London in the same period.

Table 5.22 Tourism Employment, 2013

	Jobs	% total employment	Change 09-13	LQ
Hounslow	15,300	11%	41%	0.8
London	583,900	13%	17%	-

Source: BRES

5.162 The sector is made up of around 1,500 businesses according to the Government’s IDBR data. However, the concentration of these businesses in Hounslow is less than the concentration across London (LQ=0.9). Nevertheless, the business base has grown by 13% since

2011, which is in line with the growth experienced at the London level.

Table 5.23 Transport Businesses, 2014

	Businesses	% total bus. base	Change 11-14	LQ
Hounslow	1,500	13%	13%	0.9
London	64,685	14%	13%	-

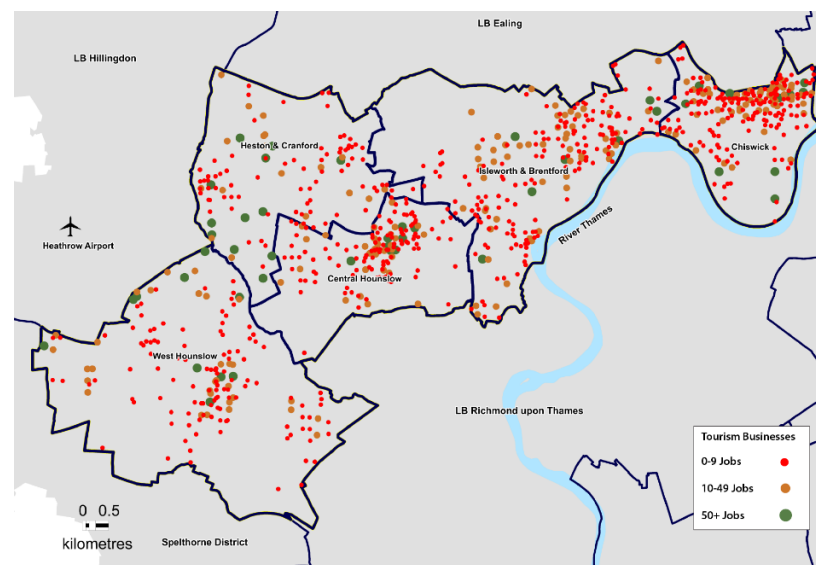
Source: UK Business Counts

5.163 Given the nature of the Tourism sector activities and the high degree of local services included, it is not surprising that a large proportion of the business base (69%) is comprised of firms employing 0-4 people. However, 12% of Hounslow businesses in the sector employ 10-49 employees, classifying as a small business. This is the second largest proportion of small businesses across the Borough's key sectors behind Transport and Logistics.

5.164 While activity in the broadly defined Tourism sector is distributed across the Borough, there are a number of particular concentrations of activity both in terms of employment density and location of businesses. There is a strong concentration of activity (both jobs and businesses) in and around Chiswick, largely reflecting the high number of food and drink activities within the town centre. The same is true for Hounslow town centre and to a lesser extent Feltham.

5.165 There is also a concentration of employment in the Hatton area. This reflects the presence of larger businesses in the area, with activity likely to be largely transport and catering activity linked to Heathrow.

Figure 5.10 Distribution of Hounslow Tourism Firms



Source: Regeneris Consulting based on IDBR

5.166 Given that the analysis of the Tourism sector includes activities which also serve the local population, it is helpful to contextualise these findings with trends on the wider tourism / visitor economy. Intelligence on visitor spend and overnight stays can be particularly helpful.

5.167 Unfortunately it is now some years since the GLA updated its model on local tourism spend and performance. Nevertheless, it is interesting that the findings of the 2009 report broadly corroborate our findings in the previous above regarding the overall size of Hounslow's tourism economy: the report finds that Hounslow has London's 19th largest tourism economy measured across a range of

indicators. The report found that Hounslow accounted for around 2% of all visitor expenditure in London.

Local Specialisms and Assets

5.168 Hounslow as a number of strengths and assets in relation to the Tourism sector:

- Proximity to Heathrow – Heathrow is the UK’s main entry point for overseas tourists. The opportunity for Hounslow in this respect is twofold:
 - Servicing the activities of the airport, via transport and cargo and other servicing activities. As highlighted previously in the Transport and Logistics sector profile, Hounslow performs strongly in this regard
 - Providing a base for visitors entering the UK at Heathrow. Hounslow is well placed in this respect, with a strong (and growing) stock of hotels and bed space.
- Proximity to central London – as highlighted throughout this report, one of Hounslow’s core strengths is its connectivity to the rest of London and the UK. Again, this ensures that the Borough is well connected within the wider London visitor economy.
- Local visitor assets – in addition, the Borough is home to a number of visitor attractions / assets, including Osterley

House, Syon House and Park and Chiswick Park. As referenced above, Hounslow also has a strong and growing supply of hotels. Sixteen new hotels constructed were constructed in the decade to 2001, representing a growth rate of 113% and creating 1,519 additional bedrooms. This has resulted in Hounslow having the second highest number of hotel bedrooms in West London at 2,062 bedrooms⁴³.

5.169 Reflecting the presence of Heathrow, the land and air transport sectors are the most concentrated sub-sectors in Hounslow, and are significantly more concentrated locally than is average across London. Combined, these two sectors contribute around nearly 4,000 jobs. The renting sub-sector (e.g. homes and vehicles) is also concentrated locally but is relatively small in terms of jobs and businesses.

5.170 The largest sub-sector in terms of jobs is food and drink: this sector accounts for around half of all jobs in Hounslow’s Tourism sector, but is slightly less concentrated locally than average across London. It is likely that the majority of activities in this sub-sector will be geared towards servicing the needs of the local population rather than towards more core tourism activities.

5.171 The Borough has a lower than average presence of both conference and exhibition employment and employment in cultural venues and activities. However, the latter of these contributes around 200 businesses and 1,800 jobs.

⁴³ Hounslow Local Plan, <https://www.google.co.uk/webhp?sourceid=chrome-instant&ion=1&espy=2&ie=UTF-8#g=hounslow%20local%20plan>

Table 5.24 Tourism Sub-Sector Employment, 2013

Sub-sector	Jobs	LQ	Hounslow Change 09-11	London Change 09-11
Accommodation	600	0.3	69%	13%
Agents, Tours and Guides	500	0.7	46%	30%
Exhibitions and Conferences	100	0.4	-19%	27%
Leisure, Culture and Recreation	1,700	0.6	34%	25%
Letting and Mgmt of Real Estate	1,000	0.6	21%	10%
Passenger Transport	3,800	2.0	136%	3%
Renting	400	2.0	171%	101%
Food and Drink	7,100	0.8	16%	18%
Total	15,300	0.8	41%	17%

Source: BRES

5.172 Hounslow has a number of key businesses operating in the Tourism sector. These include: British Airways, London United Busways, Compass Contract Services, Do & Co Event & Airline Catering and John Laing Integrated Services.

Sector Trajectory and Drivers

5.173 Nationally, the sector contributes around 7% of UK employment, with hotels and restaurants alone contributing around 2.9% of national GVA. However, the sector has relatively low value generation per employee (£23,000 compared to £46,000 across all sectors). The

sector was not affected as significantly by the recession as other sectors but is not seen as a core driver of growth. Whilst the forecast is for growth in terms of workforce size, the sector is unlikely to contribute significantly to higher levels of GVA.

5.174 At the London level, tourism is an important component of the regional economy. Recent figures produced⁴⁴ as part of the London LEP Economic Development Strategy suggest that tourism in the city contributes GVA of £9 billion to the UK economy and supports 200,000 jobs. London also supports the highest number of overnight international visitors per annum globally (around 19 million) and has more visitors (25.3 million) to its top 5 museums and galleries than any other city globally. The sector is identified as one of London’s three fastest growing sectors (alongside creative industries and digital technologies), with GVA growth of around £2.4 billion since 2009. Reflecting this, supporting the visitor economy is a key objective of the Mayor of London and London LEP.

5.175 There are a number of drivers influencing the performance of the sector at national level:

- Impact of economic downturn - the 2008/9 recession and resulting economic downturn impacted on levels of disposable income which in turn has impacted upon tourism trends. Anecdotally, increasingly numbers of people have been staying for holidays within the UK rather than travelling abroad. If this is the case, there is a potential benefit for the UK visitor economy;

⁴⁴ London First: London 20136: An Agenda for Jobs and Growth, accessed at <https://lep.london/publication/london2036>

- Population - As the population increases (and increasingly clusters in urban areas), demand for cultural facilities and experiences increases;
- Changing trends - aside from the above, recent years have seen changing holidaying trends, with shorter, more frequent trips. This includes the rise of city breaks and 'active days out';
- The 'Savvy' Consumer - increasingly people are looking for better value for money and recent years have seen the rise of vouchers and deal websites as a new way of marketing and attracting custom;
- New Markets - in recent years a number of new tourism markets have emerged, which have transformed the nature of the UK visitor economy. These include the growing importance of food (as evidenced by the upsurge in street markets, cafes and interest in local produce), interest in innovative accommodation, events (such as festivals) and growing interest in environmental and sustainability issues;
- Technology - technology is playing an increasingly important role in the sector, as evidenced by the important role that the internet, apps and social media play in defining consumer preferences and trends.

Summary: Sector Overview and the Hounslow Opportunity

5.176 The Hounslow Tourism sector is summarised in the infographic overleaf. The infographic provides an overview of current sector performance in the Borough, local specialisms and strengths and the key drivers influencing future sector growth. The infographic is intended as a high level overview of the sector in Hounslow, providing headline statistics and information. Please refer to the above narrative for more detailed insight.

5.177 While the infographic highlights that the Tourism sector isn't currently a sector of core importance to the Hounslow economy, there is clearly potential to strengthen the performance of the sector locally given the opportunity presented by Heathrow airport and ambitions for tourism growth at the wider London level.

5.178 There are a number of points to make regarding the future of the sector in Hounslow:

- The importance of Heathrow – as highlighted above, one of the key assets of the Hounslow visitor economy is proximity to Heathrow airport. Reflecting this, the future of the sector locally will be heavily influenced by future decision making regarding Heathrow airport. Continued lobbying regarding the importance of Heathrow to the west London economy is therefore imperative;
- Tapping into London markets – that said, a further asset for Hounslow is its connectivity and links to the wider London and south east area. The borough's growing supply of hotels and proximity to transport links means that it is well placed to attract a greater quantum of staying visitors in future years;
- Encouraging greater levels of visitor spend – aiming to achieve growth in the number of staying visitors and ensuring that this translates into spending in the local economy should be a core area of focus. This will require strong links between hotels and local service centres and a strong amenity offer to appeal to a range of visitors.



Table 5.25 Summary of Hounslow's Tourism Sector

London Borough of Hounslow: Tourism Sector

Local Overview



Represents significant proportion of local economy
11% of jobs
13% of businesses



Majority of businesses are SMEs - but with a lower proportion than average (69%) employing fewer than 5 people



Sector Trends



UK and London are attractive to cultural and environmental tourism, while business tourism is seen as a major growth area



Although forecast to see significant jobs increases, sector GVA per employee is low and unlikely to see much growth

Local Specialisms

» **Food and Drink** - primarily concerned with servicing the local population this is the largest sub-sector, accounting for almost half (46%) of the sector's jobs - 7,100 jobs

» **Passenger Transport** - supports 3,600 jobs (+136% since 2009) and has an employment concentration twice the London average

» **Accommodation** - employment grew by 69% (to 600 jobs) between 2009 and 2011 compared to only 13% city-wide

Local Assets

» **Heathrow** - the primary gateway to the UK and London for both overseas business and leisure visitors - handled over 73 million passengers in 2014 alone

» **London** - strong connections to the wider-London area, which receives almost 17 million overseas visitors spending over £11 billion annually

» **Local visitor and cultural assets** - range of local attractions, including Osterley House, Syon House and Park, and Chiswick House

Source: Regeneris Consulting, 2015. Based on data from IDBR, BRES and MINT UK

6. Business Infrastructure and Support Needs

Summary of Key Findings

This chapter examines in detail business infrastructure and support needs in Hounslow, focusing on business accommodation (including SME workspace) and wider business support activities. Key findings include:

- Evidence from existing research and stakeholder consultation suggests that the Hounslow property market is relatively strong, with a good supply of high quality floorspace across the Borough
- That said, evidence suggests that there is increasing pressure on commercial floorspace in the Borough as a result of strong economic growth in recent years. New permitted development rules are also beginning to have an impact locally and will place a further strain on supply of commercial floorspace in the Borough in future years
- Evidence suggests that there is currently limited supply of affordable accommodation for SMEs in the Borough, including specific premises targeted at supporting enterprise. Analysis of local enterprise performance, stakeholder consultation and business engagement has identified demand for additional provision locally. There is also a supportive policy environment at the London level for the delivery of these types of premises, although caution must be taken to ensure there is a specific market failure and delivery is sustainable in the long term and targeted towards achieving lasting outcomes.

- There are a number of business representative organisations and networks active in Hounslow. However, wider business support services and are largely delivered at the London and national levels. 2015 is likely to be the year when delivery commences on the 2014-20 ERDF operational programme, with opportunities to access funding for new business support delivery at either the local or sub-regional level.

- 6.1 This chapter examines business infrastructure and needs in Hounslow, focusing on pressure on business accommodation in the Borough, the demand for and supply of affordable workspace for small businesses and supply of and demand for wider business support services.

Business Accommodation

- 6.2 In general, Hounslow has a strong commercial property market, although evidence suggests that certain challenges and constraints are focused in specific locations within the Borough.

Current Supply / Demand Balance

Existing Research Base

- 6.3 The Hounslow Employment Review (2011) provided the last comprehensive analysis of the commercial property market in Hounslow and painted a largely positive picture regarding the supply of and demand for space locally. Key findings included:
- Overview – Hounslow has a strong supply of fit for purpose industrial and office premises with a range of choice and prices. Despite the economic downturn resulting from the 2008/9 recession, in 2011 the local commercial property

market seemed relatively strong, with most employment locations well occupied and home to a mix of space and uses;

- Recovery from economic downturn – the research suggests increasing confidence in the local property market (in 2011) and reported that there was evidence of certain locations in Hounslow benefiting from businesses relocating from Central London;
- Importance of Heathrow – proximity to Heathrow is a key influencing factor: space near Heathrow is comparatively expensive and in some instances industrial space is more costly than office space;
- Overall Geography of employment space – there are over 70 identified employment ‘clusters’ in the Borough. These are spread relatively evenly across the Borough (both in terms of quantum and quality). Chiswick is seen as the most attractive location for office users (reflecting its location, connectivity and overall environment). Brentford and Hounslow, currently offer lower quality employment space, but offer the best potential to upgrade stock;
- Town centres – the majority of office space in Hounslow, Brentford and Feltham town centres is Grade B and this space was suffering from relatively high levels of vacancy. While the town centres were found to be well placed for higher density office development, they were found to suffer from negative perceptions as places to live and work;
- Industrial and logistics estates – the Borough’s industrial estates are generally high quality and well occupied. In a number of instances there are examples of clustering of activity of high growth sectors;

- Office Space – the Borough’s out of town Business Park have been most successful in attracting high quality office development and international occupiers, with Chiswick Business Park the strongest example of this. Demand for and take up of Grade A office space is strong in these locations;
- Industrial Space – the majority of demand and supply has come from small and medium sized business units, in and out of town centre locations;
- Space for SMEs – the research also found a relative lack of affordable start up space for SMEs.

Consultee Perspectives

6.4 As part of this research we have undertaken consultation with a number of local property agents. In many respects, our research has pointed to a continuation of many of the trends described above:

- A flock to quality: consultations with local property agents identified an increasing demand, particularly from media and Oil and Gas companies, for Grade A office space, particularly in the east of the borough around Chiswick. High quality office accommodation has performed well in east Hounslow while dated stock towards the west tends to have higher vacancy.
- Success of Chiswick Park: this successful office park has played a role in sustaining a media cluster in and around Chiswick. Interestingly, consultation with Enjoy-Work property managers found that businesses viewed the high quality accommodation and services as an important tool helping them to attract and retain top talent from central London.

- Challenges in Brentford – a particular challenge has been identified in Brentford, with anecdotal evidence suggesting that SME workspace has been lost to new residential development activity in recent years with no provision for replacement. This is perceived to be a significant threat to the vitality of the areas small business base.
- Variable quality across borough- the differing levels of quality office stock across Hounslow mean that certain areas are in much higher demand by tenant businesses. While offices in Chiswick Park command high demand, offices in Hounslow Town Centre and Feltham Town Centre are viewed as dated and less well connected.

Business Perspectives

- 6.5 Around two thirds of businesses engaged with were operating from ‘enclosed’ businesses units across a range of premises types, including office, industrial and warehousing. In addition, around a quarter were working from home. Only a small number of businesses were currently operating from shared or managed workspace.
- 6.6 There was general satisfaction amongst the business engaged with as part of this work regarding their current business accommodation. Just under three quarters of businesses ranked their premises either good or excellent (scoring their premises 8 out of 10 or higher).
- 6.7 Reflecting this, around half of those businesses questioned did not identify any changes which could be made to improve the quality / suitability of their premises. Of these which did identify specific improvements, the most common reasons were either a need for more space, a better deal (in terms of cost and flexibility) and a desire for better quality space. Other consideration mentioned (albeit by a

small number of businesses) included an improved location, improved facilities and infrastructure (e.g. broadband and parking).

- 6.8 Reflecting the above satisfaction levels, around two thirds of businesses reported that they are unlikely to leave their current premises in the next few years. Around a quarter of businesses thought they might relocate in the next few years, while around 14% were unsure.
- 6.9 Of those which are likely to move or which are unsure, over two thirds thought that they would move elsewhere within the Borough. Around 18% thought they would look to move elsewhere in London. Only a small number of businesses thought they would leave London, while around 10% were unsure.
- 6.10 Businesses which are likely to move or which are unsure, identified a range of factors which will influence their decision making. The most common factor (around a quarter of businesses) stated they would be looking for more space. Other reasons given (by a small number of businesses) were to move into offices (i.e. away from home), to move to a better location, to find better quality accommodation or to find a better financial deal.

Future Demand / Supply for Commercial Premises

- 6.11 The Hounslow Employment Land Review (2011) projected that in the period to 2030 there would be:
- increased demand for office space of around 200,000 sqm, largely in non-town centre locations
 - a slightly reduced demand for industrial land (c. 6 hectares).
- 6.12 In the period since the employment land review was published, the economy has strengthened further, and as such, it is likely that

demand for commercial floorspace in the Borough is likely to have increased accordingly:

- Projections for future growth are strong and have increased since the Employment Land Review was published:
 - The 2011 Employment Land Review used 2010 GLA employment projections which suggested Hounslow employment would reach 138,300 by 2031;
 - Latest GLA employment projections project growth of 160,000 by 2031. The latest projections suggest an increase from the previous set of projections of 21,700.
- Our own research in Chapter 2 has demonstrated strong employment growth has already been experienced in the period since 2011, with growth of around 15,000 jobs (12%). As a result, the employment base already stands at around 141,000, already exceeding projections for 2031 set out in the 2011 ELR.

6.13 In addition to these wider market forces, additional pressure is being placed on local commercial floorspace by new government planning policy regarding permitted development. New permitted development rules have come into force in the past year and are targeted at making it easier for employment floorspace to be converted to residential uses without the need for planning.

6.14 While the policy has only been recently implemented, it is already beginning to have a tangible effect on the commercial property market in London. Research published in November 2014 by Planning

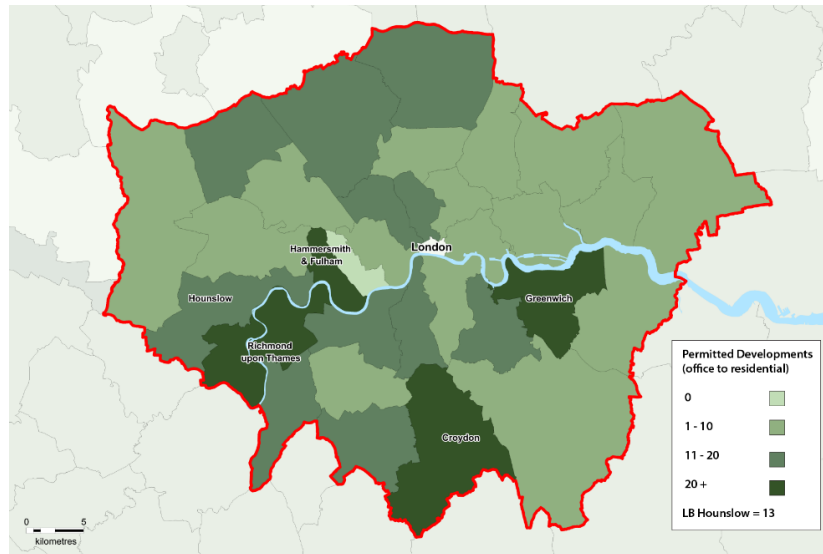
Magazine⁴⁵ found that 2,005 prior approval applications to convert offices to homes had been received by London Boroughs between May 2013 and June 2014. Hounslow has been no exception: it was found that around 44 such applications of which 30 were accepted, 10 refused and 4 are pending. This includes two of the more significant conversions permitted to date across London:

- Central House in Hounslow town centre, a 200,000sqft building for which 160 residential units are proposed
- Vista Business Centre in west Hounslow for which 139 residential units are proposed.

6.15 Quarter 1 permitted developments across London are mapped below.

⁴⁵ Accessed at <http://www.planningresource.co.uk/article/1324070/exclusive-office-to-resi-approvals-contain-17500-units-london-core-cities>

Figure 6.1 Permitted Development, Q1 2014



Source: Regeneris Consulting, 2015, based on data from DCLG

- 6.16 These trends alone suggest that demand for employment land and commercial in Hounslow is likely to be greater than that set out in the 2011 ELR; with stronger employment growth and permitted development placing greater pressure on the existing stock and pipeline.
- 6.17 Consultation with stakeholders found that there is latent demand for small to medium sized offices, particularly for media companies in the east of the borough. Media sector representatives suggested that there is a good supply of very small/ flexible space and large space but the medium sized grow-on space is minimal.
- 6.18 Chiswick Park has experienced an extremely high demand and is currently operating at 96% capacity. The park has expanded since its

opening in 2000 and the construction of its 12th building was the largest speculative build office building in London at the time. It was generally noted that businesses are looking to locate in areas where rents are lower than central London and that offer high quality living environment.

Summary and Implications

- 6.19 The evidence presented above highlights that Hounslow has enjoyed a strong commercial property market in recent years, with a strong supply of high quality floorspace coming forward and meeting demand from a range of high value occupiers. This is perhaps best exemplified by the success of Chiswick Business Park.
- 6.20 That said, the research has highlighted significant concerns regarding the future supply of commercial floorspace in the Borough, partly reflecting recent growth in the local economy and partly reflecting pressure being generated by new permitted development rules (office to residential conversions).
- 6.21 With this in mind, it will be important that the London Borough of Hounslow refreshes its employment land evidence base and policy in the short to medium term to ensure that future potential for enterprise and economic growth is not constrained by pressures in the commercial property market.

Accommodation for SME's

- 6.22 A particular area of interest for the London Borough of Hounslow and wider sub-regional and regional partners is the supply flexible and affordable workspace for SME's.

- 6.23 It is important to note that ‘workspace for SME’s’ can encompass a number of different types of business accommodation types and delivery models, including:

Types of SME Business Accommodation

- **Managed workspace / serviced offices** – provides businesses with office space and often provides monthly letting contracts, offering small and medium businesses with cheap and flexible arrangements.
- **Business incubation centres** – provides businesses with support and improved knowledge of their market conditions to enable them to grow. Support includes office space, training, business management, mentoring and help with access to funding.
- **Business accelerators** – similar to incubation centres, however accelerators have a focus on start-up businesses that have the potential to achieve high growth, typically within products or services which have a national or international market.
- **Co-working space** – provides office space for multiple businesses in one shared space, encouraging interactions and collaborations between small businesses, many of which are in their start-up phase.
- **Business innovation centres** – similar to incubation centres, however these are often more focused on the science and technology sectors. Office and laboratory space is provided to small firms looking to take advantage of collaborating with other firms. Sometimes these are linked to local colleges and

universities, increasing the pool of skilled labour available to firms.

- **Other flexible space** – e.g. artists studios – often aimed at more specialised sectors, such as art or music, these flexible spaces can encourage collaboration between artists and offer space for them to sell their work to the public.

A more detailed examination of these different models of delivery is provided in Appendix F, including defining feature, success factors and case studies.

- 6.24 This section provides an overview of current supply and the demand for such facilities.

Current Supply of Space

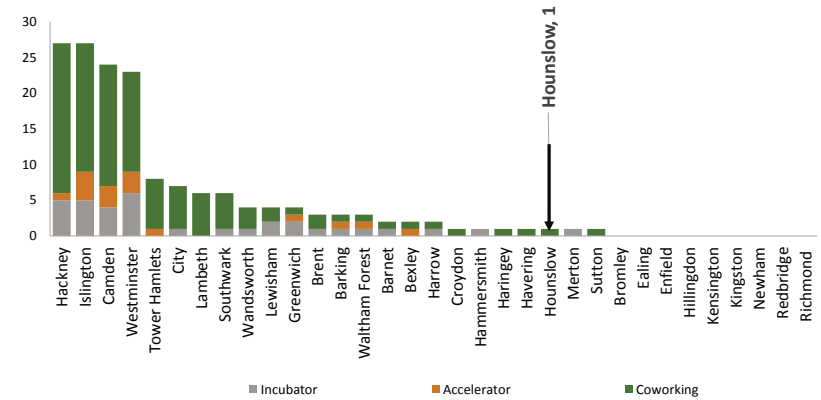
- 6.25 As noted above, the 2011 Employment Land Review research also found a relative lack of affordable start up space for SMEs.
- 6.26 This appears to still be the case locally, as demonstrated (in part) by the recent research undertaken by the GLA⁴⁶ into the supply of Incubators, Accelerators and Co-Working (IAC) spaces across London. At a headline level, this research found a lack of provision in and around the Hounslow area, with the majority of incubation centres, innovation centres and enterprise hubs being located in four inner London Boroughs: Westminster (20 IACs), Camden (20 IACs), Islington (21 IACs) and Hackney (23 IACs). By comparison only one IAC was identified in Hounslow.

⁴⁶ GLA (2014), accessed at http://www.london.gov.uk/sites/default/files/BD114_%20GLA%20IAC%20Pre-publication%20draft%20report.pdf

6.27 Strong performance in the central and inner east London Borough’s is likely to reflect a number of factors including:

- Market conditions / demand – many of the IACs will have been delivered by the private sector in response to the demand in those parts of London. In Westminster, for example, the supply of SME workspace will purely reflect obvious demand for a variety of types of workspace given the high business density in the area.
- Creative industries – linked to the above, in Camden, Islington and Hackney high levels of provision are likely to be linked to the strong enterprising cultures in parts of those Boroughs (such as Shoreditch and Hackney Wick). Anecdotally, demand for different models of SME workspace is higher in creative industries than in other parts of the economy.
- Public sector support – in a number of instances, there has been public sector intervention to support the delivery of SME workspace. In most instances this public sector intervention has been indirect – through the adoption of the Tech City narrative and support in policy terms for the delivery of a strong and varied supply of SME workspace.

Figure 6.2 Existing Incubators, Accelerators and Co-Working Spaces Across London



Source: Based on information including in the GLA’s Incubation, Acceleration and Co-Working Space Report, 2014

6.28 Current provision for small businesses in Hounslow, and across the wider west London area, is summarised in the table overleaf.

Table 6.1 Summary of Current Supply of Affordable Accommodation for SME’s in Hounslow and West London

Provision in Hounslow	Incubators, Accelerators, Co-Working Spaces	<ul style="list-style-type: none"> • Club Workspace at the Barley Mow Centre in Chiswick offers specialist workspaces built especially for entrepreneurs, with an emphasis on co-working and networking between newly established businesses. It provides newly-established businesses with affordable and flexible workspace, presenting them with opportunities to collaborate and innovate. It costs between £200 and £325 per month and allows entrepreneurs to access on-site meeting rooms, shared office facilities and networking events. There is no specific sector focus. The centre has been established and is run by a private sector operator, the Workspace Group.
	Studio Space / Artists Workspace	<p>The recent GLA Artists Workplaces study identifies a number of premises aimed at more creative uses in Hounslow, including:</p> <ul style="list-style-type: none"> • The Brentford Gallery and Studios offers studio and gallery space for individual and group of artists and offers cheap hire rates. Prices range from £87 to £400 per month and allows artists to exhibit and sell their work. • The Redless Studios in Redlees Park houses a group of over 30 artists and designer/makers. Its aim is to establish the studios as a thriving local centre for the production of high quality art, crafts and design. • Colville Road Studios- a former industrial space which has been converted to provide 12 affordable studios. It provides affordable space for artists looking to promote their work.
	Managed Workspace / Services Offices	<p>There are numerous managed workspace / serviced office premises in the Borough. These are owned and run by private sector operators, including:</p> <ul style="list-style-type: none"> • Four Workspace Group premises – including the Barley Mow Centre (described above), Light Box, Chiswick Studios and Qwest. Consultation with the Workspace Group highlights that demand for space is high, with occupancy typically running at 90%. There is no specific sector focus at these premises. • A number of Regus premises – including at Chiswick Park and Hounslow Town Centre. These provide businesses with offices, meeting rooms, virtual office services and businesses lounges. There is a high degree of flexibility with the arrangements allowing firms to choose dates and locations that suit them. There is no specific sector focus at these premises. Regus also has offices all over London.

London Borough of Hounslow Sectors Research

Wider West London Provision	Incubators, Accelerators, Co-Working Spaces	<p>Outside Hounslow, there are a number of IAC premises across the wider West London area. These focus on different target sectors (from science and technology to creative industries) and are run according to different models (with involvement from private sector workspace operators, sector businesses, universities and local authorities):</p> <ul style="list-style-type: none"> • Brunel Science Park, located near Uxbridge, offering science and technology companies the opportunity to collaborate alongside Brunel University on technological development. It offers assistance with business plans, raising finance and provides specific technical support to new businesses. A range of flexible tenancy agreements are offered, to encourage start-ups and small, specialist science and technology companies. • Imperial Incubator, located in Kensington, is a hub for innovation and entrepreneurship, providing office and laboratory space for early-stage science and technology companies. The 24,000 square foot facility contains 12 laboratories, 22 offices, meeting rooms and break-out areas. A programme of seminars and events are run, designed to help entrepreneurs and inventors develop their companies. • The Coming Soon Club, situated in Cottrell House, Wembley provides office space and workshop space for business start-ups (no specific sector focus) and arts and community projects. Commissioned by Brent Council and delivered by Meanwhile Space, it seeks to support businesses in the early stage of their development, offering support and mentoring. The club has over 600 members from a variety of business sectors. It has recently starting to redevelop vacant retail spaces in Wembley and turn them into usable retail units for its members, offering a platform for them to sell their products to the public. • Ugli Campus, located in White City, is a collaboration between the BBC, TCN UK and JP Creative. It is aimed at providing cheap office space to young start-ups within the creative industries, reducing their overheads and therefore allowing them to inject more capital into their business. The campus has been designed to encourage networking across businesses. The campus has been at 100% capacity since it was launched in 2011 and there are plans to expand it into parts of the BBC Television Centre. • Stanmore Business and Innovation Centre, located in Harrow, provides offices and incubation services for start-ups or small companies (no specific sector focus) looking to expand. On-site business support is provided to businesses. Managed by Oxford Innovation, one of the UK's largest operators of business incubators, the centre was developed by Berkeley Homes and Prudential as part of the Stanmore Place residential development.
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Note: Please refer to Appendix F for a more detailed review of IACs in London including best practice case studies and reviews.

Source: Regeneris Consulting, 2015

Future proposals

- 6.29 In addition to the above, it should be noted there are a number of current proposals for additional workspace in Hounslow targeted at providing a supportive environment for SMEs:
- University of West London – it is understood that the University of West London is currently considering plans to deliver business workspace at its Brentford (Golden Mile / Great West Road) site. The university is aiming to access funding from the HEFCE Catalyst Fund, with business workspace aimed toward supporting business starts ups from within its student community but also from the across the wider west London area
 - Chiswick Town Hall – the London Borough of Hounslow is exploring the potential to deliver flexible space for small businesses space as part of a wider scheme to renovate and better utilise Chiswick Town Hall. Current proposals include the delivery of flexible workspace aimed at businesses within the local creative industries. The council has been working up the proposals in tandem with the Media Triangle business network.
- 6.30 Public sector led workspace projects are also being delivered elsewhere in west London. Perhaps most significant is the Old Vinyl Factory in Hayes, just to the north east of Hounslow in neighbouring Hillingdon. The building will be transformed into the innovative Central Research Laboratory, a facility to provide entrepreneurs with technical, infrastructure and business support to develop and commercialise early stage product ideas. The London LEP has provided a £7.7m capital loan to the Cathedral Group and Development Securities to deliver this proposal.

Local Demand for Space

- 6.31 The 2011 Hounslow Employment Land Review (ELR) reported that amongst all demand for business space in the Borough, demand for affordable workspace for SME's was perhaps the strongest. The report found that:
- Commercial agents report strong demand from start-ups and SMEs for sites up to 450 sq m.
 - There was a lack of developments of smaller industrial units, with SMEs largely restricted to secondary and tertiary stock
 - There is particularly strong demand for freehold deals (over leasehold deals) from entrepreneurs within the South Asian community in the Borough.
- 6.32 The ELR concluded that there was strong demand for SME premises in the Borough and that the council should look to support its SME base by encouraging further provision of flexible employment space to meet their needs.
- 6.33 Building on the findings of the ELR, we have undertaken further research to explore demand for SME workspace in the Borough. The results of this are outlined below and suggest that demand in the local business base is likely to still be strong.

Enterprise Trends in Hounslow and Sector Strengths

- 6.34 The detailed review of enterprise performance in the Borough in Chapter 3 highlights the important role that micro and small businesses play in the Hounslow economy.
- 6.35 Businesses employing less than 10 people account for 86% of all businesses in the Borough. While the business base as a whole has grown strongly across Hounslow in recent years, the micro business

base accounts for much of this growth: the number of micro businesses in the Borough has increased by around 1,900 since 2011 (accounting for 87% of all growth).

- 6.36 It is likely that the vast majority of this growth will relate to business start-ups and enterprise. While the evidence does not suggest that Hounslow's population is any more enterprising than is average across other London Borough's, there is evidence of strong levels of business churn, with start-up levels relatively high compared to the overall size of the business base. While self-employment levels and homeworking levels are relatively average in the London context, there has been strong growth in both of these in recent years.
- 6.37 Our evidence suggests that levels of enterprise are strong across the Borough, but are particularly strong in:
- The east of the Borough, in and around Chiswick. This part of the Borough has a large number of sole traders, self-employed people and home workers. This area also has strongest concentration of activity in 'creative' sectors such as media and ICT and Digital Media;
 - The centre of the Borough, in and around Hounslow town centre. High levels of enterprise in this part of the Borough may be partly explained by high levels of business churn on the high street itself.
- 6.38 A further noticeable attribute of the Borough is its relative strength in 'creative industries': the Borough has among the strongest ICT and Digital Media and Media and Broadcasting sectors in London. These are industries and activities typically characterised by small businesses and which might be typically associated with requiring more flexible forms of business accommodation.
- 6.39 Finally, the evidence base also highlights the challenging environment facing small businesses: of new business start-ups,

fewer than half survive for 5 years or more. While such survival rates are common to start-ups across the UK, survival rates in Hounslow are slightly below London wide averages.

Business Perspectives

- 6.40 As might be expected given the wide range of businesses engaged with (both in terms of sectors and size), the majority of businesses did not express an interest in working in shared workspace in the future.
- 6.41 That said, a small number (around 15 businesses) did express an interest – these were typically the smallest businesses and many were currently working from home. All of the businesses which expressed an interest were operating either in the Media and Broadcasting sector, the ICT and Digital Media sector or the Professional services sector.
- 6.42 While a range of opinions were given regarding the ideal location within the Borough for such provision, the most common location was identified as the east of the Borough / Chiswick. This reflected the existing locations of those homeworkers. As discussed in detail in Chapter 3, this part of the Borough contains strong concentrations of residents who are either self-employed or working from home.
- 6.43 A range of opinions were given regarding the services that such space should provide. Among the most common responses were requests for subsidised or 'affordable' workspace, while a further common theme was the need for flexibility – both in terms of contract and way in which the space is used. Meeting rooms, fast and reliable broadband and opportunities for networking were also mentioned. A number of businesses identified a need for specialised facilities – such as workshops for CAD or design space for artists / designers. Generally speaking, businesses did not identify specific business

support services to be a key requirement. It is important to note that those who were interested in such space were part of a small group and as such their views are not necessarily representative.

Wider Consultee Perspectives

- 6.44 Consultations with both property agents as well as managed workspace providers indicates that current demand is high for small, flexible workspace, particularly for start-ups. Specifically, the Workspace Group operates a co-working and desk space facility in addition to four facilities that offer a mix of studios and small offices, some of which have a tenant waitlist.
- 6.45 Representatives of the media and broadcast industry, namely TV Triangle, highlighted the need for a variety of types of spaces for the sector, ranging from co-working and flexible space for start-ups, to small and medium sized offices for firms looking to scale-up. This type of space will be particularly important to help attract the growing number of tech start-ups in the TV and broadcasting sector.
- 6.46 Consultation with the Hounslow Chamber of Commerce and the University of West London highlighted ambitions to deliver new SME workspace in the Borough. Both consultees stated a desire to work closely with wider stakeholders in the area – including the council and local businesses – to respond to gaps in provision.

Policy Considerations

- 6.47 Supporting enterprise and SME's is a policy focus both at the Hounslow and London levels.
- 6.48 In Hounslow, encouraging enterprise and supporting SME's is identified as a policy objective in the Borough's core policy documents, including the Core Strategy and in 'Future Borough' (the strategy of

Hounslow Together). The Hounslow ELR (2011) also sets an evidence based recommendation to "encourage where possible Small and Medium Sized Industries (SMEs), start-up companies and flexible employment space to meet their needs..."

- 6.49 The supply of SME workspace is also a specific policy objective at the London level. In its strategy for the delivery of the 2014-20 European Structural and Investment Fund (ESIF) programme, the London Enterprise Panel LEP notes that "*lack of adequate, accessible and affordable workspace constitutes a barrier to entrepreneurship and business growth in London*". The strategy notes that the LEP will identify and address specific market failures in the supply of SME workspace, through ERDF capital investment. The logic model notes that "*co-ordinating and supporting the provision of affordable workspace in London will enable small businesses, including microbusinesses, to develop and grow*". While specific areas for intervention are still being developed, indicative areas for investment are likely to include:
- Provision of start-up incubator facilities and grow-on space;
 - Provision of affordable workspace and business guidance including mentoring and access to finance;
 - Ensuring good access to appealing environments and maximising regeneration potential of these places of work.
- 6.50 However, it must be noted that caution is likely to be exercised in using future ERDF monies to capital fund large SME workspace projects. This partly reflects recent research from the European Court

of Auditors⁴⁷ regarding the efficiency and effectiveness of past investment in such projects. The report concludes that while ERDF has made a significant financial contribution to the creation of business incubator infrastructure, the performance of audited incubators was modest. This reflects a number of factors including weak delivery and a focus on outputs at the expense of results.

- 6.51 The report recommends that more caution is applied in future incubator projects, and a greater focus is placed on delivery projects where there is evidence of long term sustainability and the potential to deliver genuine results and outcomes.

Implications and Next Steps

- 6.52 The analysis above suggests **there is a case to be made for additional SME workspace in the Borough:**
- Demand – analysis suggests that, given strong business growth and the presence of sectors with a propensity to ‘spin out’ new enterprise, that there may well be demand for additional SME workspace in Hounslow.
 - Supply – on the supply-side, the borough has relatively low levels of current supply of affordable SME workspace. There are also local and regional policy objectives to support business start-ups and enterprise (particularly in key sectors). Business representative groups also advocated more provision in the borough and west London as a whole.
- 6.53 Next steps in this regard, including the role for the council in taking forward additional provision, are considered in the next chapter.

Wider Business Support Needs

- 6.54 This section considers the wider support needs of Hounslow’s businesses, over and above the business accommodation considerations discussed above.

Supply of Business Support

- 6.55 A selection of the most significant current business support networks / organisations and programmes is provided on the table overleaf. This highlights that:
- There are currently a number of business support networks / organisations that are currently active in Hounslow and West London. These offer a variety of services targeted at a broad range of businesses;
 - However, supply of locally led business support projects / programmes is currently limited. This is also the case at wider London and national geographic levels: generally speaking there has been a marked decline in the level of support available for businesses in the period since 2010. The business support landscape is also currently constrained by the transition period between the 2007-2013 and 2014-2020 European Structural Fund Programmes: funding under the old programme has largely come to an end, and delivery under the new programme is not expected to commence until summer 2015.

⁴⁷ Accessed at http://www.eca.europa.eu/Lists/ECADocuments/SR14_07/SR14_07_EN.pdf

Table 6.2 Summary of Current Business Support Networks and Programmes

<p>Business Support Networks / Organisations</p>	<p>Provision in Hounslow</p>	<ul style="list-style-type: none"> • Hounslow Chamber of Commerce aim to develop both existing businesses and start-ups and encourage them to develop using the opportunities around them. The Chamber provides networking and marketing opportunities to enable businesses to grow and strives to be the voice of businesses, lobbying on their behalf • Brentford Chamber of Commerce – the Brentford Chamber is the largest representation of Brentford businesses and provides local networking, promotion and marketing opportunities and acts as a collective voice for the local business area • Invest Hounslow is the inward investment and business growth agency for the Borough of Hounslow. The agency provides a range of services including facilitating property searches for suitable premises, providing a contact and advice point for businesses looking to locate in Hounslow or for local Hounslow businesses looking to invest and expand into international markets, and provides general business support and access to finance advice.
	<p>Provision in West London and wider areas</p>	<ul style="list-style-type: none"> • West London Business (WLB) is a Chamber of Commerce and Economic Development Agency representing over 800 businesses in the West of London. They provide support to businesses through networking, marketing and information platforms, helping them to grow. Their aim is to support their members whilst promoting West London as a desirable business location and inward investment destination. Services that WLB provide include: <ul style="list-style-type: none"> • WLB Consulting – supporting business growth and development through economic intelligence, market research, strategic planning, lobbying assistance and other services. • Gateway Asia – establishing international trade links, particularly to markets in India and China, providing businesses in West London with potential to expand into these developing international markets. • Other business networks – there are also a number of other business networks active in the West London area including the Media (or TV) Triangle, and Business Biscotti. • London / Surrey Chamber of Commerce’s – a number of Hounslow businesses are also members of the London and Surrey Chambers of Commerce • London and Partners – the official promotional organisation for London, London & Partners connects international businesses to London, helping them set up, succeed and grow. • Federation of Small Businesses (FSB) – the FSB is the UK’s largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. The FSB has an active west London Branch which covers Hounslow, Harrow, Ealing, Hillingdon, Hammersmith & Fulham
<p>Business Support Projects / Programmes</p>	<p>London wide support</p>	<ul style="list-style-type: none"> • The GLA and London Enterprise Panel offer a number of forms of support for businesses. These currently include: • Mayors Export Programme – aims to help London small and medium sized businesses to export to overseas markets or help businesses that are already trading to make the move into fast growing emerging markets. Funded via Growing Places Fund and the European Regional Development Fund. • The London Co-investment Fund (LCIF) is a £25m fund set up to address the funding gap in London faced by tech start-ups seeking to raise seed investment. It typically supports businesses emerging from accelerators, incubators and support programmes seeking to raise between £250,000 and £1m.

London Borough of Hounslow Sectors Research

		<ul style="list-style-type: none"> • Broadband vouchers (as part of the national Super Connected Cities programme) – support for small businesses of up to £3,000, providing vouchers to small businesses to install high speed broadband. • The GLA’s Business Support Helpline – advice and guidance for new and existing businesses in London. Provides information on national and local schemes, grants and loans to help businesses start and grow.
	Provision at wider levels	<ul style="list-style-type: none"> • There are a number of government levels schemes and initiatives providing support to businesses. These include: • Access to finance – a number of access to finance schemes including Start Up Loans, which is a government-funded scheme to provide loans and mentors for entrepreneurs • Business Growth – support for business growth includes: <ul style="list-style-type: none"> • Growth Vouchers – voucher scheme providing up to £2000 to fund strategic advice on subjects such as finance, recruitment, management skills, marketing and technology; • Growth Accelerator – a service led by growth specialists providing advice on connections, routes to investment and strategy to help drive business growth • UKTI – programmes such as Gateway to Global Growth which provide help for experienced exporters to expand their overseas business • Manufacturing Advisory Service (MAS) – helps manufacturing companies create business and product strategies for growth)

London’s Evolving Business Support Context

- 6.56 The London LEP is currently developing its ‘Growth Hub’ proposals (<https://lep.london/growthhub>). This will provide a one-stop-shop at the London level for all London’s business support initiatives, including those emerging under the 2014-20 ERDF Programme.
- 6.57 The London Enterprise Panel has received an allocation of around £180m of ERDF funding. The LEPs strategy for the delivery of this funding is set out within the London ESIF Strategy⁴⁸, and is summarised at a high level below. While detailed proposals are still being worked up, the table demonstrates that there is a strong focus on supporting SME’s (particularly those in London’s growth sectors), strengthening R&D and innovation and enhancing London’s business infrastructure.

Theme	Types of Activity	Indicative Allocation
Skills & Employment	<ul style="list-style-type: none"> • Freedoms, flexibilities and funding incentives; • Informed customers; employer engagement 	<ul style="list-style-type: none"> • £451m ESF
Enhancing the competitiveness of London’s SMEs	<ul style="list-style-type: none"> • Boost London SME’s capacity to grow; access to finance; internationalisation; entrepreneurship; resource efficiency 	<ul style="list-style-type: none"> • £14m ESF • £35m ERDF

⁴⁸ London Enterprise Panel, 2014, accessed at: https://lep.london/sites/default/files/documents/publication/London_LEP_ESIF_Strategy_201420.pdf

Science & technological development & fostering innovation	<ul style="list-style-type: none"> • Connect London; commercialising innovation; innovation and adoption of local carbon technologies; development and exploitation of digital technologies by SME’s 	<ul style="list-style-type: none"> • £39m ERDF
Investing in London’s Infrastructure	<ul style="list-style-type: none"> • Unlocking growth potential in disadvantaged areas; research and innovation infrastructure; business workspaces; ultra-fast broadband provision; Low Carbon infrastructure. 	<ul style="list-style-type: none"> • £102m ERDF

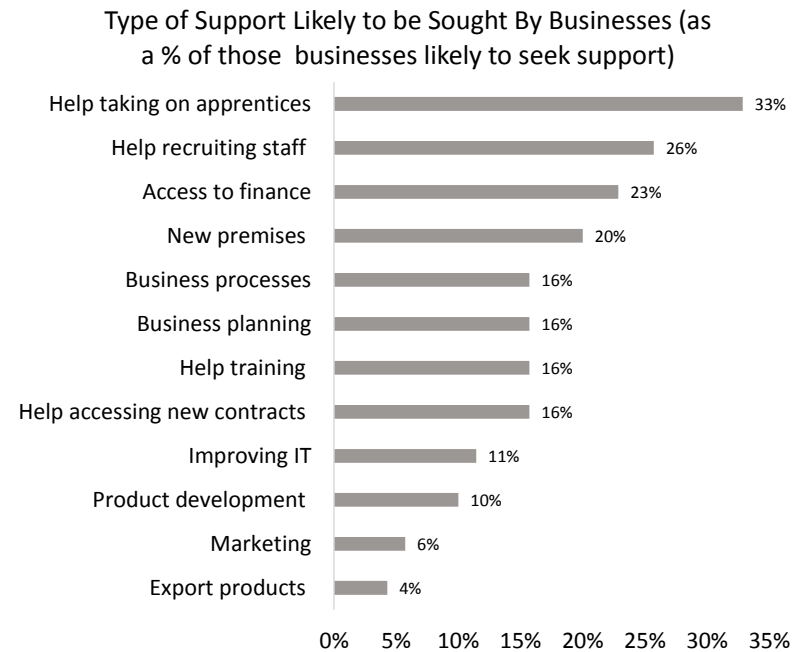
Demand for Business Support

Business Perspectives

- 6.58 Of those businesses engaged with as part of this work, around a third are involved in business networks or business representative groups. These were wide ranging in nature – from the local (Hounslow and Brentford Chambers and local groups such as TV Triangle and Business Biscotti) to wider regional and national and international groups. Of these, around half used the membership to pursue networking and business development objectives. Other reasons (though less common) were for business support purposes, knowledge transfer and professional development. A number of businesses were involved with compulsory sector regulation bodies (particularly in the Transport and Logistics sector relating to distribution and aviation).

- 6.59 Over the past 5 years, around 30% of those questioned had sought business support or advice. These businesses were typically micro or small businesses (employing fewer than 20 people) and were spread broadly across the sectors engaged with (Hounslow’s core sectors identified in Chapter 2). Of those who have sought support over half of this was professional support (typically accountants, layers, or creative consultancy). Other sources of support were banks, friends and family. Only a very small number of businesses had accessed support from the public sector or from higher education.
- 6.60 Around a third of businesses engaged with thought they might look to access support in the future. The highest proportion of these were professional services firms, and ICT and Digital Media firms. Again, those likely to seek support are typically micro or small businesses.
- 6.61 As highlighted by Figure 5.3, the most common type of support likely to be sought by businesses is help taking on apprentices (mentioned by around half of those who are likely to seek support). Other common types of support cited were for help recruiting staff, access to finance support, support finding new premises and help accessing new contracts.

Figure 6.3 Type of Support Likely to be Sought by Businesses



Source: Regeneris Consulting, 2015

- 6.62 Of those interested in receiving support in the future, around half stated they would be prepared to pay for services if thought to be relevant and impactful.

Wider Consultee Perspectives

- 6.63 Wider stakeholder consultation has confirmed that supply of specialist / bespoke business support in Hounslow (and across the west London) is currently limited. Support is currently limited to London level and national level support. While the local business

networks such as West London Business have provided business support in the past, this has typically been time limited and relatively small scale. Consultees noted that the effectiveness of many business support projects in the past (e.g. via ERDF programmes) has been limited by the short delivery timescale, a lack of bespoke support and a focus on outputs which don't necessarily add real value for businesses.

A short review of best practice in business support is provided at **Appendix G**. The review is based on Regeneris's work throughout the UK and a review of relevant literature, including evaluations of business support projects and programmes.

- 6.64 With this in mind, consultees suggested that Hounslow Council has an important role to play in the future not necessarily in terms of directly providing businesses support but in adopting a pro-business identity, promoting the Borough's core sector and businesses strengths and generally adopting a proactive approach to engaging with businesses.

Summary and Implications

- 6.65 The analysis above has highlighted that the business support landscape is relatively limited at the Hounslow level, with local support available to firms largely limited to that provided by business networks. The support landscape (at the regional and national levels) has contracted considerable in recent years reflecting increased constraints on public sector spending since 2010.
- 6.66 Perhaps reflecting this, many of the businesses engaged with in this study do not have experience of engaging with public sector led business support projects or programmes (and most do not expect to in the future).

- 6.67 Despite this, the inception of the 2014-2020 European Structural Investment Fund programme in 2015 will deliver new opportunities to shape future business support activities from the local level through to the sub-regional and regional levels. The role that the London Borough of Hounslow can play in that is considered in the next chapter.

7. Next Steps

- 7.1 The research conducted to date and summarised in the previous chapters has helped to inform emerging recommendations regarding next steps for the London Borough of Hounslow. This is not comprehensive economic development action plan, more a targeted response to some of the evidence which has emerged within this reports.

Ongoing monitoring and refocussing

Rationale

- 7.2 This report provides new levels of detail and data on sectors in Hounslow, the SME business base and the evolution of the local economy. Hounslow's business base (particularly for small businesses) will be subject to change and increasingly data is available to monitor this. It is important that this research is seen as the foundation for ongoing analysis and monitoring by officers.

Action

- 7.3 The London Borough of Hounslow should seek to review data on the business base on an annual basis, cross referencing this with other relevant statistics to maintain an understanding of the factors which support growth.
- 7.4 In addition to monitoring the data, it is also important that a dialogue with the business community is maintained, particularly in areas which differentiate Hounslow in London. This includes those sectors which area highly visible (such as the borough ICT, TV and Media

sectors) and locations which have potential for regionally significant growth and value (Chiswick and Brentford).

Next Steps

- 7.5 Develop standard templates to enable consistent and ongoing monitoring of data. Establish annual press release to update on the performance of the local business base.

Example of successful delivery from elsewhere: New Economy Manchester

- 7.6 In the mid-2000's Manchester sought to undertake a review of the conditions within the city and it is 10 component authorities. The Manchester Independent Economic Review (MIER) was the most detailed assessment of the local economy ever undertaken and has formed the basis for policy decisions ever since. At a similar juncture New Economy was also established to act as a semi-independent research body and think-tank for Manchester, constant reviewing evidence and providing guidance on responses to Greater Manchester authorities. This ongoing commitment to evidence based policy making has played an important part in Manchester's City Deal, Combined Authority status and increased investment into the city.

http://neweconomymanchester.com/stories/1828-new_economy

<http://www.manchester-review.org.uk/>

Policy on Supply of Business Accommodation

Rationale

- 7.7 Recent growth has meant the forecasts used for the Borough's latest Employment Land Review (2011) are now much less relevant (given that the 2031 forecast number has been exceeded). Serious consideration should be given to revisiting/amending policy in this area to ensure that adequate provision of business space is supported going forward.

Action

- 7.8 Prepare a new Employment Land Review for Hounslow, providing a more contemporary evidence base to support growth in Hounslow. This must go beyond a standard technical appraisal and consider the specific needs of the growing tech and digital business base and the likely trends in demand for workspace by specific sector groups.
- 7.9 Based on the findings of this report, the growth in employment has been around Hounslow's town centres and, as such, steps should be taken to ensure that policy supports commercial floorspace in these locations, alongside the inevitable residential and retail provision. This needs to be cognisant of changing demands for workspace and may not translate specifically to the protection of existing office.

Next Steps

- 7.10 Prepare a brief for the completion of a new employment land review.

Example of successful delivery from elsewhere: City Fringe Draft Opportunity Area Planning Framework

- 7.11 As part of the development of the Opportunity Area Planning Framework for the City Fringe, the GLA commissioned specific work to look at the commercial property market and its appropriateness to current and future demand for digital and creative sectors. As well as identifying under and over supply, this also enabled recommendations to be made on the areas which could realistically accommodate lower cost work space to allow companies for specific sectors to stay in the area.

<https://www.london.gov.uk/priorities/planning/consultations/city-fringe-opportunity-area-planning-framework>

Supporting Flexible/Affordable Workspace for SMEs

Rationale

- 7.12 A key objective of this report was to consider the potential to provide additional SME workspace in the borough. The analysis in the previous chapter suggests there is a case to be made for additional SME workspace in the Borough:
- Demand – analysis suggests that, given strong business growth and the presence of sectors with a propensity to 'spin out' new enterprise, that there may well be demand for additional SME workspace in Hounslow;
 - Supply – on the supply-side, the borough has relatively low levels of current supply of affordable SME workspace. There are also local and regional policy objectives to support business start-ups and enterprise (particularly in key sectors).

Business representative groups also advocated more provision in the borough and west London as a whole.

Action

7.13 The research highlights that there are two broad ways in which the London Borough of Hounslow could support the delivery of additional SME workspace in the Borough:

- **Supporting the activities of the private sector** – the evidence base highlights that the delivery of affordable SME workspace (across a range of models) is typically more successful and efficient when delivered by the private sector (led by the market). In many instances, the most successful case studies are those where the role of the public sector has been to provide the supportive strategic and regulatory environment in which the private sector can respond to market needs. Stakeholders stated that this is the preferred model for delivery of additional workspace in the borough.
- **Direct intervention** – the public sector may be required to intervene more directly *where there is a clear market failure rationale* and where there is clear evidence that the proposed intervention is sustainable in the long run and can genuinely deliver identifiable results and outcomes. In Hounslow, evidence suggests that the current market failure rationale for direct public intervention may be weak in many parts of the Borough (such as Chiswick), given the existing presence of private sector operators. As such, any direct intervention should focus on those parts of the Borough where there is a clear supply / demand issue and where it can be proven that the private sector is unlikely to intervene. This could be delivering spaces which respond to identified demand at a

pan London level (such as small, affordable light industrial units)

Overarching principles and lessons from elsewhere

7.14 Whether working in partnership with or directly intervening in the delivery of SME Workspace, the London Borough of Hounslow has an important role to play in providing the overall policy / strategic framework within which new space is delivered.

7.15 A detailed review of delivery models for different types of affordable SME accommodation has been undertaken. This is set out in Appendix G and includes case studies of relevant examples of provision elsewhere. The research highlights that SME workspace can be delivered according to a wide range of models and mechanisms. However, it is clear from the evidence base that a number of principles should be adhered to:

- **Cognisance of economic functionality** – while the London Borough of Hounslow’s role is to shape and define activities within its own boundaries, strategy must reflect and respond to delivery across wider areas. In this instance it is important to note the delivery of SME workspace elsewhere in west London (such as the Vinyl in Hayes). It will be important to work with neighbouring boroughs and other partners to avoid duplication and market saturation.
- **Linking into key sectors** – this research has highlighted some of the borough’s core and emerging sectors. Working closely with representative bodies from these sectors – such as TV Triangle – will help the council to understand the needs of businesses and to support a business space offer which response to the specific needs of opportunity sectors. One area where the London Borough of Hounslow could intervene

and support a genuinely transformational projects is by supporting an internationally significant centre of excellence / accelerator for new businesses emerging in TV and visual media sectors.

- **Respond to the need for spaces to meet and network** – Many businesses engaged with (particularly homeworkers) have identified a need for spaces they can use highly flexible to meet clients and collaborators. It is important to realise that the future space offer may not be traditional office, but actually a more flexible ‘plug in and meet’ facility. This will require an alternative business model and ultimately an element of risk (given the lack of guaranteed lease incomes) to whomever deliver it.
- **Explore links with key businesses** – Hounslow’s base of large and multinational businesses is one of its core strengths. It is crucial that the London Borough of Hounslow works closely with the knowledge and expertise within these businesses to help shape future policy. This could include, for example, the potential delivery of flexible SME workspace within existing business estates.
- **Linkages with education providers** – Hounslow’s FE and HE education providers also have an important role to play in shaping future SME workspace in the Borough. The University of West London and West Thames College both already have strong linkages with the local business base and have a crucial role to play in responding to local skills, labour market and business support needs. These institutions should be seen as a core partner in future, with a strong skills and education link built into the delivery of new spaces

7.16 It should be noted, that it is unlikely that significant funding will be made available to support the development of new business space

through emerging funding (particularly the EU 2014-20) programmes. As such, to support the delivery of business space, the London Borough of Hounslow will need to have a clear rationale and narrative about why public investment is important to deliver commercial space.

Next Steps

Continue with plans to pilot incubator and co-working space in Chiswick Town Hall, targeting specifically small scale digital and media companies. Subsequently, this will need to be delivered with a high quality fit out, relevant IT infrastructure and amenity offer.

Marketing Hounslow and Changing Perceptions in Specific Sectors

Rationale

7.17 In terms of concentration and quantum of employment, Hounslow is arguably one of London’s most important Media and ICT Boroughs. Hounslow also has a high proportion of high tech and high value jobs more generally, which contribute to a dynamic business base. At the moment, the borough does not capitalise upon these strengths and certainly does not market itself in the same impactful way as other locations (in particular the Tech City boroughs).

Action

7.18 The London Borough of Hounslow should seek to work collaboratively with partners including London and Partners and West London Business to undertake targeted national and global marketing of the borough as a location for media production and technological activity. The emergence of new sectors such as Oil and

Gas, suggests that there is potential to more aggressively target companies in existing specialist locations (such as Aberdeen) to locate in the borough.

- 7.19 More generally, Hounslow's recent strong growth and performance (particularly in private sector employment growth) should be celebrated. The borough can claim to be one of London's most resilient and skilled and technology focussed boroughs. At the moment, these positive messages are not necessarily reaching wider audiences and markets.

Next Steps

- 7.20 Develop a set of clear brand messages and stories for Hounslow to percolate into existing media. This should include:
- A clear focus on the unique selling points of the borough and specific locations, majoring in its role in terms of creative digital and media sectors
 - Placement of positive articles relating to Hounslow's evolution into the mainstream press at an early juncture
 - Development of a tangible Hounslow brand to underpin interventions and provide consistency
 - Positive communication with the business community to provide a greater feeling of local pride in the area as a commercial location
 - Work with London & Partners to undertaken regular market testing of Hounslow as location for international investment.

Example of successful delivery from elsewhere: Invest in Hackney

- 7.21 Invest in Hackney was previously a well-resourced inward investment agency for the borough. Whilst this has been inevitably scaled back as a result of public sector cuts, it has remained operation as a result of local business involvement and sponsorship. This has ensured a positive percolation of new stories about the borough and a first point of entry for ad hoc investment enquiries.
- 7.22 Hackney has also worked closely with London & Partners to develop their international offer as part of Tech City. This has included a partnership with Austin, USA and international delegations to Silicon Valley.

<http://investinhackney.org/>

Business Support Activities

Rationale

- 7.23 Engagement with businesses undertaken as part of this assignment has suggested that there is **not** a significant appetite for the more 'traditional' business support offer (typically 'one to many', 3 year programme provision). Where businesses do want to see support is in targeted sector or issue specific support, delivered in an intensive one to one or few manner.

Action

- 7.24 The council's role in the future should be as a facilitator and provider of information, rather than as a deliverer. This is particularly the case in the context of the London LEP's emerging 'Growth Hub' proposals (<https://lep.london/growthhub>). This will provide a one-stop-shop at

the London level for all London's business support initiatives, including those emerging under the 2014-20 ERDF Programme. In this context, LB Hounslow will need to ensure that it is helping business to access these central services and complementing rather than duplicating any of the planned activity.

7.25 In addition to this, entering into an effective and ongoing dialogue with local companies would also help ensure that a closer, mutually beneficial relationship is developed between local companies and the council.

7.26 Whilst there is not great demand for council-led business support, there are still areas which have been identified (and a market failure rationale exists), locally and regionally where the London Borough of Hounslow could facilitate a positive support offer. This includes:

- **Access to Micro Finance** – Finance to support growth is often a significant barrier to smaller companies and particularly sole traders and home workers who are looking to grow. Various CDFIs and organisations exist who can work with local partners to deliver specific loan or grant finance to support companies who may not be able to access to funding. The London Community Foundation and the Fredricks Foundation provide match funding for boroughs to enable them to offer loans to their small business community. <http://www.londoncf.org.uk/grants/fredericks-london-micro-loans.aspx>
- **Goods to Market** – Accessing new markets whilst servicing an existing client base is inevitably a challenge for a small business/sole trader which inevitably impacts their propensity for growth. The London Borough of Hounslow can help address this in a number of ways:

- Informal networking events (on the whole already delivered through chambers of commerce and West London Business), which bring local businesses together to share experiences and potentially do businesses. Targeted networking for new starters, should be considered given the relatively high failure rate in the borough
- Formal links to larger purchasers. Although 'meet the buyer' events have delivered mixed feedback and results, opportunities remain for local small businesses to supply to the larger employers in the borough (or more realistically their supply chain). Whilst it is difficult for the London Borough of Hounslow and partners to influence the supply chain of larger businesses, they can use planning and contract clauses, alongside SME public sector purchasing to better engage with the local business base.
- Links to direct support for market expansion. UKTI (international) and Growth Accelerator offer target support for businesses to grow their customer base. By developing stronger relationships and links to these programmes will help the London Borough of Hounslow support local businesses to maximise sales and revenues.

Next Steps

7.27 Critical to performing effectively as a facilitator is establishing a positive dialogue with the business community. The London Borough of Hounslow, should (alongside West London Business and the local

chamber) support specific resource to maintain a dialogue with local business. This should go beyond memberships of existing groups and should concentrate upon relationships with companies operating within the borough's defining growth sectors.

Example of successful delivery from elsewhere: Appendix G

- 7.28 Appendix G of this document sets out some examples of what works elsewhere with some examples of previous research and reading which can be used to inform the specifics of Hounslow's response.

Target Response to the Skills Needs of Businesses

Rationale

- 7.29 One area of ongoing challenge for the business community is accessing the right staff to help their business to operate effectively and grow. There is also the ongoing issue of polarisation within the Hounslow labour market, where a growing number of high value jobs is not translating into increasing skills in the local population as a whole.
- 7.30 With the Government's commitment to give employers great say over the delivery of skills provision, this is an area where policy and delivery is currently in a state of flux and the London Borough of Hounslow can subsequently influence local delivery.

Action

- 7.31 The London Borough of Hounslow is uniquely placed to support the transfer of information to and between businesses and providers to ensure that the offer within the borough is as relevant as possible to the needs of companies. Of particular importance will be ensuring

that smaller businesses are able to participate in dialogue and subsequent training offered.

- 7.32 The London Borough of Hounslow has already engaged FE providers, who are actively seeking to deliver courses which directly meet the needs of businesses and key sectors. The London Borough of Hounslow are an important partners in supporting this to develop and remain relevant. Supporting the transfer of information and evidence (such as that which is contained in this report) is an important role for the council.
- 7.33 Traineeships and apprenticeships are increasingly important part of training and employment, particularly in London. Whilst existing programmes offer significant benefits for employers, the costs and commitment associated with these programmes can prove prohibitive for small businesses (which are becoming an increasingly important part of the Hounslow economy). The London Borough of Hounslow should consider the development of a shared apprenticeship programme which, allows companies to spread the cost and resources with their peers.

Next Steps

- 7.34 This agenda will be taken forward by Local Enterprise Partnerships and Sector Skills Council's. As such, it is important that the London Borough of Hounslow enter into a dialogue with the London LEP and relevant Sector Skills Councils (BECTU and E-Skills UK) to ensure that the borough's issues are considered and understood.
- 7.35 With specific reference to the digital sector, the London Borough of Hounslow should consider a specific campaign to support local people to better engage with this hitherto underexploited opportunity. LB Hackney for example have (in February 2015) run a campaign of events called 'Get Hackney Coding'

- 7.36 <https://www.youtube.com/watch?v=eLUng1OFNtY&feature=youtu.be>

Current Guidance from Government

- 7.37 This is a new area of activity and thus far the support services are largely organised at the LEP and Sector level. Approaching delivery at the local level would represent an alternative approach. <https://www.gov.uk/government/publications/employer-ownership-of-skills-ukces-vision>

Focussing on the Bigger Picture

- 7.38 It is important to remember that the issues faced by small businesses are often the same as issues reported by larger companies in the borough. As such, it is important to ensure that (alongside the targeted small business offer), the London Borough of Hounslow and partners remain committed to ‘bigger’ issues such as transport (particularly north–south public transport and A4 improvements), safeguarding the future of Heathrow, improved connectivity and internet speeds.

Appendix A - Glossary Key Terms, Abbreviations and Sources

Glossary of Terms and Abbreviations

A.1 Key terms included within this report include:

- BRES – Business Register and Employment Survey. Source of government intelligence on the employment base, published by ONS. More detail provided below
- BRIC countries – group of growth / developing economies including Brazil, Russia, India and China
- ELR – Employment Land Review
- ERDF – European Regional Development Fund; a stream of funding under the UK European Structural and Investment Fund
- ESF – European Social Fund; a stream of funding under the UK European Structural and Investment Fund
- FE – Further Education
- GLA – Greater London Authority
- Gross Value Added (GVA) – GVA is a measure in economics of the value of goods and services produced in an area, industry or sector of an economy. It is the standard measure used to measure local economic size and growth in the UK
- HE – Higher Education
- HEFCE – Higher Education Funding Council for England
- LEA – Local Economic Assessment
- LEPs – LEP’s refer to the Local Enterprise Partnership’s introduced by the Coalition Government after the 2010 election. The LEP’s replace the Regional Development Agencies and have an agenda focused around delivering enhanced economic growth. In London, the London Enterprise Panel is chaired by the Mayor of London and is the body through which the Mayoralty is working with London Borough’s, businesses, and TfL to take a strategic view of the regeneration, employment and skills agenda for London
- Location Quotient (LQ) – a Location Quotient is a type of analysis which provides a measure of the relatively specialisation of an activity in a local area. Throughout the report we have considered the degree of specialisation of specific sectors in Hounslow relative to the London wide average. A score of more than 1.0 signifies performance above the London average. A score of 1.0 reflects performance at the London average. A score of below 1.0 signifies below average performance
- ICT – ICT is referred to throughout and refers to Information and Communications Technology
- IDBR – Inter-Departmental Business Register. Source of government intelligence on the business base, published by ONS. More detail provided below
- MAS – Manufacturing Advisory Service
- Micro businesses – defined for the purposes of this report as businesses employing fewer than 5 people

- Mint UK – a private source of business intelligence; more detail provided below
- Nomis – data website providing access to the main government / ONS socio-economic and labour market statistics
- ONS – Office for National Statistics; referred to throughout the source for much of the data and intelligence. See below for more details
- SIC – Standard Industrial Classification. Government / ONS system for segmenting the economy into component sectors / activities
- SME – small and medium sized businesses; defined as businesses employing fewer than 250 people
- STEAM skills – science, technology, engineering, arts and maths skills
- STEM skills – science, technology, engineering and maths skills
- UK Business Count – source of government intelligence on the business base, published by ONS. More detail provided below
- UKTI – UK Trade and Investment
- UWL – University of West London
- WLB - West London Businesses

Glossary of Data Sources

- A.2 The following summarises the main datasets which have been used to compile the evidence base provided within this report. A more detailed description of the datasets has been provided to

the London Borough of Hounslow separately as part of the external appendices.

Employment Datasets

- A.3 Employment datasets used in compiling this report include:

- Business Register and Employment Survey (BRES) – the government’s main employment survey, published annually and providing employment data at detailed sector and geographical levels. Accessed via [NOMIS](#)
- Disclosive Inter-Departmental Business Register (IDBR) – granular level employment data on the local business base. Accessed under licence from ONS.

Business Datasets

- A.4 Business datasets used in compiling this report include:

- UK Business Count – aggregated results from ONS’s IDBR dataset, providing business data at detailed sector and geographical levels. Accessed via [NOMIS](#)
- Disclosive IDBR Dataset – granular level data on the local business base. Accessed under licence from ONS.
- MINT UK – subscription private business intelligence database providing information on business numbers and activities. Accessed under contract from the London Borough of Hounslow.

Enterprise Datasets

- A.5 Enterprise datasets used in compiling this report include:

- ONS Business Demography – annual government dataset providing information on business start-up, closure and survival rates. Accessed from [ONS](#)
- Start-Up Britain – private dataset providing local (postcode) level intelligence on start-up rates. Accessed from [Start Up Britain](#)
- Census 2011 – government dataset providing information on self-employment and homeworking rates. Accessed via [NOMIS](#)
- Annual Population Survey – government dataset providing information on self-employment and homeworking rates. Accessed via [NOMIS](#)

Other Datasets

A.6 Other datasets used in compiling this report include:

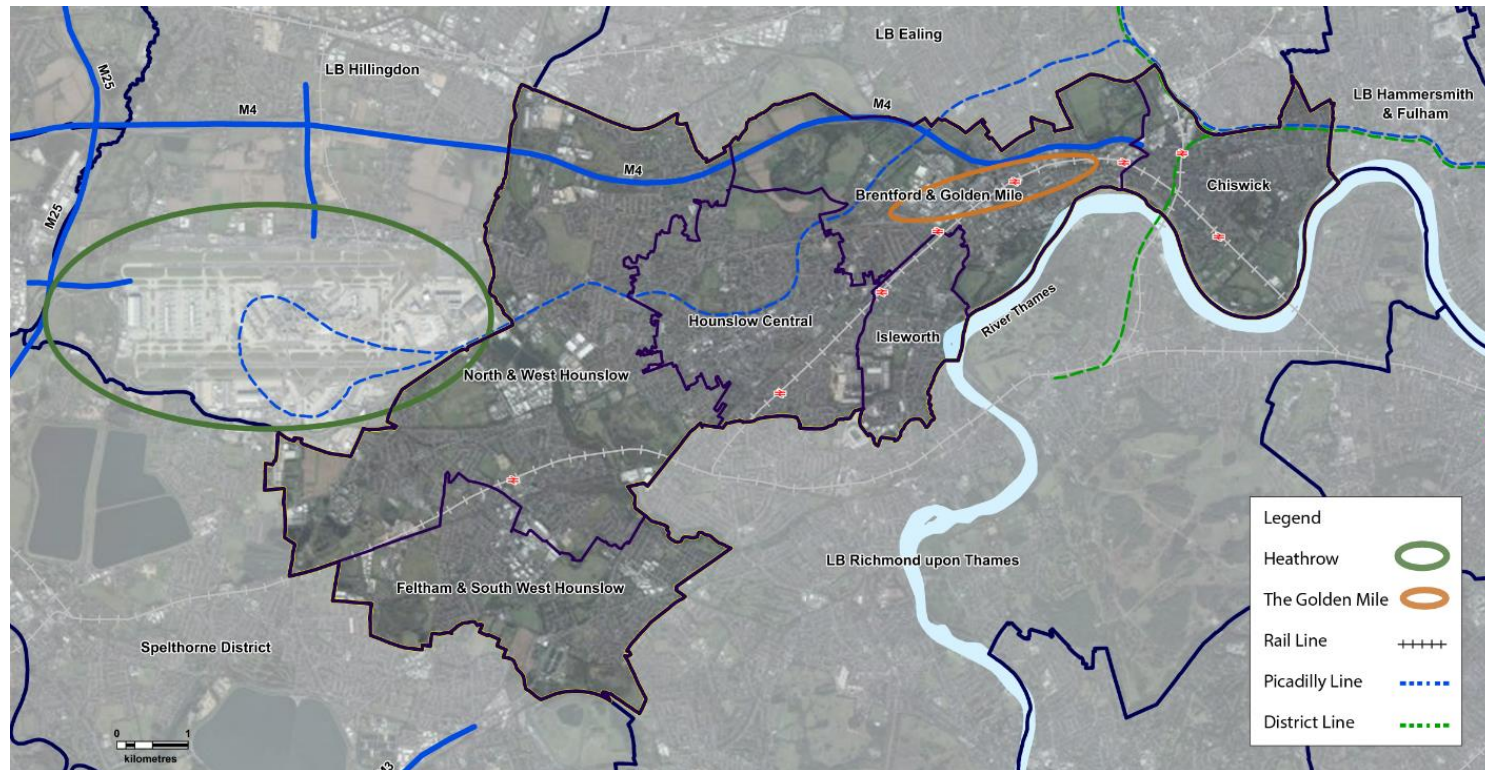
- Census 2011 – government dataset providing information on self-travel to work trends and patterns. Accessed via [NOMIS](#).

Appendix B - Definitions

Geographical Definitions

- B.1 The maps below demonstrates how Hounslow’s six local areas (referred to in Chapter 2) have been defined for statistical purposes. Definitions are based on best fit statistical areas – middle level super output areas (MSOA) have been used to construct the definitions.

Hounslow Local Area Geographies



Sector Definitions

- B.2 The tables below provide the Standard Industrial Classification (SIC) code definitions of each of the sectors discussed in Section 5 of the report.
- B.3 The SIC codes are ONS’s system for classifying industries within common framework and are fundamental to analysis of employment and business datasets. The “SIC Book”, published by ONS provides full list of SIC codes and the activities within them: (<http://www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/standard-industrial-classification/index.html>).

Transport and Logistics

- B.4 The transportation and logistics sector includes activities related to both passenger and commercial transport by land, sea and air. This includes freight transport by road, sea and air. It also includes the operation of warehousing and cargo handling for all forms of transport. Our full SIC codes definition – based on our experience of undertaking sector analysis throughout the UK – is set out below.

Transport and Logistics – SIC Codes

49100 : Passenger rail transport, interurban

49200 : Freight rail transport

49311 : Urban, suburban or metropolitan area passenger railway transportation by underground, metro and similar systems

49319 : Urban, suburban or metropolitan area passenger land transport other than railway transportation by underground, metro and similar systems

49320 : Taxi operation

49390 : Other passenger land transport nec

49410 : Freight transport by road

49420 : Removal services

49500 : Transport via pipeline

50100 : Sea and coastal passenger water transport

50200 : Sea and coastal freight water transport

50300 : Inland passenger water transport

50400 : Inland freight water transport

51101 : Scheduled passenger air transport

51102 : Non-scheduled passenger air transport

51210 : Freight air transport

51220 : Space transport
52101 : Operation of warehousing and storage facilities for water transport activities of division 50
52102 : Operation of warehousing and storage facilities for air transport activities of division 51
52103 : Operation of warehousing and storage facilities for land transport activities of division 49
52211 : Operation of rail freight terminals
52212 : Operation of rail passenger facilities at railway stations
52213 : Operation of bus and coach passenger facilities at bus and coach stations
52219 : Other service activities incidental to land transportation, nec (not including operation of rail freight terminals, passenger facilities at railway stations or passenger facilities at bus and coach stations)
52220 : Service activities incidental to water transportation
52230 : Service activities incidental to air transportation
52241 : Cargo handling for water transport activities of division 50
52242 : Cargo handling for air transport activities of division 51
52243 : Cargo handling for land transport activities of division 49
52290 : Other transportation support activities

ICT and Digital Media

- B.5 The ICT and Digital sector is a broad sector comprising a range of activities including manufacturing, wholesale and retail, more creative activities such as publishing and software, and business services (such as consultancy activities). Our full SIC codes definition – based on our experience of undertaking sector analysis throughout the UK – is set out below.

ICT and Digital Media – SIC Codes
18203 : Reproduction of computer media
26110 : Manufacture of electronic components
26120 : Manufacture of loaded electronic boards
26200 : Manufacture of computers and peripheral equipment
26301 : Manufacture of telegraph and telephone apparatus and equipment
26309 : Manufacture of communication equipment (other than telegraph and telephone apparatus and equipment)
26400 : Manufacture of consumer electronics

26800 : Manufacture of magnetic and optical media
46510 : Wholesale of computers, computer peripheral equipment and software
46520 : Wholesale of electronic and telecommunications equipment and parts
47410 : Retail sale of computers, peripheral units and software in specialised stores
58210 : Publishing of computer games
58290 : Other software publishing
61100 : Wired telecommunications activities
61200 : Wireless telecommunications activities
61300 : Satellite telecommunications activities
61900 : Other telecommunications activities
62011 : Ready-made interactive leisure and entertainment software development
62012 : Business and domestic software development
62020 : Computer consultancy activities
62030 : Computer facilities management activities
62090 : Other information technology and computer service activities
63110 : Data processing, hosting and related activities
63120 : Web portals
77330 : Renting and leasing of office machinery and equipment (including computers)
95110 : Repair of computers and peripheral equipment
95120 : Repair of communication equipment

Media and Broadcasting

B.6 The Media and Broadcasting sector comprises a range of activities including printing and publishing activities, creative activities such as broadcasting and business services such as advertising. Our full SIC codes definition – based on our experience of undertaking sector analysis throughout the UK – is set out below.

Media and Broadcasting – SIC Codes
18110 : Printing of newspapers
18121 : Manufacture of printed labels

18129 : Printing (other than printing of newspapers and printing on labels and tags) nec

18201 : Reproduction of sound recording

18202 : Reproduction of video recording

18203 : Reproduction of computer media

47610 : Retail sale of books in specialised stores

47620 : Retail sale of newspapers and stationery in specialised stores

58110 : Book publishing

58120 : Publishing of directories and mailing lists

58130 : Publishing of newspapers

58190 : Other publishing activities

59111 : Motion picture production activities

59112 : Video production activities

59113 : Television programme production activities

59120 : Motion picture, video and television programme post-production activities

59131 : Motion picture distribution activities

59132 : Video distribution activities

59133 : Television programme distribution activities

59140 : Motion picture projection activities

59200 : Sound recording and music publishing activities

60100 : Radio broadcasting

60200 : Television programming and broadcasting activities

63910 : News agency activities

73110 : Advertising agencies

73120 : Media representation

73200 : Market research and public opinion polling

77220 : Renting of video tapes and disks

77291 : Renting and leasing of media entertainment equipment

78101 : Motion picture, television and other theatrical casting

Professional and Business Services

B.7 The Professional and Business Services sector is a broad sector comprising activities ranging from financial services to professional consultancy activities and a range of business support activities such as recruitment, security and business administration activities. Our full SIC codes definition – based on our experience of undertaking sector analysis throughout the UK – is set out below.

Professional and Business Services – SIC Codes

64110 : Central banking

64191 : Banks

64192 : Building societies

64201 : Activities of agricultural holding companies

64202 : Activities of production holding companies

64203 : Activities of construction holding companies

64204 : Activities of distribution holding companies

64205 : Activities of financial services holding companies

64209 : Activities of other holding companies (not including agricultural, production, construction, distribution and financial services holding companies) n.e.c

64301 : Activities of investment trusts

64302 : Activities of unit trusts

64303 : Activities of venture and development capital companies

64304 : Activities of open-ended investment companies

64305 : Activities of property unit trusts

64306 : Activities of real estate investment trusts

64910 : Financial leasing

64921 : Credit granting by non-deposit taking finance houses and other specialist consumer credit grantors

64922 : Activities of mortgage finance companies

64929 : Other credit granting (not including credit granting by non-deposit taking finance houses and other specialist consumer credit grantors and activities of mortgage finance companies) n.e.c.

64991 : Security dealing on own account

64992 : Factoring

64999 : Other financial service activities, except insurance and pension funding, (not including security dealing on own account and factoring) n.e.c.

65110 : Life insurance
65120 : Non-life insurance
65201 : Life reinsurance
65202 : Non-life reinsurance
65300 : Pension funding
66110 : Administration of financial markets
66120 : Security and commodity contracts brokerage
66190 : Other activities auxiliary to financial services, except insurance and pension funding
66210 : Risk and damage evaluation
66220 : Activities of insurance agents and brokers
66290 : Other activities auxiliary to insurance and pension funding
66300 : Fund management activities
68100 : Buying and selling of own real estate
68201 : Renting and operating of Housing Association real estate
68202 : Letting and operating of conference and exhibition centres
68209 : Letting and operating of own or leased real estate (other than Housing Association real estate and conference and exhibition services) n.e.c.
68310 : Real estate agencies
68320 : Management of real estate on a fee or contract basis
69101 : Barristers at law
69102 : Solicitors
69109 : Activities of patent and copyright agents; other legal activities (other than those of barristers and solicitors) nec
69201 : Accounting, and auditing activities
69202 : Bookkeeping activities
69203 : Tax consultancy
70100 : Activities of head offices
70210 : Public relations and communication activities
70221 : Financial management
70229 : Management consultancy activities (other than financial management)
71111 : Architectural activities
71112 : Urban planning and landscape architectural activities

71121 : Engineering design activities for industrial process and production
71122 : Engineering related scientific and technical consulting activities
71129 : Other engineering activities (not including engineering design for industrial process and production or engineering related scientific and technical consulting activities)
71200 : Technical testing and analysis
72110 : Research and experimental development on biotechnology
72190 : Other research and experimental development on natural sciences and engineering
72200 : Research and experimental development on social sciences and humanities
73110 : Advertising agencies
73120 : Media representation
73200 : Market research and public opinion polling
74100 : Specialised design activities
74201 : Portrait photographic activities
74202 : Other specialist photography (not including portrait photography)
74203 : Film processing
74209 : Other photographic activities (not including portrait and other specialist photography and film processing) nec
74300 : Translation and interpretation activities
74901 : Environmental consulting activities
74902 : Quantity surveying activities
74909 : Other professional, scientific and technical activities (not including environmental consultancy or quantity surveying)
75000 : Veterinary activities
78109 : Activities of employment placement agencies (other than motion picture, television and other theatrical casting) nec
78200 : Temporary employment agency activities
78300 : Other human resources provision
80100 : Private security activities
80200 : Security systems service activities
80300 : Investigation activities
81100 : Combined facilities support activities
81210 : General cleaning of buildings
81221 : Window cleaning services

81222 : Specialised cleaning services
81223 : Furnace and chimney cleaning services
81229 : Building and industrial cleaning activities (other than window cleaning, specialised cleaning and furnace and cleaning services) n.e.c.
81291 : Disinfecting and extermination services
81299 : Cleaning services (other than disinfecting and extermination services) nec
81300 : Landscape service activities
82110 : Combined office administrative service activities
82190 : Photocopying, document preparation and other specialised office support activities
82200 : Activities of call centres
82301 : Activities of exhibition and fair organizers
82302 : Activities of conference organizers
82911 : Activities of collection agencies
82912 : Activities of credit bureaus
82920 : Packaging activities
82990 : Other business support service activities nec

Advanced Manufacturing

B.8 Hounslow’s Advanced Manufacturing sector focuses on activities that are likely to be of higher-value, both in terms of their production process and/or their final output. This sector includes activities such as the manufacturing of optical instruments, fibre optic cables, vehicles, machinery and engines. Our full SIC codes definition – based on our experience of undertaking sector analysis throughout the UK – is set out below.

Advanced Manufacturing – SIC Codes
20110 : Manufacture of industrial gases
20120 : Manufacture of dyes and pigments
20130 : Manufacture of other inorganic basic chemicals
20140 : Manufacture of other organic basic chemicals
20150 : Manufacture of fertilisers and nitrogen compounds
20160 : Manufacture of plastics in primary forms
20170 : Manufacture of synthetic rubber in primary forms

20200 : Manufacture of pesticides and other agrochemical products
20301 : Manufacture of paints, varnishes and similar coatings, mastics and sealants
20302 : Manufacture of printing ink
20411 : Manufacture of soap and detergents
20412 : Manufacture of cleaning and polishing preparations
20420 : Manufacture of perfumes and toilet preparations
20510 : Manufacture of explosives
20520 : Manufacture of glues
20530 : Manufacture of essential oils
20590 : Manufacture of other chemical products nec
20600 : Manufacture of man-made fibres
21100 : Manufacture of basic pharmaceutical products
21200 : Manufacture of pharmaceutical preparations
22110 : Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres
22190 : Manufacture of other rubber products
22210 : Manufacture of plastic plates, sheets, tubes and profiles
22220 : Manufacture of plastic packing goods
22230 : Manufacture of builders' ware of plastic
22290 : Manufacture of other plastic products
23110 : Manufacture of flat glass
23120 : Shaping and processing of flat glass
23130 : Manufacture of hollow glass
23140 : Manufacture of glass fibres
23190 : Manufacture and processing of other glass, including technical glassware
23200 : Manufacture of refractory products
23310 : Manufacture of ceramic tiles and flags
23320 : Manufacture of bricks, tiles and construction products, in baked clay
23410 : Manufacture of ceramic household and ornamental articles
23420 : Manufacture of ceramic sanitary fixtures
23430 : Manufacture of ceramic insulators and insulating fittings

23440 : Manufacture of other technical ceramic products
23490 : Manufacture of other ceramic products
23510 : Manufacture of cement
23520 : Manufacture of lime and plaster
23610 : Manufacture of concrete products for construction purposes
23620 : Manufacture of plaster products for construction purposes
23630 : Manufacture of ready-mixed concrete
23640 : Manufacture of mortars
23650 : Manufacture of fibre cement
23690 : Manufacture of other articles of concrete, plaster and cement
23700 : Cutting, shaping and finishing of stone
23910 : Production of abrasive products
23990 : Manufacture of other non-metallic mineral products nec
24100 : Manufacture of basic iron and steel and of ferro-alloys
24200 : Manufacture of tubes, pipes, hollow profiles and related fittings, of steel
24310 : Cold drawing of bars
24320 : Cold rolling of narrow strip
24330 : Cold forming or folding
24340 : Cold drawing of wire
24410 : Precious metals production
24420 : Aluminium production
24430 : Lead, zinc and tin production
24440 : Copper production
24450 : Other non-ferrous metal production
24460 : Processing of nuclear fuel
24510 : Casting of iron
24520 : Casting of steel
24530 : Casting of light metals
24540 : Casting of other non-ferrous metals
25110 : Manufacture of metal structures and parts of structures

25120 : Manufacture of doors and windows of metal
25210 : Manufacture of central heating radiators and boilers
25290 : Manufacture of other tanks, reservoirs and containers of metal
25300 : Manufacture of steam generators, except central heating hot water boilers
25400 : Manufacture of weapons and ammunition
25500 : Forging, pressing, stamping and roll-forming of metal; powder metallurgy
25610 : Treatment and coating of metals
25620 : Machining
25710 : Manufacture of cutlery
25720 : Manufacture of locks and hinges
25730 : Manufacture of tools
25910 : Manufacture of steel drums and similar containers
25920 : Manufacture of light metal packaging
25930 : Manufacture of wire products, chain and springs
25940 : Manufacture of fasteners and screw machine products
25990 : Manufacture of other fabricated metal products nec
26110 : Manufacture of electronic components
26120 : Manufacture of loaded electronic boards
26200 : Manufacture of computers and peripheral equipment
26301 : Manufacture of telegraph and telephone apparatus and equipment
26309 : Manufacture of communication equipment (other than telegraph and telephone apparatus and equipment)
26400 : Manufacture of consumer electronics
26511 : Manufacture of electronic instruments and appliances for measuring, testing, and navigation, except industrial process control equipment
26512 : Manufacture of electronic industrial process control equipment
26513 : Manufacture of non-electronic instruments and appliances for measuring, testing and navigation, except industrial process control equipment
26514 : Manufacture of non-electronic industrial process control equipment
26520 : Manufacture of watches and clocks
26600 : Manufacture of irradiation, electromedical and electrotherapeutic equipment
26701 : Manufacture of optical precision instruments
26702 : Manufacture of photographic and cinematographic equipment

26800 : Manufacture of magnetic and optical media
27110 : Manufacture of electric motors, generators and transformers
27120 : Manufacture of electricity distribution and control apparatus
27200 : Manufacture of batteries and accumulators
27310 : Manufacture of fibre optic cables
27320 : Manufacture of other electronic and electric wires and cables
27330 : Manufacture of wiring devices
27400 : Manufacture of electric lighting equipment
27510 : Manufacture of electric domestic appliances
27520 : Manufacture of non-electric domestic appliances
27900 : Manufacture of other electrical equipment
28110 : Manufacture of engines and turbines, except aircraft, vehicle and cycle engines
28120 : Manufacture of fluid power equipment
28131 : Manufacture of pumps
28132 : Manufacture of compressors
28140 : Manufacture of other taps and valves
28150 : Manufacture of bearings, gears, gearing and driving elements
28210 : Manufacture of ovens, furnaces and furnace burners
28220 : Manufacture of lifting and handling equipment
28230 : Manufacture of office machinery and equipment (except computers and peripheral equipment)
28240 : Manufacture of power-driven hand tools
28250 : Manufacture of non-domestic cooling and ventilation equipment
28290 : Manufacture of other general-purpose machinery nec
28301 : Manufacture of agricultural tractors
28302 : Manufacture of agricultural and forestry machinery (other than agricultural tractors)
28410 : Manufacture of metal forming machinery
28490 : Manufacture of other machine tools
28910 : Manufacture of machinery for metallurgy
28921 : Manufacture of machinery for mining
28922 : Manufacture of earthmoving equipment

28923 : Manufacture of equipment for concrete crushing and screening roadworks
28930 : Manufacture of machinery for food, beverage and tobacco processing
28940 : Manufacture of machinery for textile, apparel and leather production
28950 : Manufacture of machinery for paper and paperboard production
28960 : Manufacture of plastics and rubber machinery
28990 : Manufacture of other special-purpose machinery nec
29100 : Manufacture of motor vehicles
29201 : Manufacture of bodies (coachwork) for motor vehicles (except caravans)
29202 : Manufacture of trailers and semi-trailers
29203 : Manufacture of caravans
29310 : Manufacture of electrical and electronic equipment for motor vehicles
29320 : Manufacture of other parts and accessories for motor vehicles
30110 : Building of ships and floating structures
30120 : Building of pleasure and sporting boats
30200 : Manufacture of railway locomotives and rolling stock
30300 : Manufacture of air and spacecraft and related machinery
30400 : Manufacture of military fighting vehicles
30910 : Manufacture of motorcycles
30920 : Manufacture of bicycles and invalid carriages
30990 : Manufacture of other transport equipment nec
31010 : Manufacture of office and shop furniture
31020 : Manufacture of kitchen furniture
31030 : Manufacture of mattresses
31090 : Manufacture of other furniture
32110 : Striking of coins
32120 : Manufacture of jewellery and related articles
32130 : Manufacture of imitation jewellery and related articles
32200 : Manufacture of musical instruments
32300 : Manufacture of sports goods
32401 : Manufacture of professional and arcade games and toys

32409 : Manufacture of games and toys (other than professional and arcade games and toys) nec
32500 : Manufacture of medical and dental instruments and supplies
32910 : Manufacture of brooms and brushes
32990 : Other manufacturing nec
33110 : Repair of fabricated metal products
33120 : Repair of machinery
33130 : Repair of electronic and optical equipment
33140 : Repair of electrical equipment
33150 : Repair and maintenance of ships and boats
33160 : Repair and maintenance of aircraft and spacecraft
33170 : Repair and maintenance of other transport equipment

Tourism

B.9 Hounslow’s Tourism sector includes a variety of activities which can service both tourists and also the local population. These include sub-sector activities ranging from accommodation, exhibitions and conferences, and passenger transport to food and drink and recreation activities. Our full SIC codes definition – based on our experience of undertaking sector analysis throughout the UK – is set out below.

Tourism – SIC Codes

49100 : Passenger rail transport, interurban
49320 : Taxi operation
49390 : Other passenger land transport nec
50100 : Sea and coastal passenger water transport
50300 : Inland passenger water transport
51101 : Scheduled passenger air transport
51102 : Non-scheduled passenger air transport
55100 : Hotels and similar accommodation
55201 : Holiday centres and villages
55202 : Youth hostels
55209 : Other holiday and other short-stay accommodation (not including holiday centres and villages or youth hostels) nec

55300 : Camping grounds, recreational vehicle parks and trailer parks
55900 : Other accommodation
56101 : Licensed restaurants
56102 : Unlicensed restaurants and cafes
56103 : Take away food shops and mobile food stands
56210 : Event catering activities
56290 : Other food service activities
56301 : Licensed clubs
56302 : Public houses and bars
68202 : Letting and operating of conference and exhibition centres
68209 : Letting and operating of own or leased real estate (other than Housing Association real estate and conference and exhibition services) n.e.c.
68320 : Management of real estate on a fee or contract basis
77110 : Renting and leasing of cars and light motor vehicles
77210 : Renting and leasing of recreational and sports goods
77341 : Renting and leasing of passenger water transport equipment
77351 : Renting and leasing of passenger air transport equipment
79110 : Travel agency activities
79120 : Tour operator activities
79901 : Activities of tourist guides
82301 : Activities of exhibition and fair organizers
82302 : Activities of conference organizers
90010 : Performing arts
90020 : Support activities to performing arts
90030 : Artistic creation
90040 : Operation of arts facilities
91020 : Museum activities
91030 : Operation of historical sites and buildings and similar visitor attractions
91040 : Botanical and zoological gardens and nature reserve activities
92000 : Gambling and betting activities
93110 : Operation of sports facilities

93199 : Other sports activities (not including activities of racehorse owners) nec

93210 : Activities of amusement parks and theme parks

93290 : Other amusement and recreation activities

Appendix C - Defining the Low Carbon Sector

C.1 The Regeneris model for defining the Low Carbon sector is summarised in the chart below.

Regeneris model for defining the Low Carbon Environmental Goods and Services (LCEGS)

LCEGS Sector Definition			
Strategic Drivers	Sector Type and Breakdown		Supply Chains
Decarbonising the Energy System	Primary Sectors <ul style="list-style-type: none"> None Identified 	Secondary Sectors <ul style="list-style-type: none"> Electricity-fuel processing Energy Equipment - Boilers, Ovens, Furnaces and Burners Energy Equipment - Engines, Turbines, Electric Motors and Generators Electricity - Distribution Equipment, cables and wires Energy Equipment - Lighting, Domestic Appliances and Other Electrical Equipment Energy Equipment - Pumps and Compressors Energy Equipment - Lighting, Domestic Appliances and Other Electrical Equipment Sustainable Transport - Manufacture Sustainable Transport - Manufacture Electricity-Production, Transmission and Distribution Development and Construction of Buildings and Civil Engineering Projects Plumbing, Heating, Electrical Installation and Insulation Sustainable Transport - Operation 	<ul style="list-style-type: none"> *Manufacturing- plastics *Manufacturing - glass *Manufacturing - bricks, cement, mortar, concrete *Manufacture of Other Components and Parts *Manufacture of Metals and Metal Products *Manufacture of Other Components and Parts *Sustainable Transport - Manufacture *Installation of Machinery and Equipment *New Buildings - Supply Chain *Plumbing, Heating, Electrical Installation and Insulation *Sustainable Transport - Sale, Maintenance and Repair *Sustainable Transport - Operation *Banking and Insurance *Legal and Accountancy Services *Architects, Surveyors and Consulting *Renting and Leasing of Machinery and Equipment
Improving Resource Efficiency	Primary Sectors <ul style="list-style-type: none"> Water Supply and Treatment Waste Management, Reuse, Recycling 	Secondary Sectors <ul style="list-style-type: none"> None Identified 	
Preserving and Enhancing the Natural Environment	Primary Sectors <ul style="list-style-type: none"> Green Infrastructure 	Secondary Sectors <ul style="list-style-type: none"> Agriculture and Fishing 	
Multi-disciplinary	Primary Sectors <ul style="list-style-type: none"> Environmental Consulting 	Secondary Sectors <ul style="list-style-type: none"> Architects, Surveyors and Consulting Engineering and Technical Testing Research and Development Research and Development Regulation of Low Carbon Activities Activities of Membership Organisations 	

The LCEGS sector is difficult to define for statistical purposes as many of the activities are not identified separately within the Standard Industrial Classification (SIC). Reflecting this, the Regeneris LCEGS model identifies between primary, secondary and supply chain activities in the LCEGS sector (a similar approach used by BIS and DECC in defining the sector at a national level):

- **Primary Activities** – these are activities which can be categorised solely as LCEGS activities and which have their own SIC code. As such, we assume that all jobs / businesses in these activity areas are in the LCEGS sector;
- **Secondary Jobs** – these are activities which are likely to include some LCEGS jobs / businesses, alongside non LCEGS jobs / businesses. As such, based on research from elsewhere in the UK, the Regeneris model makes assumptions around the proportion of the activity which can be classified as LCEGS;
- **Supply Chains** – we have also identified the supply chain activities which are likely to be involved in the LCEGS sector. The model seeks to identify the presence of these activities rather than identifying the proportion which are actually involved in LCEGS supply chains.

It is important to note that the businesses and employees defined within this sector will not necessarily be operating in core Low Carbon sectors. In many cases, companies will have a profile which means that they are well placed to work within the LCEGS sector, but may not currently be realising their potential in this specific area.

Source: Regeneris Consulting, 2015

Appendix D - Approach to Business Engagement

- D.1 Detailed engagement with businesses has comprised one of the core parts of this research undertaken as part of this study.
- D.2 Our approach to business engagement has included:
- Detailed engagement with SMEs – engagement with Hounslow’s micro and small business base via a detailed telephone consultations and accompanying web survey. 200 businesses were been engaged with via these routes (primarily via the detailed telephone survey);
 - Consultation with large businesses – in addition to the above, we have undertaken one to consultations with a number of the Borough’s largest businesses. A list of these is provided in Appendix E.

A Note of Caution

It should be noted that it was not the scope nor intention of the study to undertake a full and representative business survey.

The focus was on a more detailed engagement / consultation process with local businesses, with emphasis on generating qualitative evidence on the factors influencing the Hounslow business base rather than robust statistical judgements.

While quantitative analysis of responses is has been provided throughout this report, this should be treated with caution given the relatively small sample: particular where sector by sector analysis is provided.

For a full quantitative overview of the Hounslow business base, please refer to the full business survey conducted as part of the 2011 Hounslow LEA.

Approach to Engaging with Micro & Small Business Base

- D.3 Our approach to sampling the Hounslow business base reflected both the requirements set out in the brief and the statistical findings of desk based part of the research. Broadly speaking our approach to sampling took into account three main factors:
- 1) Hounslow’s Key Sectors – understanding the characteristics and drivers of activity in the Borough’s priority sectors is a core objective for the study. Based on our analysis of the Hounslow economy and understanding of wider London opportunity sectors, it was agreed to target the following key sectors as part of the business engagement process:
 - Primary focus – the key focus sectors for the business engagement would be: IT & Creative Media, Media and Broadcasting, Advanced Manufacturing, Transportation & Logistics and Professional and Business Services. These sectors have been identified as they are specific sectoral strengths for Hounslow
 - Wider focus – a spread of businesses in across wider sectors (including manufacturing, construction, wholes and retail) would also be targeted within the business engagement. These sectors are not specific or defining strengths locally, but are nonetheless important to the Hounslow and London-wide economy.

- 2) Sole traders and micro businesses – a further objective of the study is to understand the performance of micro and small businesses in the Borough, focusing on their growth trajectory and support needs. As such, in our engagement work we have focused primarily on businesses employing fewer than 10 people, taking in a smaller sample of those employing up to 250 people
- 3) Geographical clusters of activity – a third objective is to understand the geography of the Borough's economy, in particularly understanding any particular cluster of activity which exist and how these might evolve in the future. We have used the cluster mapping exercise presented in chapter 3 and 4 to identify specific clusters of activity in particular sectors. We have then stratified the sample to broadly represent the distribution of the business base.

Other (inc manufacturing, construction, wholesale, retail, and other services)	43	21%
Total	204	100%

Table D.2 Breakdown of Responses by Business Size

	Number of Responses	% of Responses
Sole Trader	31	15%
1 to 4	67	33%
5 to 9	42	21%
10 to 49	45	22%
50 to 99	11	5%
100 to 249	4	2%
250 plus	4	2%
Total	204	100%

Final Profile of Businesses Engaged

D.4 Reflecting the approach to sampling outlined above, the final profile of businesses consulted with via the engagement work is provided below, highlighting the sectoral spread (Table D.1) and the focus on micro and smaller businesses (table D.2).

Table D.1 Breakdown of Responses by Sector

	Number of Responses	% of Responses
Advanced Manufacturing	18	9%
ICT & Digital Media	34	17%
Transport and Logistics	46	23%
Business and Professional Services	40	20%
Media and Broadcasting	23	11%

Appendix E - List of Study Consultees

E.1 As part of the core business engagement process, we engaged with 200 micro and small businesses in the Borough. In addition, we engaged separately with a number of larger businesses and wider stakeholders. These are summarised below.

- Local Business Representative Groups / Stakeholders:
 - West Thames College
 - University of West London
 - Hounslow Chamber of Commerce
 - Brentford Chamber of Commerce
 - West London Business
 - TV Triangle
 - CBRE
 - Volkins
 - Club Workspace (Chiswick)
 - Workspace Group
 - Oxford Innovation
 - Basepoint
- Local Businesses – an initial group email and individual follow up email was send to all members of the Business Economic Forum asking if they would like to participate. The following businesses expressed an interest in being involved:

- Heathrow Airport
- Brompton Bikes
- SEGRO
- Enjoy Work
- BSI

7.39 In addition, a number of workshops were held in December 2014 and January 2015. These targeted a number of different audiences included facilitated discussion around the emerging findings of the research. The final report has been updated to reflect the discussions held during the workshops and feedback / comments provided:

- Hounslow Economic Business Forum, 2nd December 2014 – attended by representatives from a number of Hounslow’s largest and most high profile businesses including Sky, GlaxoSmithKline (GSK), Brentford Football Club, Brompton Bicycle, JC Decaux and Segro.
- Hounslow Skills, Training and Employment Partnership, 3rd December 2014 – attended by a range of local stakeholders including businesses (e.g Sky and GSK), FE representatives (e.g West Thames College) and council officers.
- Hounslow Council Policy Network, 10th December 2014 – attended council officers from the London Borough of Hounslow
- Hounslow Council Spatial Planning, Regeneration and Economic Development Officer session, 16th January 2015 – attended council officers from the London Borough of Hounslow.

Appendix F - Incubation and Enterprise Centre Models

F.1 This section explores different Enterprise and Innovation Centre models and the factors that influence their success. The research has been used to inform analysis in Chapter 6 of the report.

Centre Typologies

F.2 Although Enterprise Centres, Business Incubators, Innovation Centres and Science Parks can be, and often are, grouped together under the one description, there are subtle differences between both the vision and mechanics of these economic tools. The central common purpose of these interventions is to create jobs and economic growth by fostering, generally start-up, SMEs. The level and nature of services/facilities provided, the aspirational economic scale, and the type of SME targeted by these economic tools are where differences appear.

Enterprise Centres

F.3 Enterprise Centres provide a wide range of business support services for start-ups and new businesses. Enterprise Centres are similar to Innovation Centres in that they offer business and marketing training and also provide, generally subsidised, office spaces and office services. However, Enterprise Centres put a larger proportion of resources into training courses as opposed to on-site services as Innovation Centres do. Also unlike Innovation Centres, Enterprise Centres do not target a specific economic sector but aim to support all new businesses in an area.

As a consequence, Enterprise Centres do not foster substantial business cross-fertilisation and knowledge transfer.

Business Incubators

F.4 Similar to an Enterprise Centre, Business Incubators provide support for young companies with the goal of producing successful firms that will leave the incubation programme financially viable and freestanding. While an Enterprise Centre will provide support for any type of start-up, it is not uncommon for Business Incubators to target a specific sector, thereby allowing greater knowledge transfer and business cross-fertilisation. In addition to the business advice provided by Enterprise Centres, Business Incubators generally provide a greater amount of solid infrastructure. For instance, every business will have a premises with on-site support in Business Incubators, which is not necessarily the case with Enterprise centres. However, Business Incubators are unlikely to offer business marketing and management training to non-associated companies in the way that other centres do.

Innovation Centres

F.5 Innovation Centres support high growth, innovative businesses that specialise in the application and development of new technologies. The support and services provided in Innovation Centres is often subsidised, and therefore inexpensive, office spaces and office services, which eases the difficult start-up phase of technology-oriented businesses by reducing fixed costs. Innovation Centres often provide a limited quantity of specialised workspaces, such as laboratories, or technological training. It is assumed that clients already possess the technical know-how but are likely to lack marketing and business management skills. Thus, one of the roles of Innovation Centres is the provision of general business advice.

Science Parks

- F.6 These are similar to Innovation Centres in that they are designed to foster the formation and growth of new innovative businesses and technologies. However, unlike Innovation Centres which can be a single building, Science Parks have a campus design and often include a wider array of facilities, such as laboratories and restaurants. In addition, Science Parks differ in that they are designed to provide an environment which enables small companies to develop relationships with large companies. Their defining characteristic is that Science Parks are based on formal and operational links with 'centres of knowledge creation', such as universities and research institutions .

Business Incubators, Accelerators and Co-Working Space

- F.7 This section sets out the main characteristics in developing incubator, accelerator and co-working space (IACs). IACs play an important role in providing work space and business support for new businesses, providing the basic conditions necessary in business development. This section will be broken down into three main sections:
- Business Incubators
 - Accelerator Spaces
 - Co-working spaces
- F.8 It should be noted that there are notable overlaps between each section, however the section seeks to provide a general overview.

Business Incubators

- F.9 The objective of business incubators is to offer support for businesses in the start-up phase, with aim of enabling business growth. The level of support will vary depending on what the businesses require, however typically this will involve office space and a range of businesses services such as training and assistance in business management, business mentoring and help with access to funding. Since incubators are typically used by start-ups, leases for new businesses tend to be shorter terms and highly flexible (easy in/out conditions) allowing growing businesses the opportunity to move on should the business grow beyond the capacity of the incubator. Incubators may not just support start-ups, but they may allow more developed businesses to return to incubation and develop growth opportunities.
- F.10 Typically firms will stay in an incubator for 18 months to 5 years depending on the speed of their development and the required level of support. Incubator providers or their backers may ask for a share of the profit in the future or require a minority stake in the business as a pre-requisite to taking space and accessing support services. Competitive processes are often used, with high competition for places in incubators.
- F.11 Offices in business incubators tend to be dedicated and personal relative to a co-working space. This allows firms to develop their own identity and maintain confidentiality at an early stage in their development. However efforts are made to support incubators through co-working and networking, providing opportunities for peer-to-peer learning.
- F.12 The following case studies illustrate examples of how this model is currently being utilised in London:

- Impact Hub Westminster (also at Islington) <http://westminster.impacthub.net/> - located in Central London, aims to support businesses with a positive social and environmental impact, providing early stage businesses with the support needed to develop. Impact Hub has offices in over 60 cities across the world and over 7000 members, giving businesses the opportunity to network across the world and improve their connections.
- Warner Yard <http://www.warneryard.com/> - based in Clerkenwell in Central London, Warner Yard provides businesses with office space and support. Businesses are charged £350 a month for access to mentors (or 'angels'), office space, computers, meeting rooms and kitchen facilities. Playfair Capital, a seed stage investment fund set up Warner Yard in the hope of providing a co-working space for technology-enabled start-ups to enable them to grow.
- Queen Mary's Innovation Centre <http://www.qmbioenterprises.com/> - located in Central London, the QMB Innovation Centre is a 39,000 square feet capacity building providing state of the art London laboratory and office space. The Innovation Centre encapsulates varied goals including providing business incubation support for new ventures and being a hub for entrepreneurial activity. Businesses are provided with an extensive service provider network, allowing members to access a wide range of important services to support the successful growth of science and technology companies. Events, clinic sessions and conferences are provided to encourage networking activity by firms.

Accelerator Space

- F.13 Accelerator spaces have very similar characteristics to business incubators. Accelerators tend to focus on start-ups businesses and SMEs (which may have been operating for a few years) that have the potential to achieve high growth, typically because their products or services are sold to national and international markets. The potential of businesses in accelerators to achieve high growth rates means they often receive a higher level of business support from accelerator managers to encourage higher growth rates.
- F.14 Accelerators typically require some equity in the business to cover the cost of office space and the high level of business support. Initially businesses in accelerators have short term contracts, since its potential for high growth can be determined within a short time period. As a result the contract for an accelerator space is generally in the form of a licence, which will provide an informal contract, without landlord and occupier arrangements and other such obligations. It is typically based on monthly and not quarterly payments, offering more flexibility to newly established firms.
- F.15 Sometime accelerators do not provide office space, rather they just provide businesses with support at an early stage in their development.
- F.16 The following case studies illustrate examples of how this model is currently being utilised in London:

- Barclays Accelerator <http://www.barclaysaccelerator.com/> - developed by Barclays Bank in partnership with Techstars, Barclays Accelerator is three month intensive start up programme designed to accelerate the growth of fintech

start-ups by providing business support and money to develop new companies. Each company is given a \$20,000 investment to help kick-start development and receive expert mentoring and guidance throughout the programme.

- Digital Enterprise <http://www.digitalgreenwich.com/> - located in Greenwich, the Digital Enterprise Accelerator Programme was established to help support SMEs in the digital sector with growth potential and a desire to innovate and develop new applications and benefit from collaborations with industry and other SMEs. It provides a free business support programme to digital SMEs who work in the creative, digital or smart city arena. It aims to harness the large-scale regeneration activity across the Royal Borough of Greenwich to test and develop the market for innovative technological products in the digital home, mobility, health, transport, energy sectors and across cutting edge platforms and new service sectors. The Digital Accelerator Programme has been part funded by the Mayor of London's European Development Fund 2007-13.
- Camden Collective <http://camdencollective.co.uk/> - located in Camden Town, the Camden Collective consists of three office buildings and two pop-up shops on Camden High Street, which have been converted from previously unused buildings. It provides networking sessions, workshops, 1:1 mentoring and a 3-week accelerator programme for new businesses. C/159 offers creative individuals and businesses the opportunity to showcase their ideas and products at a shop in a prime location on Camden High Street with up to ten independent retailers showcasing their products at any one time.

Co-working Space

- F.17 Co-working facilities provide space where multiple businesses can operate from, whether it be desk-based work or more physical making/prototyping activities. These facilities are often targeted at micro businesses (often with just one person), many of whom are in the start-up phase. Offices tend to be open plan, allowing for better collaboration between different businesses on projects. There will be many shared facilities for use by businesses such as meeting areas (and potentially breakout spaces), a shared reception, workshops/labs and cafés. The key characteristic of co-working facilities is to enable small businesses to benefit from networking with similar businesses, therefore supporting each other in the early stages of business development. This is reinforced through networking, topic clubs and social events to facilitate further business interaction.
- F.18 Due to the shared use of office space, rents are typically lower in co-working spaces, encouraging the formation of more businesses. Co-working spaces offer more flexibility for businesses, with some offices open 24/7. Considerable attention is often given to the design of offices to encourage interactions between businesses, with the layout of desk space cleverly managed around cafés or kitchen functions.
- F.19 Co-working spaces are often occupied by a wide range of businesses, although in London, several co-working facilities have focused on digital technology, media and the arts related sectors. Co-working spaces with a specific sectorial focus may help facilitate greater interaction and knowledge exchange between businesses. Users of co-working spaces may also be more likely to employ each other's services.
- F.20 Co-working spaces may not specifically target fast growth businesses, instead there may be many businesses who are in a

steady state with no desire to expand. Being in a co-working space allows this businesses to continue in their current form whilst presenting opportunities for networking with other users.

F.21 The following case studies illustrate examples of how this model is currently being utilised in London:

- Matthew's Yard <http://matthewsyard.com/> - Located in Croydon, Matthew's Yard is an arts, cultural and community hub with a café, workspace and gallery showcasing the work of local artists. It provides work space for up to ten companies, with Croydon Radio, The Croydon Citizen and Croydon Tech City all located here. Networking events and workshops are run for companies, allowing them to network. Community events are also put on in order to encourage people to visit, therefore increasing the awareness of the firms based there.
- Chocolate Factory <http://www.chocolatefactorywoodgreen.co.uk/> - located in Wood Green, London's thriving cultural quarter, the Chocolate Factory development provides businesses with cheap affordable office, studio and workshop space for businesses in the creative industries. Entrepreneurs benefit from collaboration with other like-minded businesses and the offices provide the perfect environment to enable this to take place. It offers short term leases or licenses to businesses, allowing for more flexibility.
- Club Workspace <http://club.workspacegroup.co.uk/> - located across 11 sites in Central London, Club Workspace is an ever growing co-working office provider designed to give businesses in the early stages of their formation flexible and affordable office space. The club provides many social

events for its members, including networking events and workshops.

Innovation Centre Typologies

F.22 This section sets out different approaches available for delivering Innovation Centres, focusing on four main categories:

- Higher/Further Education Linked Innovation Centres (H/FEI)
- Sector Focused Innovation Centres
- General Innovation Centres
- Training Provision Innovation Centres.

F.23 It is worth noting that there can be considerable overlap between typologies.

Higher/Further Education Linked Innovation Centres

F.24 This Innovation Centre typology is a microcosmic version of the Science Park model, in that they are based on strong formal and operational links with a Further/Higher Education Institution. Although this typology generally provides a greater level technological facilities than other Innovation Centre typologies, due to their smaller scale they do not generally provide the same level of facilities or opportunities for interaction between small and large companies as Science Parks.

F.25 Although this typology can include centres that are associated with a H/FEI but owned and operated by another organisation, the majority are owned and operated by a H/FEI. Due to their H/FEI ties, these centres are less reliant than others on the

proximity of a pre-existing sector/innovation cluster, although the two can often coalesce. These centres are also less reliant on government/EU grants to get off the ground, due to their ability to draw funding from the H/FEI. As the H/FEI can use vacant units/facilities in the centre for lectures etc. more specialised units/facilities, such as labs, can be provided. These centres can also offer access to H/FEI facilities/services that require significant investment to provide, such as lectures and libraries, giving them an edge over other centres. The success of these centres is related to the reputation of the H/FEI; the quality of their students and faculty. It is worth noting that some of these centres only cater for students or alumni.

F.26 The following case studies illustrate how this model is currently being implemented within the UK:

- UEL Knowledge Dock Business Centre <http://www.uel.ac.uk/knowledgedock> - situated on the University of East London's Royal Docks campus, near the A13, the Woolwich Ferry, City Airport and the DLR. It caters to innovative companies from a wide range of economic sectors through the provision of offices between 96-730 sqft, light industrial units with up to 506 sqft of floorspace, business training, meeting and conference spaces for up to 120 people, a product design laboratory, virtual offices, hotdesks, and shared offices. The centre is owned and operated by UEL, who provide access to some of the university's facilities, such as the 24/7 library service. The centre is London's only EU accredited Business Innovation Centre, giving clients access to an international network of 250 similar centres. In its first year alone the centre supported or advised over 900 businesses/potential businesses, and directly created five jobs and safeguarded 12.

- Ravensbourne Eco-Incubator - located on Ravensbourne College's Greenwich Peninsula campus near the A102 and the Blackwall Tunnel, this is a small innovation centre that caters for new digital media, design, broadcast and fashion SMEs. The 6,500 sqft building provides office space, hot desks and meeting rooms. The centre is owned and operated by Ravensbourne College. The college provide access for clients to use some of the institutions facilities, such as their film production studios. ERDF funding was provided towards the construction of the building to meet the highest environmental standards. As the centre only opened in 2010, it is difficult to assess its success. However, the outlook is promising as the centre has already aided over 60 businesses, including the direct creation of around 14 additional jobs.
- London Metropolitan University Accelerator <http://www.accelerator-london.com> - located on the A10 in Silicone Roundabout, this centre focuses on pre-start-up, start-up and early stage businesses of students and alumni in information and communication technology, interactive media, e-learning and design. It provides 13,500 sqft office space, virtual offices, and hotdesks in incubators with access to business support and training, networking events, help accessing grants, and meeting, training and conference rooms with space for up to 40 people. It is owned and operated by London Metropolitan University (primarily by students and alumni), with a wide array of partners, including other innovations centres, local authorities, EU bodies, and private enterprises. About 10% of firms have exited from start-up successfully and the centre is aiming to be self-sustaining, free of grants, in the near future.

Sector Focused Innovation Centres

- F.27 This Innovation Centre typology focuses on supporting innovative businesses from a limited number of economic sectors or subsectors. By creating a cluster of similar innovative companies these centres hope to foster knowledge and technological transfer, while also providing the opportunity for business networking. Further, these centres often aim to locate near pre-existing sector related clusters.
- F.28 Due to this typology's sector specific focus, they have a greater ability to provide sector specific facilities, such as laboratories, and sector specific training, as opposed to solely business training, so as to remain on the cutting edge. Generally run by an organisation that specialises in the specific sector or the management of innovation centres; local authorities may own the centre but are very unlikely to operate it. Possibly the most reliant typology on finding a location that is close to an existing business, knowledge, or skills cluster for success. Used by international sector specific companies who require a UK foothold.
- F.29 The following case studies illustrate how this model is currently being implemented within the UK:

- CEME Innovation Centre <http://www.ceme-ic.co.uk> - located beside the A13 in Havering, this centre focuses on sustainable technologies, Advanced Manufacturing and knowledge led business sectors. It provides 18,500 sqft of serviced offices (currently 6% vacancy rate) with flexible office space, virtual offices, and conference and meeting rooms that can accommodate up to 120 people. The centre is run and managed by a private company, Oxford Innovation, that manages 20 similar innovation centres

nationally. By being part of this national network, companies within the centre have access to funding initiatives managed by organisations such as Finance South East, Universities, and national network and business clubs. In addition, the centre runs programmes in partnership with public organisations, e.g. GrowthAccelerator business training in association with the Department for Business, Innovation and Skills. Of the 50 small businesses supported by the centre, seven recorded 'significant' growth and increased their floorspace, while three companies moved out of the centre to independent premises.

- London Bioscience Innovation Centre <http://www.lbic.com/home> - located in central London beside St Pancras Station and the Inner Ring Road, this centre focuses on biotechnology and life science businesses. It provides 26,900 sqft of office and fitted out laboratory space (currently 2/27 office suites and 2/20 laboratories are vacant), virtual offices, hot desks, and conference and meeting rooms able to accommodate up to 50 people. The centre is owned and operated by the Royal Veterinary College as part of numerous national and international organisations, such as One Nucleus network of life science businesses. The centre runs numerous training programmes and often invites clients to lectures at the college so as to ensure they remain at the forefront of technological sector innovation. Since opening in 2001 the centre has seen over 100 companies graduate from its incubator units and currently has another 50 clients taking office/lab space, a noticeably high number of these are international businesses using the centre to gain a foothold in London.

General Innovation Centres

- F.30 This Innovation Centre typology is closely related to the approach taken by Enterprise Centres (and in some cases are an Enterprise Centre in everything but name), in that they cater for a wide range of business sectors. However, as these centres concentrate on innovative companies they aim to create opportunities for knowledge transfer across sectors while appealing to a wider client base than sector specific centres. These centres will generally try to locate within a major pre-existing or developing innovation cluster.
- F.31 This type of centre is more likely than others to be run and operated by a local authority, rarely without a partner. This is possibly as they are nervous about overspecialising or do not have the knowledge/skills required to run a sector specific centre. Although appealing to a wide range of sectors enlarges this typology's possible client base, it prevents them from offering specialised services and facilities, such as labs, thereby lessening their attractiveness to many high value innovation companies that require these services and facilities. However, these centres often offer courses that are of wider appeal, and wider applicability, to local small business owners. This appears to be the least resource (incl knowledge) intensive centre type to start and operate, however, potential rewards are smaller.
- F.32 The following case studies illustrate examples of how this model is currently being utilised in the UK:

- The Nucleus <http://www.nucleus-dartford.co.uk> - situated near the M25 in Dartford. This centre has been delivered as part of 'The Bridge', a major new mixed use business and innovation development with potential for 1.8 million sqft of new commercial space and 1,500 new homes. The

Nucleus provides 30,000 sqft of flexible offices ranging from 132 sqft to 2,000 sqft (currently 8% vacancy rate), individual workstations, virtual offices and a range of conference and meeting rooms which can accommodate up to 60 people, and an iLab. The centre is run and managed by Oxford Innovation, which provides a number of additional national networking and development opportunities, as detailed earlier. The centre has been used as a launchpad into the UK market for international companies, such as VidSys.

- Barking Enterprise Centre <http://www.barkingenterprisecentre.co.uk> - This centre is located beside the train station in central Barking, near the A406. It provides 16,000 sqft of serviced offices in 48 units, virtual offices, and conference and meeting rooms able to accommodate up to 100 people. Soft services include business support workshops, networking events, franchising advice and one-to-one business coaching. It currently has 80% occupancy. The centre is run jointly by Barking Council (with significant input from the Chamber of Commerce) and Agilisys, a private business services provider. It caters for all types of new innovative businesses and local people seeking to improve their business skills.

Training Orientated Innovation Centres

- F.33 Unlike other typologies, which concentrate on supporting start-up and young companies, training orientated Innovation Centres focus on providing business management and technological skills training. This training often includes courses targeted specifically at local residents. Due to their training orientated approach, these centres generally have a close association with, or are part of, a local H/FEI. These centres also often include a larger provision of research facilities and services than other typologies,

with particular emphasis on the application of new innovative technologies.

F.34 Often operated through a partnership between the local authority and a local H/FEI (generally the senior partner who will run the centre day to day due to their knowledge base and specialisation. Generally have a much smaller offering in terms of incubation units, virtual offices etc. but a much higher offering in terms of training courses and training facilities. Because of this, they are likely to aid the largest number of people of all typologies but to a lesser extent. Not heavily reliant on existing knowledge clusters etc. as a large part of their function is to up-skill a local population. Possibly the lowest resource intensive typology but very low rewards, except in niche centres, such as SusCon, which target a very specific subsector and so can cater to a citywide cliental and include demonstration/practice sites that can drive subsector innovation. Compare this to something generic, such as the Women's Business Centre, which is likely only to appeal to a limited catchment and will not foster a local niche knowledge cluster or drive innovation (it will merely disseminate innovation, at best).

F.35 The following case study illustrates how this model is currently being implemented in the UK:

- SusCon <http://www.nwkcollege.ac.uk/services-for-businesses/suscon.aspx> - situated on 'The Bridge' near the M25 in Dartford, this centre focuses on the sustainable construction sector. It provides training and accredited courses for those already in the sector and new entrants. There are also a small number of incubator units for young companies in the sustainable construction sector. In addition, it is a research and demonstration site for the development and application of new sustainable

construction technologies. SusCon is part of and run by North West Kent College, however, a number of courses are run in association with the local council aimed at up-skilling local people.

- Newham College Women's Business Centre <http://www.cipsonline.com>- located on Newham College's Stratford Campus near the Olympic Park, the A12, DLR, and numerous rail services. It is the UK's first purpose built women's Innovation Centre and caters for all women entrepreneurs through the provision of incubator units, business advice, IT training, and networking events. The centre is owned and operated by Newham College as part of the Centre for Innovation and Partnership. It was established with the aid of ERDF funding and has helped up-skill and train 1,000s of women business owners.

Success Factors

F.36 This table overleaf sets out the importance of a range of factors to the success of Innovation Centres.

Success Factors	
Type of Space Offered	<ul style="list-style-type: none"> • Incubation Space – the importance of incubation spaces varies by centre typology; playing a small role in training orientated centres but a central role in H/FEI linked ones. As these spaces offer the greatest potential stable income for a centre, the more lettable incubation space a centre has, the greater its possibility of becoming self-sustaining. Higher spec finishes will be more attractive to potential clients but must be balanced by costs and the needs of the target clients, and so did not emerge as an essential factor in the success of Innovation Centres. Incubation spaces should be provided in a range of sizes. However, centres have the most trouble letting larger units, and so unit mixes should be weighted towards smaller units. • Workshop/Lab Space – although there are numerous examples of successful centres without workshops/lab spaces, these are general Innovation Centres. If a centre wishes to be sector specific, training orientated or linked with a H/FEI it is key to that centre’s success that high quality workshop/lab space is provided. All of the case studies that followed these typologies provided workshops or lab spaces. • Virtual Space and Digital Services – it is essential that Innovation Centres provide a range of services digitally, if only to project a professional and capable image; businesses may have concerns if an ‘Innovation’ Centre has poor digital media utilisation. Virtual offices are almost omnipresent in Innovation Centres and play an important role in providing for small businesses who cannot afford or do not require physical office space but do need some of the services. Despite this, virtual offices are of only minor importance in the creation of a successful centre and are more a valuable addition than a vital asset, as evidenced by their low cost to clients
Focus of Centre	<ul style="list-style-type: none"> • Cluster – none of the successful Innovation Centre case studies began without an associated H/FEI (knowledge cluster) and/or without being part of a small cluster of, even broadly, similar businesses. Centres can strengthen clusters but there is no evidence that they can establish one. • Target Sector – it is evident from the case studies that sector specific centres stand to gain the highest rewards and have the greatest local economic impact, by utilising and strengthening local business and skills clusters. ‘Knowledge economy’ and ‘innovative sector’ are phrases easily thrown around without actually meaning anything. Although this can work, the more specific the sector focus the greater the potential rewards (but also the greater risks), e.g. the London Bioscience Centre. In addition, this may mean the centre does not achieve the critical mass of similar companies needed to encourage knowledge transfer etc. As becoming sector specific alienates a large cohort of businesses, it is important that this centre typology targets a sector that already has a local business or knowledge base. The chosen sector should be one identified for future growth; the case studies show the Low Carbon economy in combination with another sector is a popular and successful choice, e.g. SusCon and Ravensbourne.
Services and Business Opportunities Offered	<ul style="list-style-type: none"> • Networking Opportunities – this is of major importance to all businesses, but particularly young and small businesses. All centres host internal networking events, which are key to ensuring interaction between client businesses. A centre’s partnerships with a wider network of Innovation Centres, government bodies, and larger private enterprises can be a significant factor in a centre’s success. For example, Oxford Innovations’ turnaround of CEME. • Onsite Support – onsite services support such as secretarial functions and IT support are par for the course in any commercial property. Innovation Centres require more training and business advice support for companies. There is a link between the survival/success of young companies and the level of business and training support offered by a centre. Therefore, although a centre may be financially successful (self-sustaining) without providing comprehensive business and training support, it will be less successful in achieving its goal of aiding start-up and young businesses.

	<ul style="list-style-type: none"> • Training, Conference, and Meeting Rooms – training and meeting rooms are as important to the success of an Innovation Centre as they are for any commercial office property. Although many centres contain conference rooms that can hold over 100 people, I am doubtful about how important rooms of this size are to their success, particularly as most clients are SMEs with limited staff. However, a conference room of some sort is an important asset and if there is proven demand from outside the centre for a room of that size, then it is a useful, value generating, addition.
<p>Quality of the Offer</p>	<ul style="list-style-type: none"> • Transport Accessibility – the majority of case study centres were located in easily accessible locations, by both private and public transport. Due to the importance of accessibility for the success of many businesses, a centre’s accessibility - regionally, nationally and internationally - is a key deciding factor for many potential clients when choosing where to locate. • Technology Access – due to their nature, the success of Innovation Centres relies heavily on their access to technology. The most basic requirement for all centres is high speed broadband connectivity. If a centre wishes to be training orientated or sector specific it will require access to the relevant technological facilities, otherwise it may be unable to attract the right companies. H/FEI linked centres often have an advantage in that they can utilise their associated institution’s technological facilities, such as the London Biomedical Centre.
<p>Commercial Viability</p>	<ul style="list-style-type: none"> • External Funding – although external funding sources, especially in the form of grants, are extremely important at the early stages of an innovation centre, the final goal of most centres is to be self-sustaining. However, funding, such as from the ERDF or a H/FEI, can provide an early opportunity for a centre to specialise/create a niche or target a certain market aspect, that it will then rely on. E.g. Ravensbourne.

Appendix G - What Works in Business Support

G.1 The following table provides an overview of key messages in terms of best practice in business support. The review is based on Regeneris’s work throughout the UK and on a review of relevant literature, including evaluations of business support projects and programmes.

What Works in Business Support: Key Messages from Evidence Base		
Message	Issue	Source
Understanding market failure at the design stage is critical	<ul style="list-style-type: none"> Understanding the nature, extent and effect of market failure in the business environment is important in underpinning an effective programme to fill gaps in private sector provision. 	<ul style="list-style-type: none"> Enterprise Research Centre (2013) Supporting sustained growth among SMEs BIS (2011) Research to understand the barriers to take up and use of business support NWRDA (2011) ENWORKS Environmental Business Support Programme BIS (2011) Business Support for Social Enterprises BERR (2006) Economic impact study of Business Link local service
Programmes should complement existing business support arrangements	<ul style="list-style-type: none"> Programme proposals should set out how they will make use of local expertise to either fill gaps in provision, or build on the services already on offer. Building on existing working partnerships and tried and tested delivery models allows for smooth delivery and sharing of best practice. 	<ul style="list-style-type: none"> The Work Foundation (2011) Ready, Steady, Grow? How the government can support the development of more high growth firms What works (2014) Business Advice Evidence Review Birmingham City Council (2011) Evaluation of Working Neighbourhoods Fund Projects
Clear role for a centralised management team	<ul style="list-style-type: none"> The hub and spoke model of business support requires a centralised management team to manage and distribute funds, coordinate partnerships, plus collect/collate and report on outcomes and results. A strong hub allows the delivery network (spokes) to better concentrate on providing a high quality support service tailored to clients’ needs. 	<ul style="list-style-type: none"> ICF GHK (2013) Evaluation of the ENWORKS Project: “Embedding Resource Efficiency in Key Sectors” 2009-2013 BIS (2011) Evaluation of Leadership and Management Advisory Service
Market segmentation allows for prioritisation	<ul style="list-style-type: none"> Categorising potential clients according to a typology allow services to better match support available to businesses’ needs in the most cost effective way. A targeted approach to identifying clients allows services to concentrate resources on beneficiaries with the greatest scope to generate positive impacts on the economy. 	<ul style="list-style-type: none"> Ekosgen (2011) Business Gateway National Evaluation BIS (2011) Evaluation of Leadership and Management Advisory Service Mole et al (2008) Assessing the effectiveness of business support services in England: Evidence from a theory based evaluation

Marketing, profile and publicity are important demand drivers	<ul style="list-style-type: none"> • A strong brand image encourages potential beneficiaries to enquire about services (Business Link and Business Gateway successful brand identity vs SMART Cymru struggling brand). • Word of mouth and personal contacts are the strongest channels for driving demand – followed by referrals from professional service providers (eg banks, accountants, lawyers) and business networks. • Marketing campaigns (inc business events, promotion materials, advertising on partnership websites) are necessary for visibility but need not be large scale. 	<ul style="list-style-type: none"> • Arts Council England (2014) Creative Industry Finance Pilot Programme • Saïd Business School (2013) Stimulating Small Growth Progress Report on Goldman Sachs 10,000 Small Businesses UK • BERR (2006) Economic impact study of Business Link local service • Ekosgen (2011) Business Gateway National Evaluation • CM International (2014) Mid-term Evaluation of the SMARTCymru RD&I Financial Support for Business Programme
Deeper rather than broader support delivers greatest economic returns	<ul style="list-style-type: none"> • While light touch approaches (eg business MOT/diagnostics) achieve greatest market penetration, they do not translate into substantial economic returns. • More focused and intensive assistance generates higher and more persistent economic impacts. • Nb However, RTDI businesses innovation credits have proved more cost-effective than more intensive forms of business support. 	<ul style="list-style-type: none"> • Mole et al (2011) Broader or deeper? Exploring the most effective intervention profile for public small business support. • What works (2014) Business Advice Evidence Review • Saïd Business School (2013) Stimulating Small Growth Progress Report on Goldman Sachs 10,000 Small Businesses UK • One North East (2010) Evaluation of Business and Enterprise • Ekosgen (2011) Business Gateway National Evaluation • Regeneris Consulting (2013) ERDF 2007-2013 Evaluation for DCLG
Local discretion and flexibility is important	<ul style="list-style-type: none"> • Local advisors, familiar with local companies, sectors and economic conditions have a positive effect on take-up, impact and satisfaction. • However the benefits of a more local approach need to demonstrably outweigh the additional resource costs involved and the risk of additional complexity in the market place. 	<ul style="list-style-type: none"> • Bennett (2008) SME policy support in Britain since the 1990s: what have we learnt? • Birmingham City Council (2011) Evaluation of Working Neighbourhoods Fund Projects • DTZ (2007) Evaluation of the Manufacturing Advisory Service • ICF GHK (2013) Evaluation of the ENWORKS Project: “Embedding Resource Efficiency in Key Sectors” 2009-2013

Effects of assistance quickly seen

- Improvements in performance and employment creation can be monitored in the short term (1-3 years).
- Cultivating long-term relationships between advisors and SMEs are highly valued by businesses and important for converting opportunities into improvements.
- Formal aftercare enhances the quality and impact of interventions.

- Koski and Pajarinen (2011) Do business subsidies facilitate employment growth?
- Creative Credits Commentary (2013)
- Ekosgen (2011) Business Gateway National Evaluation
- Regeneris Consulting (2013) ERDF 2007-2013 Evaluation for DCLG
- Enterprise Research Centre (2013) Supporting sustained growth among SMEs
- SQW (2003) Small Business Gateway high growth start-up support Evaluation

Grant funding should be matched by recipient

- To maximise the value of grant funding, all grant contributions should be matched by participants. This should be affordable and proportionate to the size of the business.
- Match contributions foster greater commitment to programmes, and translate into greater economic outcomes.

- BIS (2011) Evaluation of Leadership and Management Advisory Service
- AKF (2009) Evaluating the Effect of Soft Business Support to Entrepreneurs in North Jutland
- BIS (2014) Growth Accelerator commentary on Year 1 monitoring survey
- Nesta (2014) Creative Credits a randomized controlled industrial policy experiment
- DTZ (2007) Evaluation of the Manufacturing Advisory Service

Critical mass required for Access to Finance projects

- Considerable expertise and judgement is required to balance the costs of setting-up and managing funds and securing returns and good deal flow.
- The risks involved in managing a portfolio of investments demands are schemes are sufficiently large to be viable.

- Regeneris Consulting (2013) ERDF 2007-2013 Evaluation for DCLG

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