

Harrow

Local Economic Assessment 2019 - 2020

Business and Enterprise

An understanding of the mix of businesses in an area, both in terms of size and by sector, is important in directing support services, training and infrastructure.

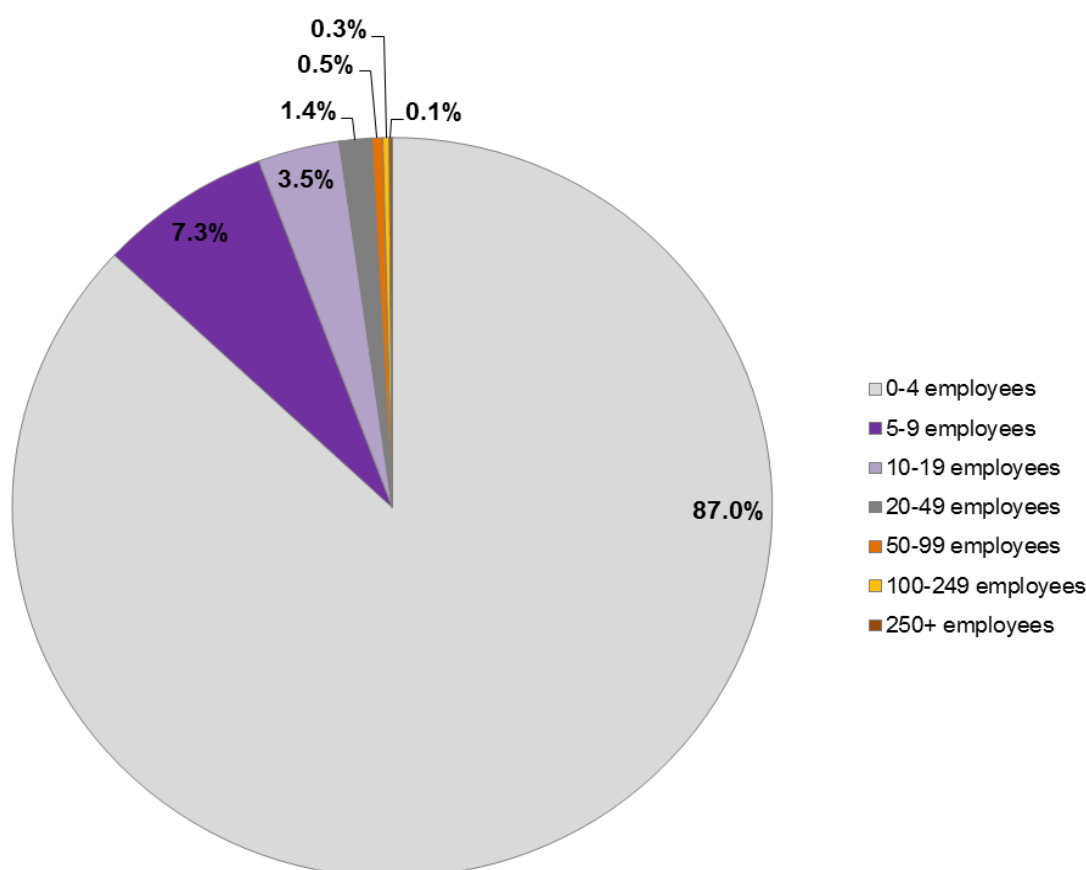
Structure of the Local Economy

8.1 In Harrow, there are a high number of micro-enterprises (employing four people or fewer). In terms of number of businesses, the sector containing professional, scientific and technical based businesses dominate; these account for 21.5% of all businesses. The information and communication sector is the second largest at 15.1% and construction is third at 14.9%. However, when employment numbers are analysed, jobs in the health sector continue to account for the greatest proportion at 15.9% of all employment in the borough in 2018. This is followed by the professional, scientific and technical sector, and the education sector, each accounting for 11.5%. For further information relating to employment please refer to the Employment chapter.

Number & Type of Businesses/Organisations

8.2 There are several different sources which provide estimates or counts of the number of businesses operating in Harrow. However, none of these datasets provide a 100% count of the total number of businesses. One of the most widely used sources is the Inter Departmental Business Register (IDBR), which is maintained by the Office for National Statistics (ONS)¹.

Figure 8.1: Proportion of Total Number of VAT and/or PAYE Based Enterprises in Harrow by Employment Sizeband, 2019



Source: ONS Inter-Departmental Business Register, March 2019

¹ These datasets provide a breakdown of the number of VAT traders and PAYE employers - considered to include around 98% of total economic activity, although excluded 'businesses' are likely to be largely self-employed operators. Most of the business breakdowns are by 'data units', which refer to separate workplaces within an area, but some breakdowns are by 'enterprise groups', which group together units which are under common ownership. There is also some disparity between published and commissioned IDBR datasets in terms of overall numbers/size of businesses.

8.3 In March 2019 there were 15,215 businesses operating in Harrow according to the IDBR. This is the total number which are registered for VAT and/or PAYE. The vast majority (94%) of these are small businesses employing nine people or fewer. Only 20 businesses (0.13%) in the borough employ 250 or more people.

8.4 Within West London the IDBR shows that Barnet has the highest number of businesses, with 24,085 recorded in March 2019. Out of these seven boroughs Harrow is ranked fourth for the number of businesses, with Harrow hosting 13.5% of businesses located in West London. However, 87% of Harrow's businesses employ four people or fewer, the highest proportion of microbusinesses of all West London boroughs. Only 2.2% of Harrow's businesses employ 20 or more people, the lowest level within West London.

Table 8.1: Number of VAT and/or PAYE based enterprises by Employment Sizebands, March 2019

	0-4 employees	5-9 employees	10-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Total
Harrow	13,230 (87.0%)	1,115 (7.3%)	530 (3.5%)	210 (1.4%)	70 (0.5%)	40 (0.3%)	20 (0.1%)	15,215
Barnet	20,670 (85.8%)	1,980 (8.2%)	850 (3.5%)	340 (1.4%)	135 (0.6%)	80 (0.3%)	30 (0.1%)	24,085
Brent	12,990 (83.6%)	1,395 (9.0%)	645 (4.2%)	280 (1.8%)	110 (0.7%)	65 (0.4%)	45 (0.3%)	15,530
Ealing	15,050 (84.1%)	1,535 (8.6%)	730 (4.1%)	330 (1.8%)	140 (0.8%)	65 (0.4%)	35 (0.2%)	17,885
Hammersmith & Fulham	10,245 (80.4%)	1,175 (9.2%)	650 (5.1%)	355 (2.8%)	155 (1.2%)	95 (0.7%)	70 (0.5%)	12,745
Hillingdon	11,190 (82.3%)	1,160 (8.5%)	590 (4.3%)	305 (2.2%)	170 (1.3%)	85 (0.6%)	90 (0.7%)	13,590
Hounslow	11,085 (83.4%)	1,095 (8.2%)	575 (4.3%)	250 (1.9%)	120 (0.9%)	85 (0.6%)	75 (0.6%)	13,285
London	426,250 (81.6%)	47,630 (9.1%)	25,670 (4.9%)	12,900 (2.5%)	4,865 (0.9%)	2,780 (0.5%)	2,145 (0.4%)	522,240
England	1,854,115 (78.5%)	260,850 (11.0%)	130,720 (5.5%)	69,345 (2.9%)	23,350 (1.0%)	13,150 (0.6%)	9,250 (0.4%)	2,360,780

Source: ONS Inter-Departmental Business Register, March 2019

8.5 The number of businesses overall in Harrow has increased in the timeframe 2008 to 2019. There has been an overall increase in the number of businesses in each employment sizeband except for business employing over 200+ people.

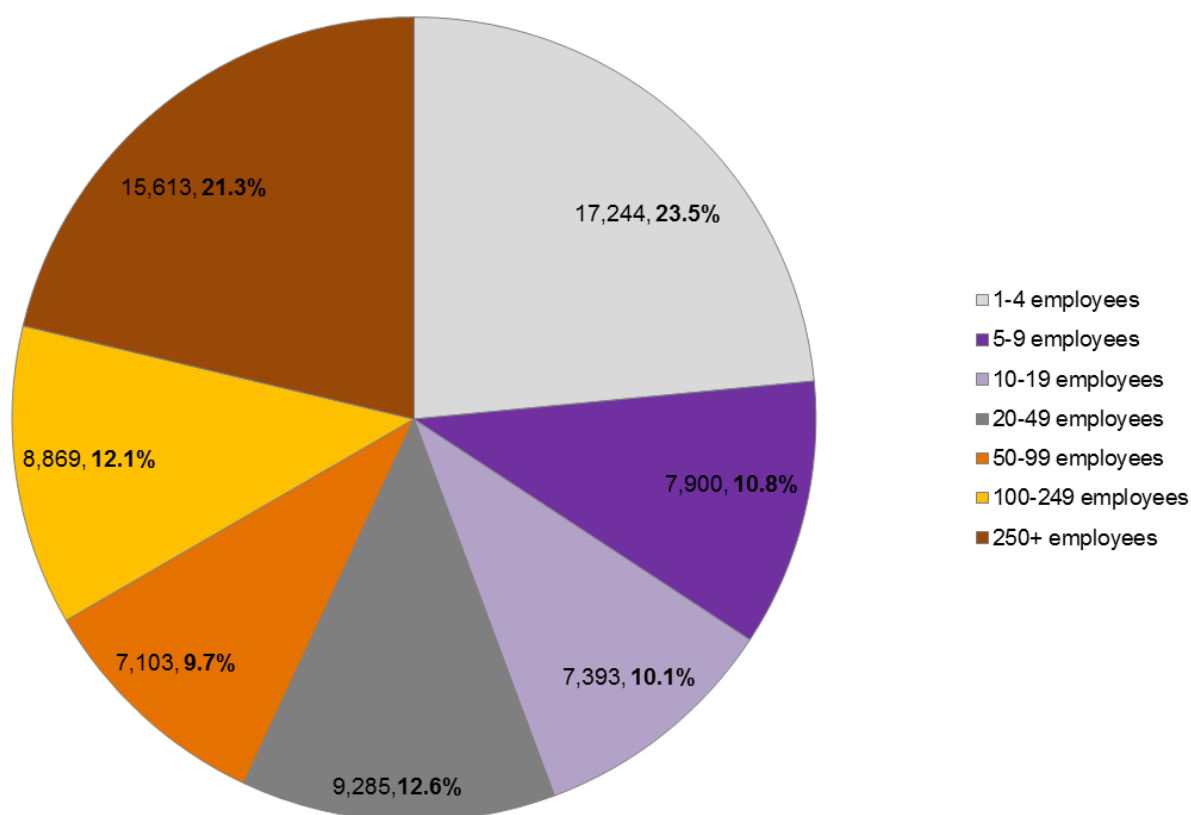
8.6 When the proportion of the Harrow workforce employed by business size is analysed, micro-enterprises still comprise the highest proportion of employees at nearly a quarter of the total. The second largest percentage are those businesses which employ 250 or more employees. The other business size-bands are relatively evenly split as to the total proportion of the workforce employed. This analysis is based on enterprise groups i.e. larger organisations have had their various sites added together to give their total number of employees.

Figure 8.2: Number of Businesses (Data Units) by Employment Sizebands in Harrow, 2008, 2013, 2018 & 2019



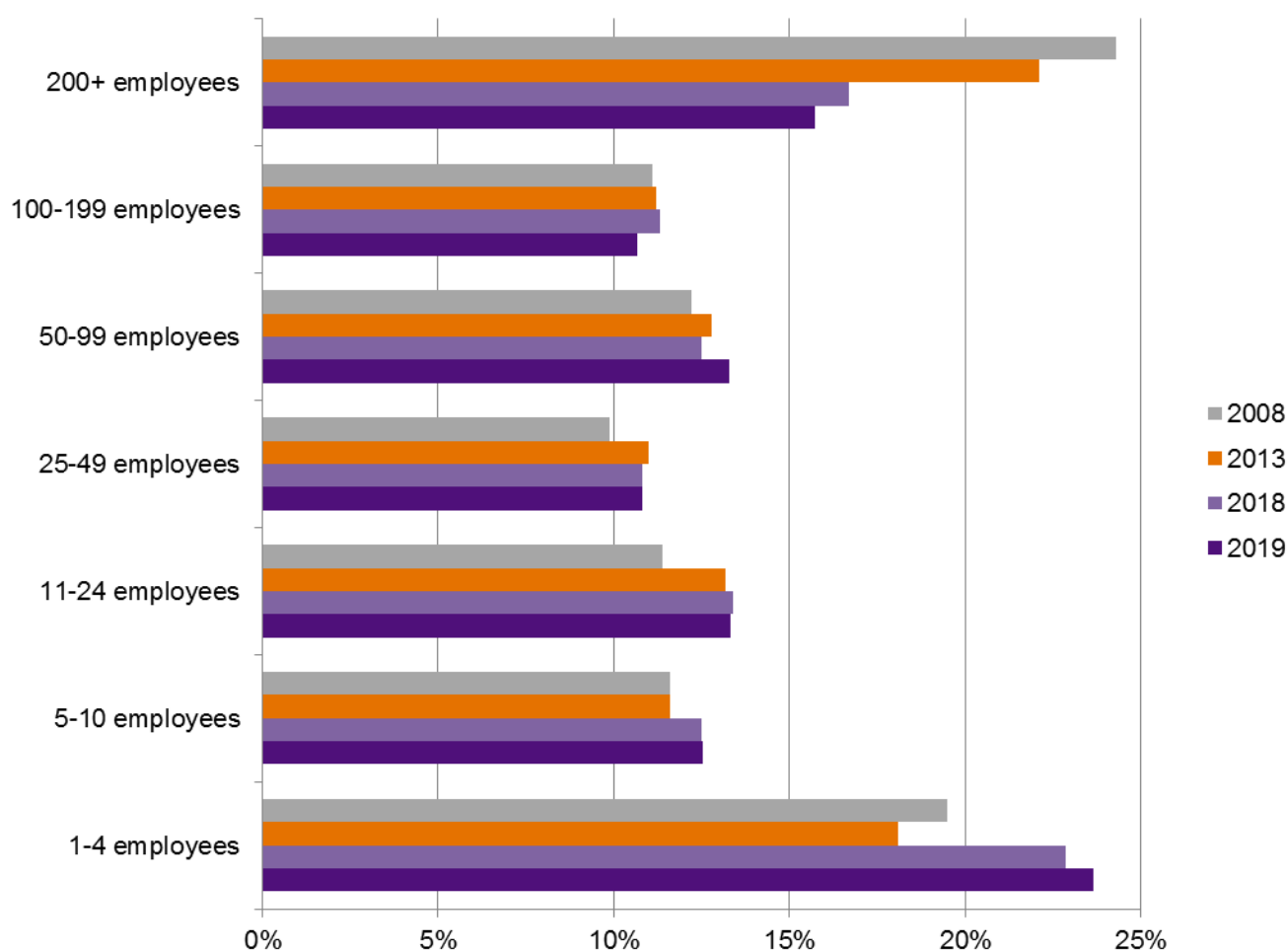
Source: ONS Inter-Departmental Business Register, Harrow specific data, 2019

Figure 8.3: Percentage of Workforce Employed by Business Size (Enterprise Group), Harrow, 2019



Source: ONS Inter-Departmental Business Register, Harrow specific data, 2019

Figure 8.4: Percentage of Workforce Employed by Business Size (Data Units), Harrow, 2008, 2013, 2018 & 2019



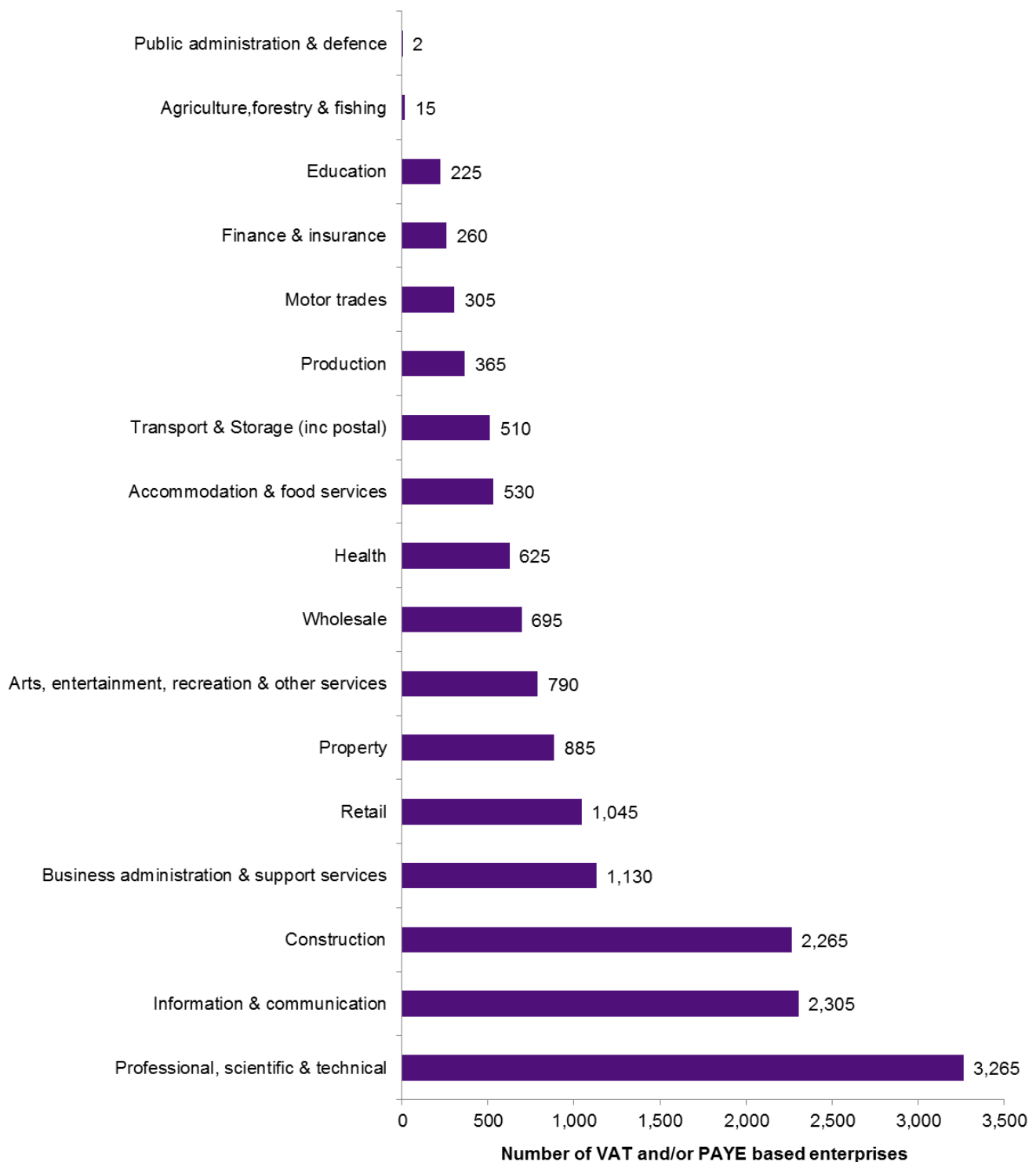
Source: ONS Inter-Departmental Business Register, 2019, 2018 & 2013 and ONS Annual Business Inquiry, 2008

8.7 As Figures 8.3 and 8.4 show, Harrow's business base has been changing in recent years. It should be noted that over the years there have been changes in the way that this data is collected, so the counts and comparisons should be regarded as indicative. Nevertheless there are trends that can be identified. The number of large businesses in the borough (those employing 200 or more employees) shows a marked decline over the period from 2008 to 2019. This is due to two main factors. The first is that larger firms have reduced the number of people they employ, often as a way to make savings or due to the introduction of new technology. The second main factor is that some of the large businesses have moved out of the borough, for example Bovis Lend Lease (to Central London), GE Capital (to Watford), Wickes Support Centre (to Watford) and ColArt (to White City and France). Over the same timeframe the number of micro-enterprises has increased substantially with these businesses becoming the predominant type of employment in the borough.

Sectors

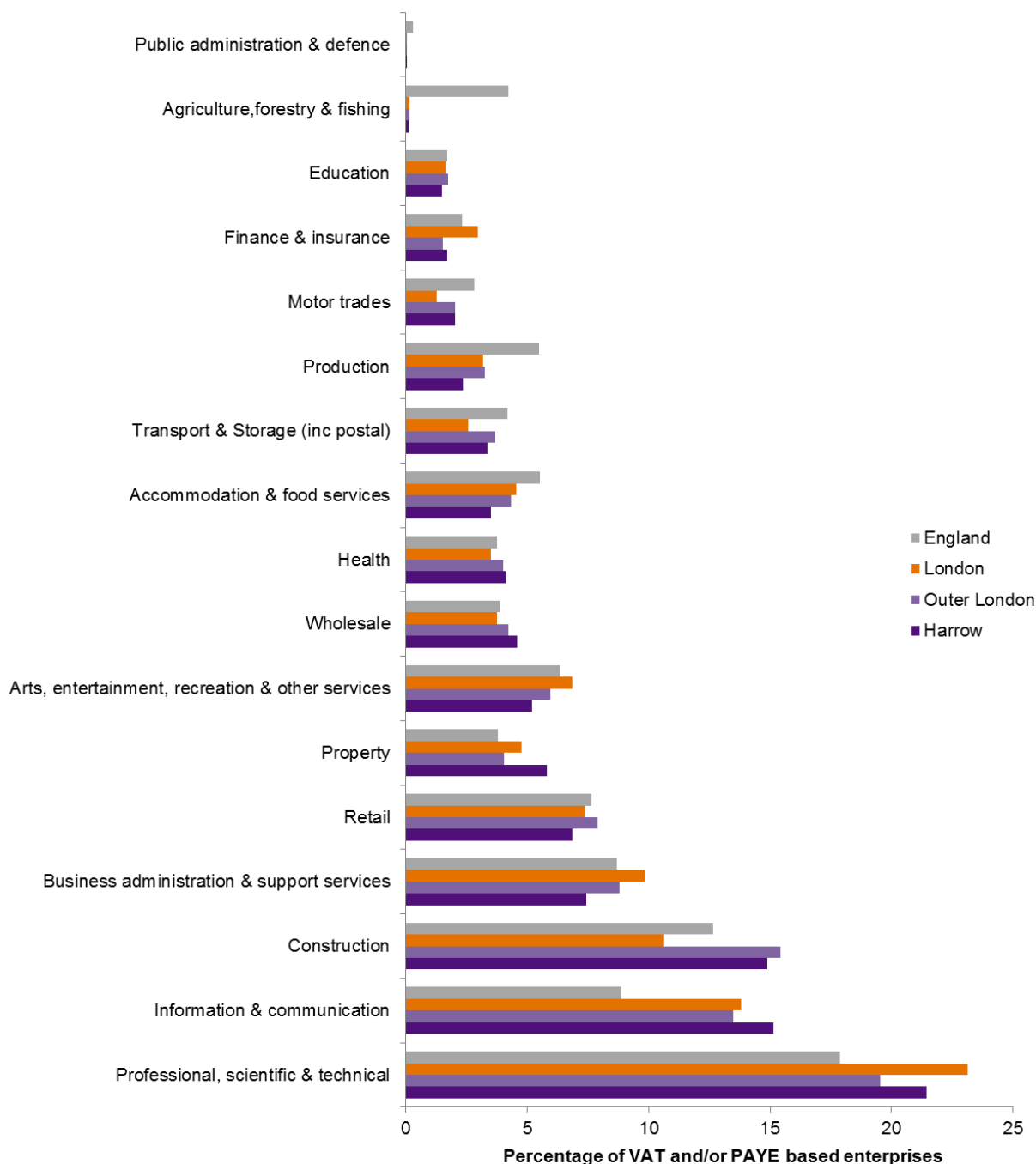
8.8 The ONS IDBR also provides a breakdown of the number of local units in an area, broken down by broad industry group, based on the 2007 Standard Industrial Classification (SIC). In 2019 the highest concentration of businesses in Harrow were professional, scientific and technical based, with 3,265 (21.5%) businesses. This is the most dominant sector locally, regionally and nationally. Harrow's second largest group, based on the number of businesses, is information and communication with 15.1% of businesses. This is also the second most dominant sector in London as a whole. Within Outer London and at the national scale however, the construction sector is the second most prevalent in terms of numbers of businesses. In Harrow construction is the third largest sector with 14.9% of businesses falling into this group.

Figure 8.5: Broad Industry Group by Number of VAT and/or PAYE Based Enterprises, Harrow, 2019



Source: ONS, Inter Departmental Business Register, March 2019

Figure 8.6: VAT and/or PAYE Based Enterprises by Broad Industry Group, 2019

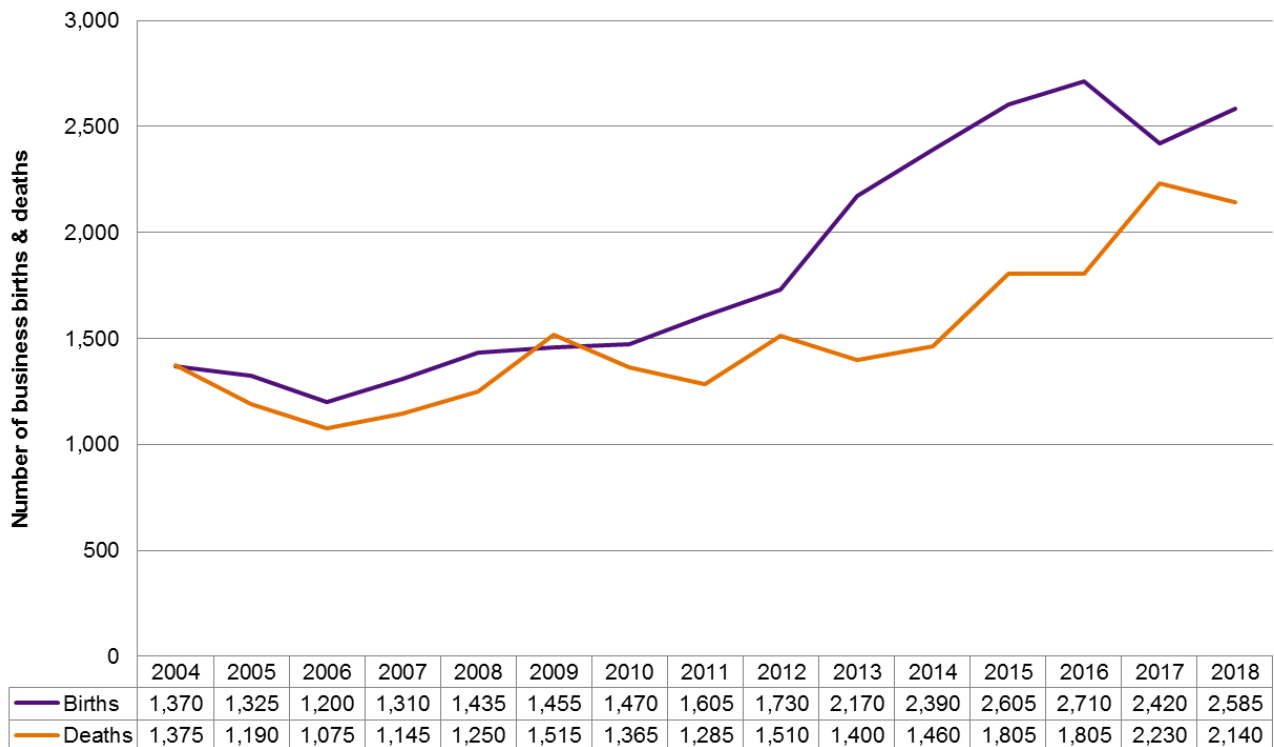


Source: ONS, Inter Departmental Business Register, March 2019

Business Births and Deaths

8.9 The number of business births and deaths recorded can provide a measure of volatility of the local economy when analysed over a period of time. In 2004 business births and deaths in Harrow were roughly equal. From then until 2008, Harrow, like the majority of the other West London boroughs, recorded more business births than deaths. This was mirrored in London overall and nationally. In 2009, the trend was reversed in Harrow with more business deaths than births being recorded, although this was not the case for the other boroughs in West London. From 2010 to 2017 the number of business births in Harrow had been significantly higher than the number of business deaths meaning that the number of businesses in the borough has been steadily growing. In 2017 there was a sharp decline in the number of business births and a steep rise in business deaths which was seen across all the West London boroughs. Births still remained higher than deaths in Harrow and across West London, meaning there was a small growth in the total number of businesses but at a lower rate than in the years immediately preceding. In 2018 business births in Harrow started rising again and deaths declining.

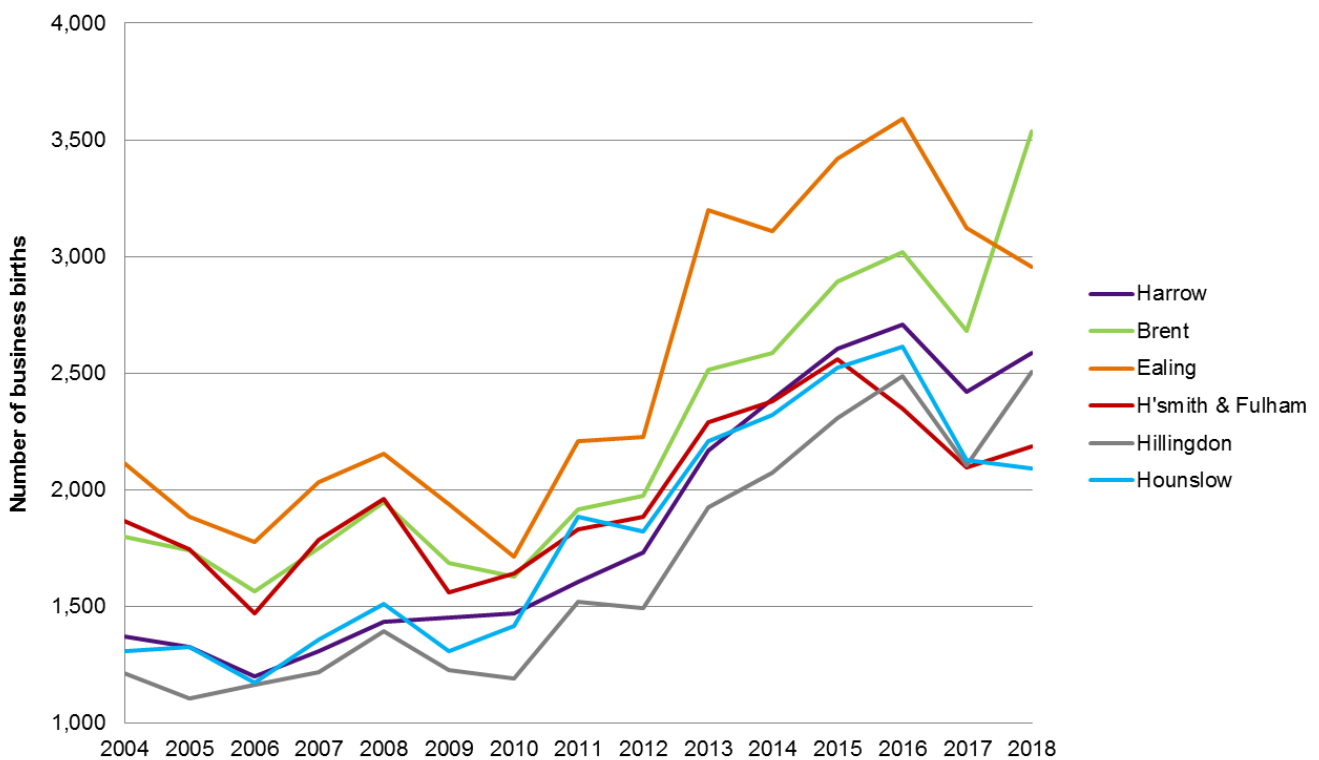
Figure 8.7: Business Births and Deaths in Harrow, 2004 to 2018



Source: ONS Business Demography, 2018

Business Start-Ups

Figure 8.8: Business Births in West London, 2004 to 2018



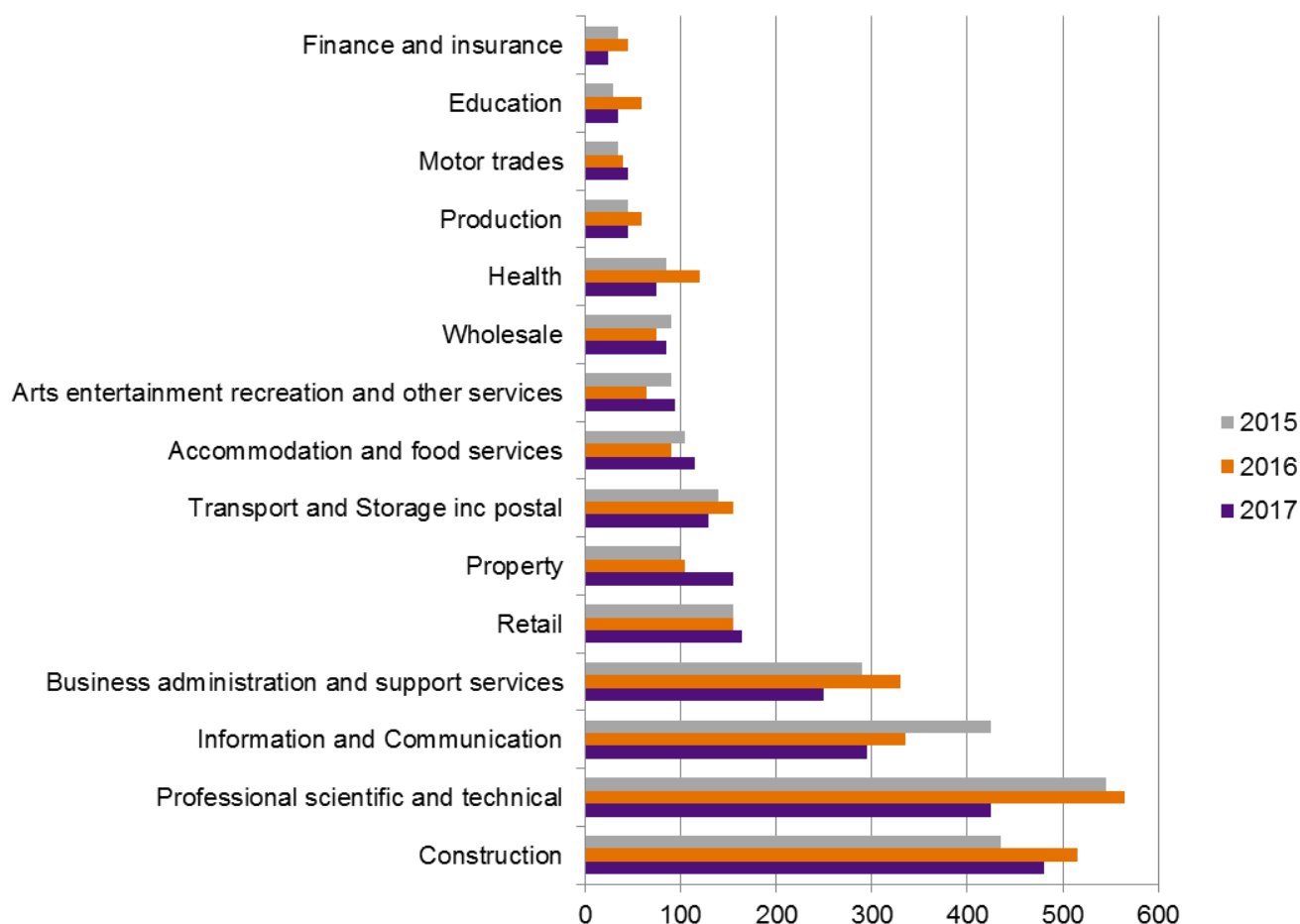
Source: ONS Business Demography (Enterprise Births, Deaths and Survivals), 2004 - 2018

8.10 Overall there has been an increase in the number of business start-ups from 2004 to 2018 (VAT and/or PAYE-based enterprises) for all West London boroughs. Harrow had 1,370 new business in 2004 compared to 2,585 in 2018. Harrow has closely mirrored the trends seen in other West London boroughs with a substantial increase in business births from 2010 to 2016, then a sharp decline in 2017. In Harrow, business births recovered somewhat in 2018 although the number was still below the levels of 2016. In Ealing and Hounslow business births continued to decline from 2017 to 2018.

8.11 An analysis of the start-up data by industry shows that for Harrow in 2017 (the latest available data) the construction sector had the largest number of new businesses start-ups. As a total over the three years from 2015 to 2017, professional, scientific and technical sectors had the most new businesses with the construction industry a close second. The third most common sector for start-ups was in information and communications.

8.12 In terms of new businesses as a proportion of sector size, transport and storage had the largest percentage of new businesses in 2017, followed by construction, and accommodation and food services. Finance and insurance, which was the smallest industry sector in 2017, had the smallest proportion of start-ups with just 25 new businesses established that year.

Figure 8.9: Business Births in Harrow by Broad Industry Group, 2015 to 2017



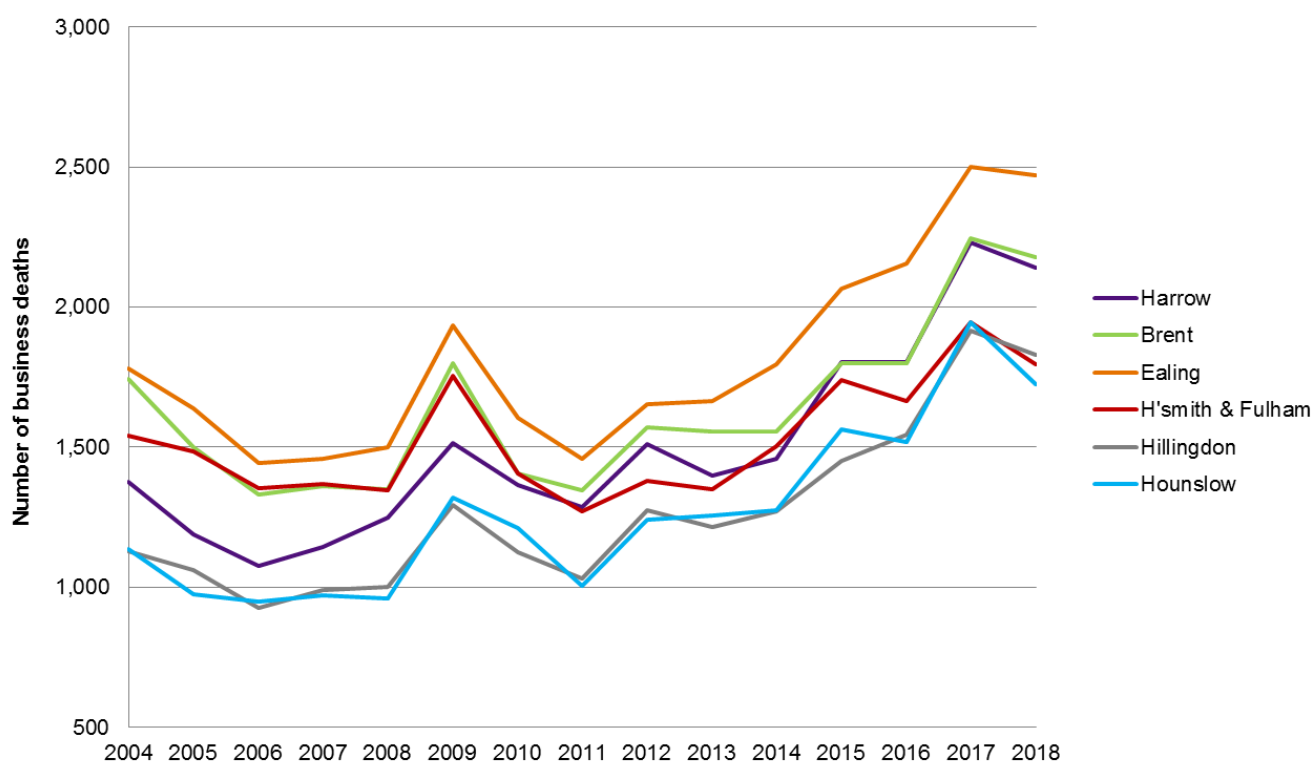
Source: ONS Business Demography, 2015 - 2017

Table 8.2: Business Births as a Percentage of Sector Size, Harrow, 2017

	Total Businesses in Sector in 2017	New Businesses in Sector in 2017	Percentage
Transport and Storage incl. Postal	475	130	27.4%
Construction	1,945	480	24.7%
Accommodation and Food Services	485	115	23.7%
Business Administration and Support Services	1,085	250	23.0%
Property	795	155	19.5%
Motor Trades	255	45	17.6%
Retail	990	165	16.7%
Education	240	35	14.6%
Arts Entertainment Recreation and Other Services	670	95	14.2%
Information and Communication	2,135	295	13.8%
Professional Scientific and Technical	3,105	425	13.7%
Production	330	45	13.6%
Wholesale	710	85	12.0%
Health	700	75	10.7%
Finance and Insurance	260	25	9.6%

Source: ONS Business Demography, 2017

Business Deaths

Figure 8.10: Business Deaths in West London, 2004 to 2018

Source: ONS Business Demography (Enterprise Births, Deaths and Survivals), 2004 - 2018

8.13 The number of businesses which failed in Harrow increased considerably in 2009, coinciding with the United Kingdom going into recession in late 2008. By 2011 the rate of failing business had returned to near pre-recession levels. From 2011 until 2017 the number of business deaths has increased overall, but this is in partly a reflection of the number of business births i.e. the more businesses that are starting up, the more businesses there are available to fail. Business deaths fell from 2017 to 2018, following a year of low business births in 2016 to 2017. The trend in Harrow is very closely mirrored in all other West London boroughs suggesting that the factors causing businesses to fail are predominantly at a wider geographic scale than individual boroughs.

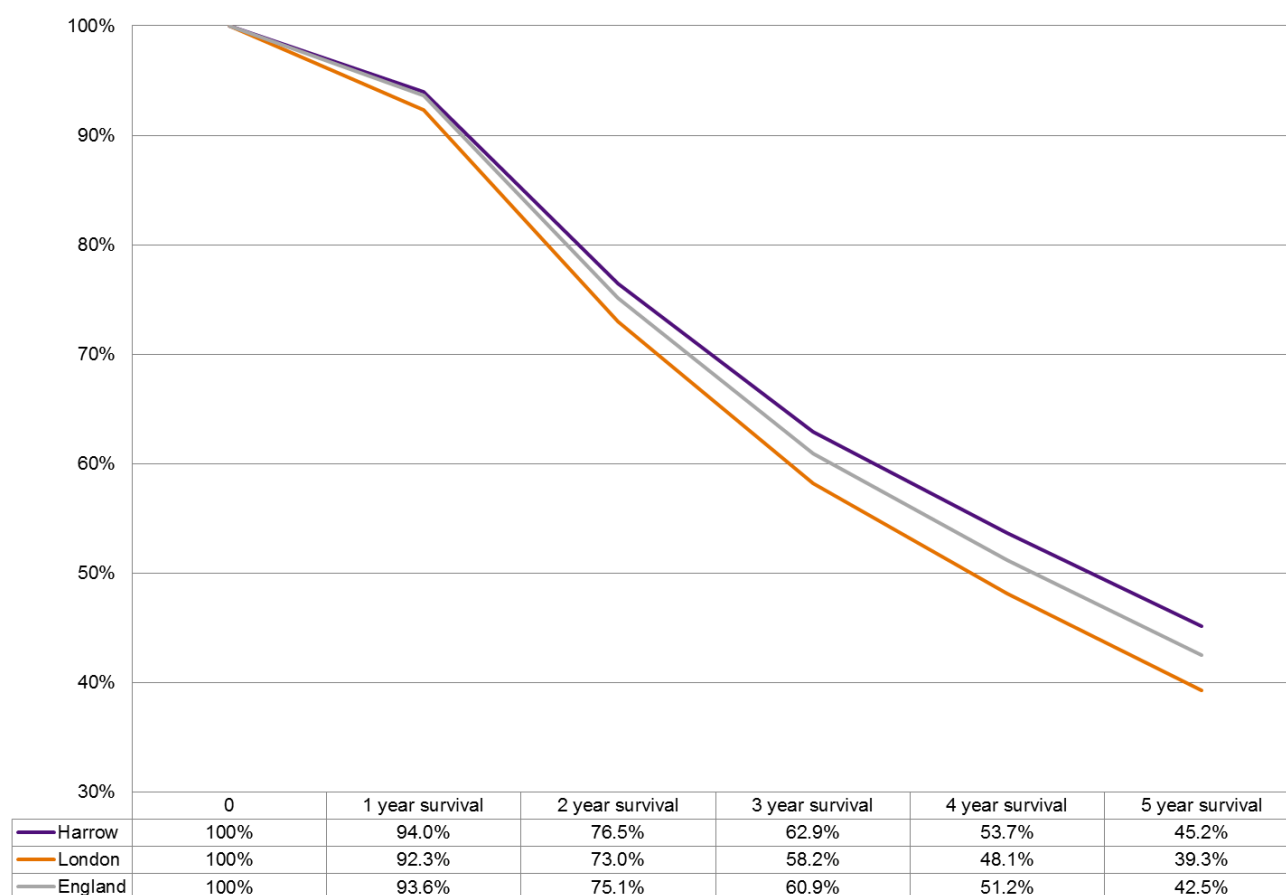
Business Survivals

Table 8.3: Percentage of Businesses Born 2007 to 2016 and still Trading after Two Years

	2007	2010	2013	2014	2015	2016
Harrow	84.0%	71.8%	76.5%	75.3%	72.4%	69.4%
Barnet	82.0%	66.6%	76.5%	70.5%	63.6%	66.8%
Brent	76.0%	71.5%	74.4%	74.7%	72.2%	69.9%
Ealing	75.2%	70.8%	75.8%	76.5%	73.0%	72.1%
Hammersmith & Fulham	75.6%	69.2%	73.4%	73.7%	66.2%	68.5%
Hillingdon	82.8%	73.9%	74.8%	77.1%	72.9%	70.9%
Hounslow	80.9%	76.0%	76.2%	76.5%	72.9%	71.3%
London	79.1%	70.2%	73.0%	73.7%	68.2%	68.5%
England	81.3%	72.5%	75.1%	75.9%	71.4%	68.0%

Source: ONS Business Demography (Enterprise Births, Deaths and Survivals), 2007 - 2018

Figure 8.11: Survival of Businesses Born in 2013



Source: ONS Business Demography (Enterprise Births, Deaths and Survivals), 2013- 2018

8.14 Business survival rates over two years in Harrow are consistently above those for London as a whole and are generally slightly higher than the national rate. As Table 8.3 shows, from 2013 to 2016 survival rates have been declining at all geographic scales. In 2013 nearly 76.5% of Harrow's businesses formed that year survived two years, compared with 69.4% of those formed three years later in 2016. However, 2013 survival rates were greater than those for 2010 so it has not been a simple steady decline since a peak in 2007. Survival rates fluctuate based on a huge range of factors, from the macro such as economic and political influences to micro for example company management and local competition.

8.15 Harrow business tend to do better on average than at the London and national scales. Figure 8.11 shows the proportion of new businesses formed in 2013 and the proportion which survived in the following five years. By 2018, 45.2% of Harrow businesses formed in 2013 were still trading, compared with 39.3% of London businesses and 42.5% businesses at the national scale.

GVA, Business Diversity and Complexity

8.16 Gross Value Added (GVA) is the value generated by any unit engaged in the production of goods and services. Harrow has amongst the lowest GVA per business of all London boroughs at £0.42 million, with only Greenwich, Hackney, Redbridge and Waltham Forest being lower. Harrow has the lowest rate of the West London boroughs; this is due largely to the high level of micro-businesses in the borough. The central London boroughs have the highest GVA rates particularly the City of London, Westminster and Camden which substantially increase the average GVA per business in the region.

8.17 Business diversity is a measure of the industry concentration of the total business count. Higher scores indicate the business population is more concentrated in a few industries. Most outer boroughs generally have fewer niche businesses and a more even distribution across different industries compared with central London boroughs. Harrow has a relatively high score for business diversity compared with other West London boroughs i.e. a lower diversity. This reflects the analysis earlier in this chapter which highlighted the dominance of three industry sectors in Harrow - professional and technical, information technology and communications, and construction industries.

8.18 Complexity scores measure the number of industries in which the borough has a comparative advantage, scaled by how widespread the industry is nationally. A score of 0 indicates no industry specialism. Harrow has a score of 0.52 which is one of the lowest scores across the London boroughs, indicating that Harrow has a low level of specialism. The boroughs which scored lower were Barking and Dagenham, Lewisham and Newham. All West London boroughs score below the London average - generally the most specialist industries that combine to produce higher complexity scores are found in the central London boroughs. Outer boroughs have economies that are more similar to the UK average (0.68), with their comparative advantage concentrated in industries that are much more common.

Table 8.4: Business Health Comparisons, 2019

	GVA per business (£m)	Business Diversity*	Complexity
Harrow	0.42	0.37	0.52
Barnet	0.44	0.27	0.79
Brent	0.58	0.23	0.80
Ealing	0.54	0.25	0.79
Hammersmith & Fulham	0.83	0.31	0.64
Hillingdon	0.91	0.25	0.65
Hounslow	0.91	0.36	0.67
London	0.75	0.32	0.90

Source: London's Business Base report, London Councils, 2019

** The business diversity score is a Herfindahl index where a higher score indicates a higher level of concentration i.e. lower diversity in the business base.*

Growth of Knowledge-based Industries

8.19 Eurostat defines the Knowledge-based economy as “trends in advanced economies towards greater dependence on knowledge, information and high skill levels, and the increasing need for ready access to all of these by the business and public sectors”. The growth in the knowledge-based business sectors is seen as key to maintaining the competitiveness of the UK economy. It is generally agreed that the larger the proportion of knowledge-based businesses, the stronger and more resilient the economy.

8.20 Eurostat considers that high-technology manufacturing and knowledge intensive services encompass the ‘Knowledge-based industries’. Using Eurostat definitions of which specific sectors fall into these two groups and applying this to the 2018 Business Register and Employment Survey it is possible to estimate the number of people working in the Knowledge Economy as shown in Table 8.5.

Table 8.5: Proportion of Jobs in the Knowledge Economy, 2018

	High-technology Manufacturing Industries	Knowledge-Intensive Sectors	Total ‘Knowledge Economy’	Total Jobs	Percentage of Total Jobs
Harrow	100	43,300	43,500	71,000	61.2%
Barnet	100	76,800	76,900	131,000	58.7%
Brent	400	63,200	63,600	124,000	51.3%
Ealing	500	64,300	64,800	127,000	51.0%
Hammersmith & Fulham	0	90,300	90,300	137,000	66.0%
Hillingdon	500	106,300	106,900	184,000	58.1%
Hounslow	100	102,500	102,600	157,000	65.4%
London	5,500	3,464,000	3,469,500	5,163,000	67.2%
England	123,000	14,779,000	14,902,000	25,976,000	57.4%

Source: ONS Business Register & Employment Survey, 2018

Note: Analysis based on Eurostat definitions of High-tech industry and Knowledge-intensive services available at https://ec.europa.eu/eurostat/cache/metadata/Annexes/htec_esms_an3.pdf

Note: data rounded to the nearest 100, figures may not sum due to rounding

8.21 Over half of all jobs in England are in the Knowledge Economy. In Harrow, approximately 43,300 jobs fall within this definition, which equates to just over 61% of Harrow's workforce. This is a relatively high proportion when compared with other West London boroughs, with Harrow having the third highest rate after Hammersmith & Fulham and Hounslow. London overall has a higher rate which is unsurprising given the high concentration of knowledge-intensive jobs located in central London. The number of high tech manufacturing roles in this region is low.

8.22 The number and percentage of jobs in Knowledge-based industries has been increasing in recent years in Harrow. In 2012 an estimated 57.3% of people worked in roles falling into this classification, growing to 61.2% six years later. A similar trend is seen in other West London boroughs. Hounslow has seen the largest rise in the proportion of workers employed in these industries, from 49.6% in 2012 to 65.4% in 2018. In London overall the rate rose by 8.3 percentage points and nationally the increase was 7.0 percentage points over this timeframe.

Business Rates

8.23 Business rates are a tax on property used for business purposes. Business rates are calculated based on a property's ‘rateable value’. The rateable value is a property's estimated value on the open market. The last revaluation, conducted by the Valuation Office Agency (VOA) came into effect on 1 April 2017 and refers to values as of 1 April 2015.

8.24 On 1 April 2013 a new system of business rates retention was introduced in England. Through the Local Government Finance Act 2012, and regulations that followed, the Government gave local authorities the power to keep half of their business rate income and transfer the other half to central Government. The central share is then distributed to local authorities in the form of Revenue Support

Grant (RSG). The portion kept by local authorities is then subjected to tariff, levy, top up and safety payments depending on the financial position of the council. Before April 2013 all business rate income collected by local authorities went into a single pot and was distributed by the Government in the form of formula grant. According to the Government the change gives financial incentives to local authorities to grow their local economies and increase their income from business rates.

8.25 Harrow has the fewest rateable properties per business out of all London boroughs at 0.31. This is due to the predominance of micro-businesses. Tower Hamlets has the highest number of rateable properties per business at 0.68 primarily due to the very dense office space at Canary Wharf. The average for London as a whole is 0.48 (London's Business Base report, London Councils, 2019)

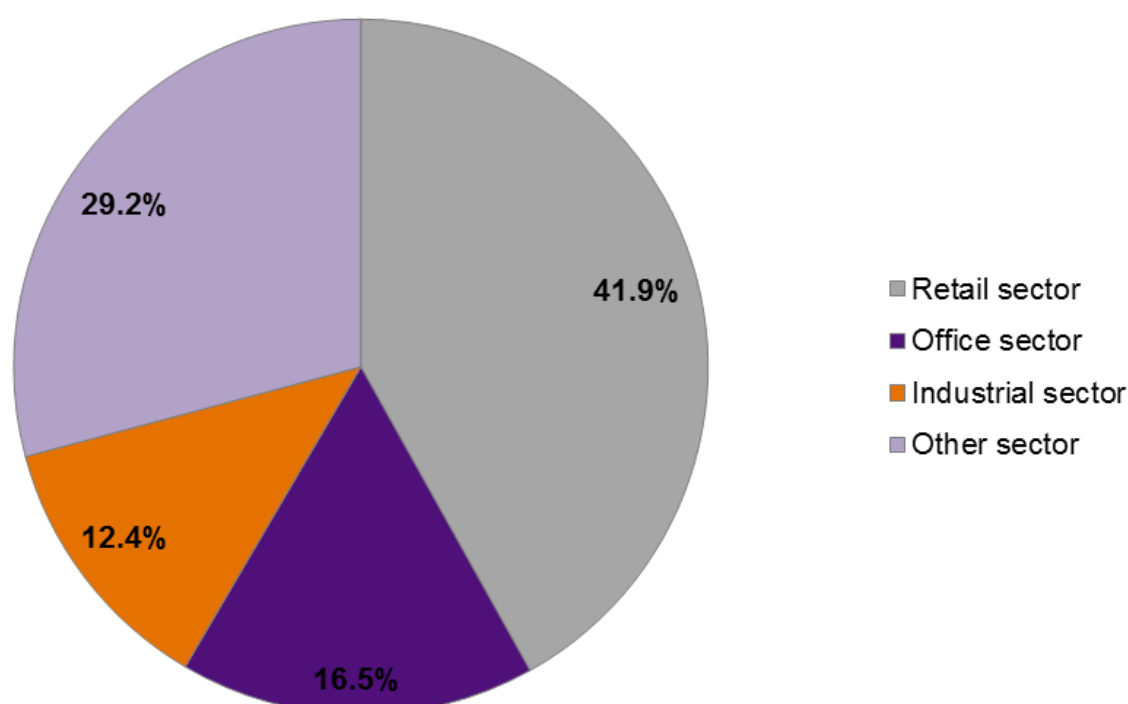
8.26 In 2018/19, there were 5,690 rateable properties in Harrow, with a rateable value of £141million. Retail accounted for the largest share of the total rateable value at 41.9%. The 'other' sector was the second largest at 29.2% - 'other' includes properties used for education and health services, hotels, leisure facilities, residential institutions, transport and utilities. Rates from network property of major transport, utility and telecommunications in England are collected directly by the Ministry of Housing, Communities and Local Government rather than being paid to the local council.

Table 8.6: Number of Rateable Properties and Rateable Value in Harrow, 2018/19

	Number of Rateable Properties	Rateable Value (£thousands)
Retail Sector	2,030	59,117
Office Sector	1,700	23,346
Industrial Sector	680	17,497
Other Sector	1,280	41,138
Total	5,690	141,098

Source: Valuation Office Agency, year to 31st March 2019

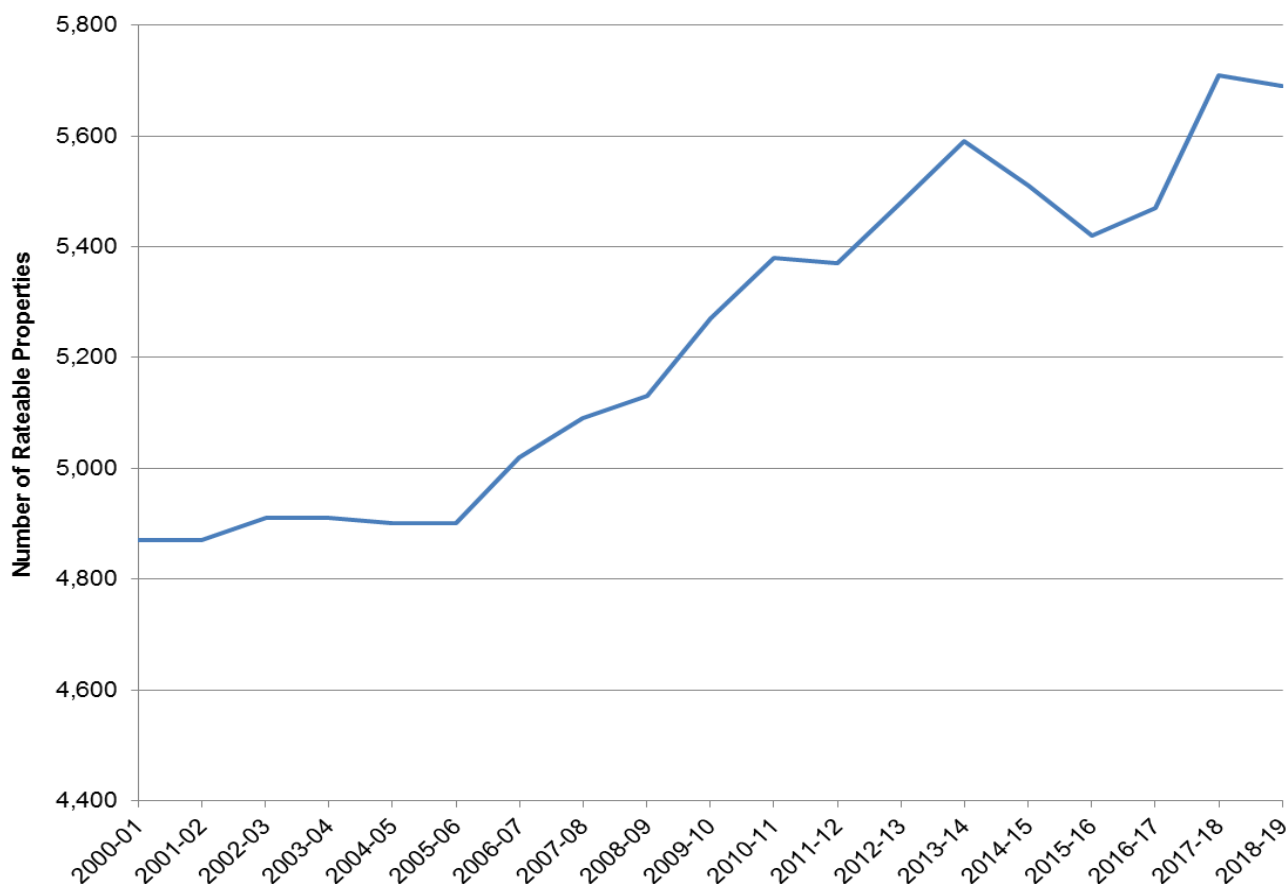
Figure 8.12: Percentage of Rateable Value by Sector, Harrow, 2018/19



Source: Valuation Office Agency, year to 31st March 2019

8.27 The number of rateable properties in Harrow has increased by 16.3% from 2000/01 to 2018/19. Rateable property numbers were relatively stable from 2000/01 to 2005/06, then there was a period of growth from 2005/06 until 2013/14. 2013/14 to 2014/15 saw a sharp decline in numbers, followed by a small recovery the following year. From 2016/17 to 2017/18 there was again a rise in numbers, followed by a small decline from 2017/18 to 2018/19.

Figure 8.13: Number of Rateable Properties, Harrow, 2000/01 to 2018/19



Source: Valuation Office Agency, 2000/01 - 2018/19

8.28 The business rates multiplier which when multiplied by the rateable value of a property determines a ratepayer's business rate bill. There are two multipliers - one for small businesses and one for larger businesses. These are set nationally. The small business multiplier is updated annually by the retail price index (RPI) (although exceptionally a lesser increase may be applied) and the other multiplier is adjusted accordingly, to fund rate relief for small businesses.

8.29 Small business rate relief is available to help start-ups lower their overheads and help with investing in growth. Business rates do not have to be paid if a business only occupies one property which has a rateable value of £12,000 or less. For properties with a rateable value of £12,001 to £15,000, the rate of relief reduces gradually from 100% to 0%.

8.30 Charities and small community sports clubs are entitled to get their business rates reduced by 80%. Other non-profit organisations can apply for up to 100% 'discretionary relief', which is decided by local councils. Businesses starting-up within an enterprise zone or relocating to an enterprise zone qualify for enterprise zone relief to make these areas attractive to new business.

Place Competitiveness

8.31 The Centre for International Competitiveness publishes the UK Competitiveness Index (UKCI) every few years. The UKCI was first published in 2000 and provides a benchmarking of the competitiveness of the UK's regions and localities (see Glossary for definition of 'Competitiveness'). It

has been designed to be an integrated measure of competitiveness and considers the capability of an economy to attract and maintain firms with stable or rising market shares in an activity, while maintaining stable or increasing standards of living for those who participate in it. The latest UKCI report was published in 2019.

Table 8.7: UK Competitive Index, London Boroughs, 2015 and 2019

Borough	2015 score	National rank 2015	2019 score	National rank 2019	Change in rank from 2015 to 2019
City of London	999.0	1	986.0	1	0
Westminster	213.9	2	209.4	2	0
Camden	175.9	3	175.0	3	0
Tower Hamlets	158.2	4	152.6	4	0
Islington	156.1	5	151.5	5	0
Hammersmith & Fulham	145.3	6	142.2	6	0
Kensington & Chelsea	142.7	7	141.5	7	0
Southwark	127.3	11	129.0	8	3
Wandsworth	128.5	9	127.9	9	0
Richmond upon Thames	129.9	8	125.3	11	-3
Hounslow	126.0	13	125.0	12	1
Hackney	118.8	24	124.4	13	11
Lambeth	126.4	12	122.1	14	-2
Hillingdon	119.8	22	119.0	23	-1
Barnet	116.0	35	115.5	34	1
Harrow	113.4	47	114.8	38	9
Merton	115.0	41	114.1	41	0
Kingston upon Thames	113.7	44	113.4	45	-1
Ealing	112.9	49	112.2	49	0
Bromley	109.3	61	108.0	63	-2
Brent	110.5	56	107.7	65	-9
Haringey	109.7	59	107.1	68	-9
Sutton	104.2	89	105.6	80	9
Redbridge	104.8	84	103.8	94	-10
Croydon	102.4	104	103.1	99	5
Greenwich	102.5	101	102.4	106	-5
Newham	100.9	113	102.4	107	6
Lewisham	102.5	102	102.1	110	-8
Havering	100.9	112	101.0	112	0
Waltham Forest	100.0	124	100.9	113	11
Bexley	98.0	136	98.0	133	3
Barking & Dagenham	96.8	135	96.8	142	-7
Enfield	96.4	129	96.4	145	-16

Source: UK Competitive Index, 2019

8.32 Harrow is ranked 38th out of 379 localities nationally in the Competitiveness Index. This is an improvement of nine places since 2015 when Harrow was ranked 47th. This puts Harrow within the top 10% of local authorities in the UK for Competitiveness. Harrow is ranked 16th out of the London boroughs. Localities in central London are the top nine most competitive places in the UK, with the City of London in the leading position. There has been a fall in the City of London's score between 2015 and 2019 but with its dominant finance sector it remains far above the other localities. All West London boroughs are ranked towards the top of the Competitiveness Index - there is an uneven distribution of competitiveness across London as a whole, with a more competitive west and less competitive east.

Constraints to Business Investment and Economic Growth in Harrow

Local Competition

8.33 Regeneration and investment in nearby areas is having an impact on Harrow. The opening of Westfield London in Shepherd's Bush in 2008 and the ease of access by public transport from Harrow has meant that shoppers are drawn outside the borough for 'destination' shopping. Watford town centre has had substantial investment over the last five years, with the refurbishment and enlargement of the shopping centre, and a major public realm improvement programme which has brought many new retail, restaurant and leisure businesses into the town. The Brent Cross Cricklewood scheme is one of the largest regeneration projects in Europe with the regeneration of 151 hectares to create a new town centre for Barnet. This includes the redevelopment of Brent Cross shopping centre, substantial commercial development with specific SME business spaces, a new Thameslink mainline rail station and major road improvement schemes.

Local Road Capacity

8.34 The relatively poor road capacity in the borough could limit potential for investment with businesses preferring to locate on the northern side of the M25 or along the A4/M4 with more convenient access to fast road networks. The lack of orbital connectivity between West London's growth areas, and the lack of connectivity between these growth areas with the major town centres, has been highlighted as a particular constraint in economic growth across the sub-region (West London Transport Infrastructure Constraints report, Systra).

Digital Infrastructure

8.35 There is growing demand for faster and improved mobile and broadband connectivity with businesses increasing reliant on being able to transfer large amounts of data quickly and easily. As well as being a key consideration in selection of business location, connectivity is important for enabling more people to work remotely from the office. The Government states that "flexibility to work remotely is pivotal for driving our economy forwards; reducing overheads and helping businesses to start and grow" (Dept. for Digital, Culture, Media & Sport, Policy paper, 2017).

8.36 Ofcom's Connected Nations 2019 report shows that Harrow had a borough-wide mean average fixed (i.e. via a cable) download speed of 71.4 Mbit/s (median download speed 55 Mbit/s). This is slightly higher than the London-wide average download speed and substantially higher than the UK average.

Table 8.8: Average Fixed Internet Download Speeds, 2019

	Average Download Speed (Mbit/s)	Median Download Speed (Mbit/s)
Harrow	71.4	55.0
Barnet	56.0	40.0
Brent	62.4	50.0
Ealing	64.7	52.6
Hammersmith & Fulham	53.3	40.0
Hillingdon	74.9	57.4
Hounslow	77.7	67.4
London	68.1	53.4
UK	58.5	45.7

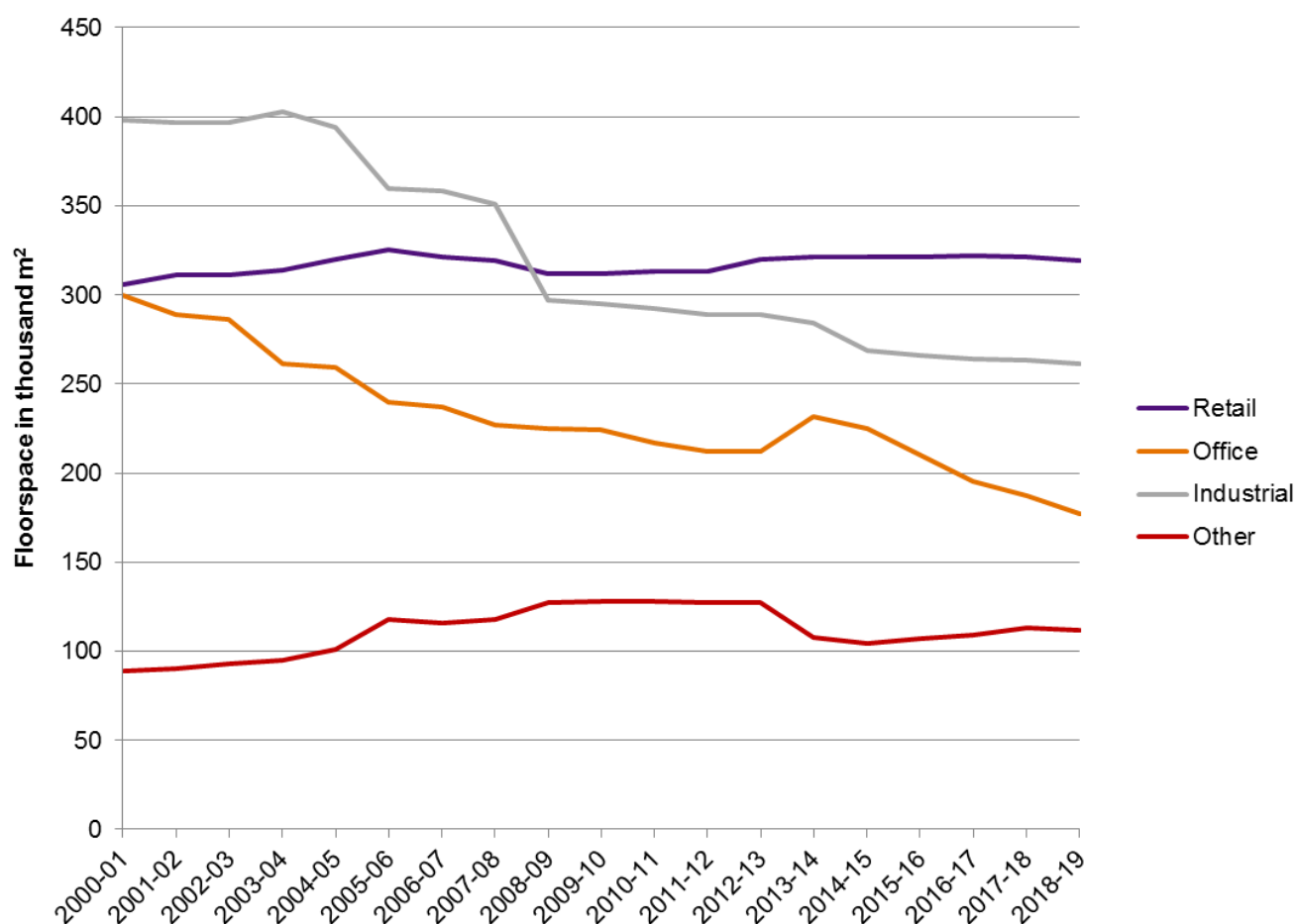
Source: Connected Nations 2019, Ofcom - download speed data collected in September 2019

8.37 The delivery of ultrafast broadband speeds and 5G over the next few years will be important in Harrow's ability to attract and retain businesses, especially those in the Knowledge Economy.

Floorspace

8.38 Business floorspace decreased in Harrow by 20% in the period 2000/01 to 2018/19 from 1,093,000 m² to 868,000 m². Industrial floorspace has seen the biggest loss in absolute terms, with a loss of 137,000 m² over this timeframe, representing a 34% decline. As a proportion of the total, office space has declined most with a loss of 41% declining from 300,000 m² in 2000/01 to 177,000 m² in 2018/19. Retail floorspace has increased by 4% over this period and other business use (such as education, health, hotels, and leisure facilities) has increased by 26%.

Figure 8.14: Change in Business Floorspace Area, Harrow, 2000/01 to 2018/19



Source: Valuation Office Agency, 2000/01 - 2018/19

Prior Approval for Change of Use from Office to Residential

8.39 On 30th May 2013 a new amendment to the General Permitted Development Order (GPDO) came into force, initially on a temporary basis for three years. This change was subsequently made permanent on 6th April 2016. These Permitted Development (PD) rights allow change of use from Class B1(a) office to Class C3 residential without the need for planning permission. Only certain limited matters require prior approval from the local planning authority (LPA), these being:

- transport and highways impacts of the development
- contamination risks on the site
- flooding risks on the site
- noise impacts from surrounding commercial uses on the intended occupiers of the development

8.40 Harrow Council sought to have the Harrow & Wealdstone Intensification Area (now the Harrow & Wealdstone Opportunity Area), including Harrow Town Centre, excluded from this change, but this request was not successful. The Council cannot apply its Local Plan policies under PD and, therefore, cannot negotiate a proportion of existing office floorspace be retained/re-provided.

8.41 As at the end of March 2019, 115 permissions under PD had been granted for 2,377 residential units in the borough resulting in a loss of 116,662 m² of office floorspace if they were all implemented.

Table 8.9: Permissions for Prior Approval for Change of Use from Office to Residential, Harrow, 30th May 2013 to 31st March 2019

	Permissions	Site area (ha)	A2/B1(a) office floorspace lost (m ²)	Proposed units	Completed units
Harrow Borough	115	7.09	116,662	2,377	1,170
Opportunity Area	57	3.09	62,653	1,327	483
Harrow Town Centre	38	1.97	48,139	971	359

Source: Harrow Council, Planning

8.42 The GLA's London Office Policy Review (LOPR) 2017 examines the impact of PD rights on Outer London office space. Harrow was third out of all London boroughs for office floorspace lost to residential development in permitted development completions from 2013 to 2015. Only Croydon (a significantly larger borough in area) and Richmond upon Thames lost more. Alongside this loss of office space is, of course, the reduction of jobs. Much of the office space that is being converted is not vacant at the time of redevelopment. Across London as a whole, 55% of PD schemes for which the occupancy status is known were occupied (of which 40% were fully occupied and 15% partially occupied). It is very likely that owners will have started the process of emptying buildings before putting in a PD application and that the amount of space recorded as occupied is understated. The overwhelming majority of the affected businesses tend to be SMEs occupying less expensive space which may be hard to replace, and this represents a significant disruption to the small business economy.

8.43 The rationale behind PD rights was that office stock in low demand could be redeveloped into residential use which was much needed. However, as the LOPR highlights vacant space is not necessarily surplus because it provides a critical role in allowing markets to respond to demand, while preventing rent inflation. PD is a policy that is arguably having unintended, negative consequences. This trend of loss of office space to residential seems set to continue however as the pressure for new residential development is unlikely to go away on any reasonably foreseeable time scale.