

**HAMPSHIRE COUNTY COUNCIL****Decision Report**

<b>Decision Maker:</b>	Hampshire Economic Board
<b>Date:</b>	21 September 2010
<b>Title:</b>	Towards an Economic Strategy
<b>Reference:</b>	2034
<b>Report From:</b>	Director of Economic Development

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**1. Executive Summary**

1.1. The purpose of this paper is to present the key issues for the Hampshire economy that will form the basis for a Sustainable Economic Development Strategy.

1.2. This paper seeks to:

- describe the aspects of the Hampshire economy that need intervention;
- consider where and how the Council can make an impact and who it should work with to do this; and
- consider the next steps towards a Sustainable Economic Development Strategy.

**2. Contextual information**

2.1. In July this year a report to Cabinet on the Hampshire Economic Assessment (HEA) set out a detailed description of the economy of Hampshire. The Assessment examines the competitiveness of the area and the aspects of the economy that contribute towards this. The Assessment provides a comprehensive evidence base from which to devise a strategic approach towards interventions to maximise Hampshire's competitiveness. Work has now begun to identify key issues for action. Over the coming months, this work will be developed into a strategy for action for a report to Cabinet in January 2011.

- 2.2. The intention was to test priorities with Members at this meeting as a first step. However, the need to articulate a vision and priorities in the submission for a Hampshire-wide Local Enterprise Partnership means that the approach has been incorporated into that document.

### **Background**

- 2.3. The Economic Assessment described the complexity of the Hampshire economic area which includes a wide variety of economic landscapes, such as a number of urban areas and large rural areas containing two national parks. The challenges that the mix of urban and rural geographies bring, along with a sectorally diverse economy, form the background of developing a strategic approach to economic development.
- 2.4. This complexity means that key issues, and activity to address them, will need to be considered at different spatial levels. This will include working at geographies wider than the Hampshire economic area and will often require working at sub-Hampshire economic area levels, including very local areas.

### **Overall performance and prospects**

- 2.5. Overall, the Hampshire economic area is a mid-ranking economy and on many indicators its performance is close to the regional and national averages. Within this context, it has some important strengths and significant economic assets. For instance, about one in five employee jobs is within the knowledge economy<sup>1</sup> and the overall activity rate is well over 80%. Also striking, however, is its diversity. On the UK Competitiveness Index, for example, the ranking of individual districts ranges from 27 (Winchester) and 32 (Hart) through to 225 (Havant) and 345 (Gosport). These rankings are made in relation to 407 districts nationally and they suggest that within the economic area there are districts within both the top and bottom quintiles nationally. Add to this the effect of the economic flows and a complex mosaic of opportunities and challenges emerges.
- 2.6. Looking at this in the round and projecting forward, data prepared by Cambridge Econometrics on the basis of its Local Economy Forecasting Model point to relatively strong growth prospects in both GVA (economic output) and GVA/employment (a proxy for productivity) in North Hampshire in the period to 2026. On both metrics, however, prospects for both Central Hampshire/New Forest and South Hampshire<sup>2</sup> are much less strong. Indeed, productivity projections – in both sub-areas – are adrift of the national average and well below those for the South East. These projections signal broad continuity with the picture over the last decade.<sup>3</sup> The inference

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<sup>1</sup> On a broad definition which includes a range of high end manufacturing activities, high end business services, and research and development

<sup>2</sup> See map on p.2 for the MAA boundary

<sup>3</sup> The Cambridge Econometrics projections cited above do not therefore reflect the significant policy announcements that have been made since the election.

therefore is that two of the three broad sub-areas that define the Hampshire economic area are increasingly falling behind. This process is likely to be exacerbated by public sector redundancies and restructuring.<sup>4</sup>

2.7. This apparent division in economic prospects matters for two main reasons:

- (i) first, it points to diverging life chances for individuals – particularly young people – within the Hampshire economic area, and the waste to the economy of these productive resources; and
- (ii) second, there are clear implications in terms of sustainability: South Hampshire – with the two largest urban areas – needs to be one or more thriving economic hub(s) in its own right while Central Hampshire/New Forest needs a viable workplace economy if the substantial disjunction between workplace- and residence-based earnings (linked intrinsically to patterns of commuting) is not to be exaggerated further.

2.8. Looking to the anticipated impact of the Comprehensive Spending Review overall, the South East England Development Agency (SEEDA) has estimated that 74,000 direct public sector job losses are possible across the South East between now and the end of the 2015/16 financial year; there will be further indirect job losses in the private sector; and that, overall, Kent and Hampshire are likely to be affected most<sup>5</sup> (see attached document). In fact, an analysis of the existing sectoral make-up of employee jobs suggests that it will be Central Hampshire/New Forest and South Hampshire that bear the brunt of these cuts. In both cases, public sector employee jobs are over-represented (in terms of the structure of all employee jobs). Within the Hampshire economic area, Portsmouth and Southampton are identified as areas to be particularly affected, with Winchester and Gosport also likely to see significant reductions. This, in turn, will be felt in the two cities as Winchester draws a significant proportion of its labour force from Portsmouth and Southampton.

2.9. To maximise growth prospects, reduce inequality and improve sustainability, an active approach to economic development and regeneration is needed, particularly in the Central Hampshire/New Forest and South Hampshire sub-areas which between them account for over 77% of the economic area's GVA. In both cases, there is a significant need for rebalancing which has been given further impetus over recent weeks (although the underlying challenges pre-date the change in Government). This approach to rebalancing must be cognisant of the particular character of the economic area as a whole and the layers of functional interdependencies that define it. Hence it must recognise fully the distinctive character of – but also the relationships between – its sub-areas and the individual settlements that comprise it.

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<sup>4</sup> Further information can be found in the Hampshire Economic Assessment <http://www3.hants.gov.uk/business.htm>

<sup>5</sup> *Public sector redundancies: Potential impact in the South East* SEEDA, July 2010

## **Key issues looking ahead**

2.10. What, then, are the key issues for the Hampshire economic area as it looks to the future? There are, arguably, six that stand out.

### ***1:Nurturing an innovative, entrepreneurial and globally competitive knowledge-based economy***

- (i) Within the Hampshire economic area there are some major assets linked to the knowledge economy. These include four Higher Education Institutes (HEIs) with a wide range of specialisms, and some major, global, knowledge-based corporates, including world-class research facilities. The assets and resources linked to these organisations/institutions are substantial, but they need to be worked harder.
- (ii) The role in the knowledge economy of the major urban areas needs sharper definition and focus, exploiting the benefits of sectoral strength and knowledge across areas. For example, economic regeneration plans for both Southampton and Portsmouth emphasise the importance of creative industries and this is a particular strength of Winchester. There is, therefore, an opportunity for a joint vision for the sector that would be enhanced by exploiting the knowledge and assets of both areas. There is a need for symbiotic growth in which the role of each of the urban areas is better defined. The Hampshire economic area as a whole – including in some of the more rural areas – needs to be more clearly nurturing of the knowledge economy and entrepreneurialism. The area must be seen as explicitly “open for business”.

### ***2:Investing in the skills of the current and future workforce***

- (i) Key to effecting this transformation must be a positive approach to workforce skills. In the economic area currently, the picture is mixed. In Winchester, the proportion of the working age population qualified to NVQ Level 4 or above is very strong, over 40%. Elsewhere, the picture is far less sanguine with those qualified to NVQ4+ being well under 30% in several diverse areas across the economic area.
- (ii) For the economic area as a whole, the bigger challenge, arguably, is at the lower end of the labour market. More than a third of the working age population is qualified to below NVQ Level 2 in some areas. This profile sits uncomfortably with the need – and opportunity – to grow the knowledge economy and to improve productivity performance more generally: Particularly in the south of the economic area there is a major skills problem and it needs to be addressed. Workforce skills must be aligned with the needs of businesses and, in the short term, the creation of lower skilled jobs

still needs to be encouraged to mitigate high worklessness, especially in the south of the economic area.

### **3: Investing in key infrastructure**

- (i) The full potential of the Hampshire economic area will not be realised unless key infrastructures are refreshed and enhanced. In the context of severe pressure on public finances, needs must be prioritised and creative implementation solutions developed. There are two overarching priorities.
- (ii) A first relates to the area's broadband infrastructure which is currently patchy. The situation is on the cusp of a market-led revolution in terms of broadband infrastructure, with the early roll-out of Next Generation Access broadband likely to happen early in the larger towns and cities. The Local Enterprise Partnership's priority is to devise creative solutions to lever investment into remaining areas where demand is numerically low but significant numbers of businesses and part-time home workers exist. This will be vital in order to encourage an increase in the number of home workers and business start-ups outside the main urban areas.
- (iii) A second infrastructure priority is the need to encourage the appropriate development of housing and the provision of employment land and premises. Future development will need to proceed on a different footing with minimal public sector investment (in terms of cash). A new and innovative approach is required. This must incentivise development locally and establish appropriate routes to associated investment. Within this mix, the assets of the public sector will need to be brought to bear, including, potentially, sites released by the Ministry of Defence.

### **4: Addressing persistent worklessness, improving economic participation and encouraging greater attainment, particularly among young people**

- (i) One of the most concerning aspects surrounds pockets of persistent worklessness and economic inactivity across the economic area's urban centres, with high claimant rates in wards within Portsmouth, Havant, Southampton, Gosport and Basingstoke. Whilst the majority are within South Hampshire, there are a number in other places. In all cases, these "hot spots" are within urban areas.
- (ii) Looking ahead, the life chances of young people are especially important. Overall, the incidence of young people not in employment, education or training (NEET) is similar to the regional average in Hampshire County but much higher in Portsmouth and Southampton. Evidence shows that income deprivation affecting children is concentrated in pockets both along the south coast and in North Hampshire. This analysis is important but challenging. It suggests that small areas of persistent deprivation exist even where

economic growth has been relatively strong. Localised solutions – developed at a neighbourhood level and with strong community dimension – are needed to address this. This is important for the economic area because high activity and employment rates are essential if the area's economic potential is to be realised.

***5: Defining – and investing in – key economic roles for cities and towns within the Hampshire Economic Area***

- (i) Looking forward, the Hampshire economic area's towns and cities need to function effectively. They need clear and confident economic roles. Complementary economic roles and potentials must be defined and realised for each additional urban area and some of the smaller market towns.
- (ii) Second, they also need serious and sustained investment, particularly in terms of the town/city centres. They need to be vibrant hubs, recognising that what this means for Portsmouth will be quite different from what it means for Basingstoke. The larger urban areas must provide the principal focus for both housing and employment provision and they must be supported as places in which people will choose to set up new businesses and grow existing ones.

***6: Exploiting the Hampshire Economic Area's locational and environmental assets and the quality of life it provides... and the implications***

- (i) The Hampshire economic area has substantial physical and knowledge assets to support a thriving economy in addition to its diverse urban areas. These comprise traditional market towns and villages and significant natural and heritage assets, including two National Parks and a thriving maritime environment. Coupled with reasonable proximity to London and a range of international gateways, the area has much to offer potential investors and in-movers.
- (ii) Future economic drivers may favour the small, knowledge-based businesses which can thrive outside big cities. Moreover, the economic area needs a vibrant rural economy, such that individual settlements within it – market towns and villages – are sustainable communities with a balanced demographic profile, and do not become simply a destination for in-moving retirees and/or high earning out-commuters.
- (iii) The economy of rural areas needs to be broadly-based, knowledge-intensive, competitive and genuinely “open for business”. The possibility of Next Generation Access Broadband - if it can be realised - offers opportunities which are compatible with the

protection of the high quality, highly valued rural areas of the economic area.

### **3. Recommendations**

- 3.1. That the draft vision and priorities set out in this report be agreed as the basis for developing a strategy.
- 3.2. That the components of the strategy be brought to the December meeting of the Board and that this distinguishes what Hampshire County Council can do and what other partners can do, which could advise the Hampshire Local Enterprise Partnership.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	no
Corporate Improvement plan link number (if appropriate):	
<b>Maximising well-being:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	yes
Corporate Improvement plan link number (if appropriate):	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u> Economic Assessment	<u>Reference</u> 1845	<u>Date</u> 26 <sup>th</sup> July 2010
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

- 1.1. The strategy will address economic inequalities which result in worklessness and deprivation.

### **2. Impact on Crime and Disorder:**

- 2.1. No impact.

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption?
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

The strategy will look at economic prosperity in the context of sustainability and will include measures to reduce environmental impact, eg roll out of Next Generation Access will significantly increase the ability for home-working, thereby reducing the need for travel.