Hampshire Prosperity Partnership

HPPB priorities – proposed workstreams

Hampshire Prosperity Partnership Board

24 March 2025

Agenda item 5

OVERVIEW

- HPPB wishes to agree a number of areas on which it will focus during 2025/26. At its meeting on 6 January, the Board agreed that more detailed work should be done to define work that could be undertaken within four recommended areas: energy; pathways to employment; business support; and high potential sectors/clusters. Officers were also asked to consider further what role the Board could play in a fifth area, infrastructure.
- This slide pack sets out proposed workstreams within these five areas. These are summarised on slides 3 and 4. Slide 6 provides an indicative view of how the work could be sequenced over the course of 2025/26. Subsequent slides (7 to 17) contain further detail about each of the workstreams, including the role of the Board, desired outcomes, key deliverables, and how we will measure success.
- Some of the workstreams can be delivered using existing resources and within existing budgets. In order to deliver some of the workstreams, however, additional funding will need to be made available from the funds inherited by Hampshire County Council from Enterprise M3 and Solent Local Enterprise Partnerships. This is set out on slide 5.
- Slides 18 to 55 contain an evidence annex, setting out more detailed evidence and analysis relating to each of the areas addressed by the proposed workstreams.
- Note also that, in addition to the workstreams proposed in this slide pack, we will be developing a new Hampshire Skills Strategy during 2025. This may then lead to additional skills-related workstreams, later this year and/or next year. See the separate paper on developing the Skills Strategy for agenda item 7.
- HPPB is asked to agree the proposed workstreams set out below.
- Subject to the Board's agreement, the workstreams will be incorporated into the forthcoming Hampshire Economy and Growth Plan. See the separate paper for agenda item 6.

PROPOSED WORKSTREAMS – SUMMARY (1)

PRIORITY AREA	WORKSTREAM		Brief description	For detail see slide
MEETING ENERGY NEEDS	A1	Grid capacity review	Carrying out a review of grid capacity constraints in Hampshire, in collaboration with key partners including network operators, and developing an action plan to address priority issues.	7
PATHWAYS TO EMPLOYMENT	B1	Engaging employers with Connect to Work	Developing and implementing an effective strategy for engaging Hampshire employers with the new Connect to Work supported employment programme, including signing up large 'flagship' employers.	8
	B2	Get Britain Working Plan	Ensuring that the new Get Hampshire Working Plan reflects the needs of Hampshire's business community (through HPPB) and skills providers (through the Hampshire Skills Partnership).	9
BUSINESS SUPPORT	C1	Joining up the business support system	Increasing the impact of Hampshire's business support system, by bringing providers together to map provision, reduce duplication, increase cross-referrals, and potentially develop a Hampshire Business Support Partnership.	10
	C2	Online business support hub	Developing an online platform to deliver a 'self service' business support offer, in order to increase the reach, impact and cost-effectiveness of the Hampshire Growth Hub	11
	C3	Making the system work for rural businesses	Analysing performance data and consulting with rural businesses, to understand whether Hampshire's business support system is addressing the needs of rural businesses, and identify required improvements.	12

PROPOSED WORKSTREAMS – SUMMARY (2)

PRIORITY AREA	WORKSTREAM		Brief description	For detail see slide
HIGH POTENTIAL SECTORS/ CLUSTERS	D1	Creative cluster	Increasing the recognition of Hampshire's strengths in key sectors, and attracting public funding and private investment, through cluster arrangements that enable collaboration, innovation, and development of skills bases and supply chains. This work will build on Hampshire's experience of developing successful clusters such as Maritime UK Solent and Space South Central, and focus efforts on three key sectors in which cluster arrangements in Hampshire are less well established and/or fragmented: creative, digital, and life sciences.	13
	D2	Digital cluster		14
	D3	Life sciences cluster		15
	D4	HPP Business Forum (the "Super Cluster")	Establishing a Business Forum, to engage a wider range of businesses in the work of the Hampshire Prosperity Partnership, and strengthen the voice of Hampshire's business community. The proposed approach is to bring together Hampshire clusters and other industry groups to form a "Super Cluster".	16
INFRASTRUCTURE	E1	Infrastructure gap and opportunity analysis	Commissioning a study to identify Hampshire's highest priority infrastructure needs in three areas: transport, digital, and business space. This will provide the basis for advocating and lobby for investment into these priorities, with both public and private sector investors.	17

PROPOSED WORKSTREAMS – FUNDING

Hampshire County Council (HCC) is able to deliver some of the proposed workstreams using existing resources and within existing budgets. Others will require some additional funding to be drawn from the funds inherited by HCC from the Local Enterprise Partnerships, which are to be used for HCC to discharge its wider economic development functions under HCC decision making. This is set out in the following table. For those workstreams agreed by HPPB, approval for the funding will be sought through HCC governance.

WORKSTREAM		Additional funding required?	Type of activity/resource	Estimated funding requirement
A1	Grid capacity review	Yes	Research and analysis	£35k
B1	Engaging employers with Connect to Work	No		
B2	Get Britain Working Plan	No		
C1	Joining up the business support system	No		
C2	Online business support hub	Yes	Design, implementation and hosting	£100k
C3	Making the system work for rural businesses	No		
D1	Creative cluster	Yes	Web content and events (£10k per cluster) Additional Prosperity Officer role within the Economy and Skills team (fixed term for 12 months, £60k)	£90k
D2	Digital cluster	Yes		
D3	Life sciences cluster	Yes		
D4	HPP Business Forum (the “Super Cluster”)	Yes	Events	£10k
E1	Infrastructure gap and opportunity analysis	Yes	Research and analysis	£35k

PROPOSED WORKSTREAMS – INDICATIVE PLAN FOR 2025/26

WORKSTREAM		Q1	Q2	Q3	Q4
A1	Grid capacity review				
B1	Engaging employers with Connect to Work				
B2	Get Britain Working Plan				
C1	Joining up the business support system				
C2	Online business support hub				
C3	Making the system work for rural businesses				
D1	Creative cluster				
D2	Digital cluster				
D3	Life sciences cluster				
D4	HPP Business Forum (the “Super Cluster”)				
E1	Infrastructure gap and opportunity analysis				
HPPB MEETING DATES		• 14 May • 9 June	• 3 September	• 3 October • 19 November	• TBC

MEETING ENERGY NEEDS – WORKSTREAM A1: GRID CAPACITY REVIEW

DESCRIPTION

This proposal for a Hampshire Grid Capacity Review aims to address the critical issue of grid constraints that hinder the region's ability to meet growing electricity demand and support renewable energy generation. Considering the UK's goal to decarbonise electricity by 2035, Hampshire faces significant challenges due to its aging grid infrastructure, which has not kept pace with new low-carbon generation and increased demand from electrification of heat and transport.

In order to develop an evidence base that can underpin effective action, we are proposing to undertake a gap and constraints analysis covering three key objectives:

- Enhancing understanding and awareness among stakeholders
- Gathering further evidence on local impacts and potential solutions
- Building stronger links with network operators, by involving them in the review process

The review will be carried out collaboratively with regional partners, and will explore the potential to develop a Local Area Energy Plan, as a possible next phase of work.

WHAT ROLE WILL THE BOARD PLAY?

- Championing the review, including helping to convene the right stakeholders at a senior level, in order to maximise impact.
- HPPB representation on the review group.

DESIRED OUTCOMES

- Increased grid capacity in Hampshire, unlocking growth opportunities.
- Increased investment in renewable energy generation.

KEY DELIVERABLES

- Grid Capacity Review report, including an action plan for implementing review recommendations.
- Identification of strategic investment opportunities.
- Strategy for influencing key stakeholders e.g. Government, network operators.

HOW WILL WE MEASURE SUCCESS?

- Initially, stakeholder feedback on the Grid Capacity Review report.
- Progress reporting against the action plan.
- Behaviour change among key stakeholders.
- Increased investment in grid infrastructure and renewable energy generation.

PATHWAYS TO EMPLOYMENT – WORKSTREAM B1: ENGAGING EMPLOYERS WITH CONNECT TO WORK

DESCRIPTION

Connect to Work is a supported employment programme funded by the Department for Work and Pensions (DWP) to help people in England and Wales find and keep work. Providing support to up to 100,000 people nationally, it is a key part of the Government's Get Britain Working strategy to tackle economic inactivity. Hampshire County Council is being funded to deliver the programme in Hampshire. The Get Britain Working White Paper described Connect to Work as "the first tranche of money from a new Get Britain Working Fund".

Connect to Work is aimed at people who are currently not working or face barriers to employment, such as disability or health conditions. It also supports those who are employed but at risk of losing their job. It integrates work, health, and skills support using the supported employment "place, train, and maintain" model to help people move into and sustain work. Participation of employers is a critical success factor, and is the focus of this proposed HPPB workstream.

WHAT ROLE WILL THE BOARD PLAY?

- Advising on our strategy for engaging employers, including messaging and targeting.
- Helping to identify and secure the commitment of some large Hampshire organisations that could act as 'flagship' Connect to Work employers.
- HPPB Board members could also act as ambassadors for the programme, as part of its promotion.

DESIRED OUTCOMES

- Successful delivery of the programme, leading to an increased capability to deliver employment support programmes locally.
- Sustained employment for programme participants, increasing labour market participation among disadvantaged groups, and in relatively deprived places.
- Effectively addressing employers' recruitment and skills needs.

KEY DELIVERABLES

- We are currently developing a Delivery Plan for Connect to Work in Hampshire (which needs to be agreed by DWP) and to launch the programme in the autumn.
- Key deliverables for this workstream include: an effective employer engagement strategy; and sign-up of employers.

HOW WILL WE MEASURE SUCCESS?

- Number of Hampshire employers participating in Connect to Work.
- The Connect to Work programme will report against a set of performance indicators, including employment outcomes. These will be defined by DWP, as funder.

PATHWAYS TO EMPLOYMENT – WORKSTREAM B2: GET BRITAIN WORKING PLAN

DESCRIPTION

The Get Britain Working White Paper (November 2024) announced that the Government would "provide all areas in England with resource to produce a local 'Get Britain Working Plan', focused on reducing economic inactivity among their local population, and to convene key local stakeholders, people and partners who have a role in delivering on it." We have subsequently received draft guidance (subject to change) from the Department for Work and Pensions. Key points include the following:

- Initial versions of the plans should address economic inactivity and be published by September 2025
- Over time, plans should broaden in scope to address other labour market issues e.g. progression in work; earnings and job quality.
- Plans should be overseen by formal partnerships of key local stakeholders, including Integrated Care Boards and Jobcentre Plus

WHAT ROLE WILL THE BOARD PLAY?

- A key success factor for the Get Hampshire Working Plan will include a high level of engagement with Hampshire's business community. HPPB would be the primary mechanism for ensuring this.
- Engagement of Hampshire's skills providers will also be critical, and we anticipate that the Hampshire Skills Partnership will play a key role here.

DESIRED OUTCOMES

- Increased labour market participation, particularly among disadvantaged groups and young people, and in relatively deprived places.
- Reduced recruitment and skills shortages for Hampshire employers.

KEY DELIVERABLES

- A first version of the Get Hampshire Working Plan by September 2025, with a high level of buy-in from local stakeholders.
- The plan will need to include: analysis of key labour market challenges in Hampshire; an overview of the current landscape of employment, skills and health support; and an action plan for how local partners will work together to address key challenges, and improve outcomes.

HOW WILL WE MEASURE SUCCESS?

- Initially, stakeholder feedback on the Get Hampshire Working Plan.
- Progress reporting against actions set out in the Get Hampshire Working Plan.
- We anticipate that the plan will include a monitoring framework, including key labour market indicators e.g. economic inactivity among different groups / by place.

BUSINESS SUPPORT – WORKSTREAM C1: JOINING UP THE BUSINESS SUPPORT SYSTEM

DESCRIPTION

Multiple organisations currently deliver support for businesses (particularly SMEs) across Hampshire, drawing on a range of funding streams and other income sources. This fragmentation has resulted in long-standing issues, including businesses not knowing what support is out there, and the availability of some support being a postcode lottery.

This proposed workstream would bring together business representative organisations, industry clusters, local authorities and adult education providers, to undertake a review of the business support services they provide across Hampshire. The review report will map existing provision, identify duplication and gaps, and make recommendations for improvements.

By mapping the business support system in Hampshire, the review will also enable better signposting to services via the Hampshire Growth Hub, and put us in a strong position to influence the Government's forthcoming Business Growth Service.

WHAT ROLE WILL THE BOARD PLAY?

- Securing commitment across sectors to participating in the review.
- HPPB representation on the review group.
- Exploring the potential for establishing a Hampshire Business Support Partnership.

DESIRED OUTCOMES

- Increased efficiency and impact of Hampshire's business support system, through e.g. reduced duplication, more effective signposting and referrals etc.
- More Hampshire start-ups and SMEs receiving the right support, increasing business growth.

KEY DELIVERABLES

- Review report, including map of current provision, and recommendations for improvement.
- Subsequent actions will be defined by the review group. We are interested, however, in exploring the potential for establishing a Hampshire Business Support Partnership, to provide a framework for collaboration and improvement on an ongoing basis.

HOW WILL WE MEASURE SUCCESS?

- Initially, stakeholder feedback on the review report.
- Implementation of recommendations for improvement.
- Employer feedback on the accessibility and quality of business support services in Hampshire.
- Increased cross-referrals between services.
- Individual services e.g. the Growth Hub will continue to report against their own KPIs.

BUSINESS SUPPORT – WORKSTREAM C2: ONLINE BUSINESS SUPPORT HUB

DESCRIPTION

The Department for Business and Trade (DBT) contract for the Growth Hub requires advice, guidance and signposting to be offered to a wide range of small businesses in Hampshire, including pre-starts, start-ups, and other early-stage businesses. Under the DBT contract, we are also expected to deliver "medium and high intensity" support to growth companies in our key sectors and these are our core clients. Developing an online 'self-service' support offer will enable us to reach a larger number of businesses – particularly early-stage businesses – and to focus our resources. This digital platform could include:

- An effective on-line company diagnostic tool that will allow businesses to be supported more effectively from the beginning of the process.
- Curated video content that would complement the guidance and support we provide to clients.
- Signposting to complementary services, including skills programmes.
- Match-making with potential investors.
- Tools that can provide up-to-date sector or other market information, including mapping of clusters or other business networks.

This offer would help the Hampshire Growth Hub to drive a more dynamic and connected business support system. The scope would be designed to ensure complementarity with any national digital platform developed as part of the Government's forthcoming Business Growth Service.

WHAT ROLE WILL THE BOARD PLAY?

- Advise on the design, content and marketing of the online hub.

DESIRED OUTCOMES

- Greater impact from Hampshire Growth Hub funding, through cost-effective delivery of support to a larger number of businesses.
- More Hampshire start-ups and SMEs receiving the right support, increasing business growth.

KEY DELIVERABLES

- Online business support hub.
- Marketing plan.

HOW WILL WE MEASURE SUCCESS?

- Improved Growth Hub performance against KPIs defined by DBT.
- Increased referrals from the Growth Hub to partner services.

BUSINESS SUPPORT – WORKSTREAM C3: MAKING BUSINESS SUPPORT WORK FOR RURAL BUSINESSES

DESCRIPTION

Over 1-in-5 of Hampshire's businesses are in rural areas, across a wide range of business sectors. This workstream would consist initially of a review with stakeholders to better understand the needs of rural businesses, whether existing business support services are reaching rural businesses effectively, and whether any specific initiatives may be needed to boost business growth in rural areas.

This would include:

- Analysing performance data for the Growth Hub and other business support services being delivered by partners participating in workstream C1 (above), to understand levels of engagement of rural businesses.
- Informal consultation with rural businesses e.g. through workshop discussions.
- Development of a report and recommendations by a stakeholder group.

WHAT ROLE WILL THE BOARD PLAY?

- Helping to identify rural businesses and other stakeholders to participate in workshop discussions and the stakeholder group.
- HPPB representation on the stakeholder group.

DESIRED OUTCOMES

- Shared understanding across stakeholders of the needs of rural businesses and whether they are different from or aligned with the needs of urban businesses.
- More rural Hampshire start-ups and SMEs receiving the right support, increasing business growth in rural areas

KEY DELIVERABLES

- Report on the business support needs of businesses located in rural Hampshire.
- Recommendation for improvements to business support delivery. To be defined by the stakeholder group, but these could include (for example) rural-specific Growth Hub events.

HOW WILL WE MEASURE SUCCESS?

- Initially, stakeholder feedback on the review report.
- Implementation of recommendations for improvement.
- Ongoing analysis of Growth Hub performance data, comparing participation and outcomes for rural and urban businesses.

HIGH POTENTIAL SECTORS/CLUSTERS – WORKSTREAM D1: CREATIVE CLUSTER

DESCRIPTION

Cluster development is an approach that: enables businesses to connect with each other and with universities and other skills providers; fosters innovation, skills bases and supply chains; and articulates the needs of the sector to central and local government. The Government's Industrial Strategy will focus on strategic (sub)sectors and the locations in which they are clustered. Some clusters in Hampshire already have well-established structures e.g. Maritime UK Solent, Space South Central, and Hampshire County Council has recently led the establishment of the South East Regional Defence and Security Cluster. For 2025/26, we are proposing to focus efforts on three key sectors in which cluster arrangements in Hampshire are less well established and/or fragmented: creative, digital, and life sciences.

Creative

Recent reports from RSC and the Creative Industries Policy and Evidence Centre have highlighted that Hampshire is a 'cold spot', in respect of recognition of the creative industries; other reports have neglected to mention anything about the strengths that our region has in this sector. Although there are multiple creative industry groups in Hampshire and the Solent, there is a lack of a joined-up strategic approach. This workstream is therefore expected to consist of bringing together existing groups, in order to raise the profile of Hampshire's creative industries, and enhance the effectiveness of the support offered to the sector.

WHAT ROLE WILL THE BOARD PLAY?

- Champion the cluster, including helping to secure buy-in from key businesses and other partners at a senior level.
- Influence central government, in order to gain recognition for and investment in the cluster, including through the Industrial Strategy.

DESIRED OUTCOMES

- National and international recognition of Hampshire's creative cluster.
- Increased public funding, private investment, business growth, and high skilled jobs.

KEY DELIVERABLES

- Initial workshop(s) with businesses and industry bodies to understand the opportunity for the cluster in Hampshire.
- Development of an agreed cluster structure, including membership and governance.
- Online cluster prospectus.
- Cluster promotion strategy.

HOW WILL WE MEASURE SUCCESS?

- Sign-up of businesses and other partners to the cluster.
- National recognition of the cluster.
- Cluster plays a role in attracting public funding and/or private investment.
- Cluster becomes self-financing in the medium term.

HIGH POTENTIAL SECTORS/CLUSTERS – WORKSTREAM D2: DIGITAL CLUSTER

DESCRIPTION

Cluster development is an approach that: enables businesses to connect with each other and with universities and other skills providers; fosters innovation, skills bases and supply chains; and articulates the needs of the sector to central and local government. The Government's Industrial Strategy will focus on strategic (sub)sectors and the locations in which they are clustered. Some clusters in Hampshire already have well-established structures e.g. Maritime UK Solent, Space South Central, and Hampshire County Council has recently led the establishment of the South East Regional Defence and Security Cluster. For 2025/26, we are proposing to focus efforts on three key sectors in which cluster arrangements in Hampshire are less well established and/or fragmented: creative, digital, and life sciences.

Digital

Recognised as a key component of the Government's Industrial Strategy, the digital sector's performance will be pivotal in driving Hampshire's future economic prosperity. While Hampshire has many digital businesses, it lags neighbouring areas in relative terms and faces significant recruitment and skills gaps. A digital cluster can help address these gaps, providing the skills needed to develop emerging technologies such as AI, enabling business growth and job creation, and positioning Hampshire as a leader in the UK's digital economy.

WHAT ROLE WILL THE BOARD PLAY?

- Champion the cluster, including helping to secure buy-in from key businesses and other partners at a senior level.
- Influence central government, in order to gain recognition for and investment in the cluster, including through the Industrial Strategy.

DESIRED OUTCOMES

- National and international recognition of Hampshire's creative cluster.
- Increased public funding, private investment, business growth, and high skilled jobs.

KEY DELIVERABLES

- Initial workshop(s) with businesses and industry bodies to understand the opportunity for the cluster in Hampshire.
- Development of an agreed cluster structure, including membership and governance.
- Online cluster prospectus.
- Cluster promotion strategy.

HOW WILL WE MEASURE SUCCESS?

- Sign-up of businesses and other partners to the cluster.
- National recognition of the cluster.
- Cluster plays a role in attracting public funding and/or private investment.
- Cluster becomes self-financing in the medium term.

HIGH POTENTIAL SECTORS/CLUSTERS – WORKSTREAM D3: LIFE SCIENCES CLUSTER

DESCRIPTION

Cluster development is an approach that: enables businesses to connect with each other and with universities and other skills providers; fosters innovation, skills bases and supply chains; and articulates the needs of the sector to central and local government. The Government's Industrial Strategy will focus on strategic (sub)sectors and the locations in which they are clustered. Some clusters in Hampshire already have well-established structures e.g. Maritime UK Solent, Space South Central, and Hampshire County Council has recently led the establishment of the South East Regional Defence and Security Cluster. For 2025/26, we are proposing to focus efforts on three key sectors in which cluster arrangements in Hampshire are less well established and/or fragmented: creative, digital, and life sciences.

Life sciences

The life sciences sector offers unparalleled opportunities for future economic growth, propelled by new discoveries, use of data and AI, development of personalised healthcare etc. The sector sits at the intersection of healthcare innovation and cutting-edge technologies, with the potential to transform public health, enabling people to live longer and healthier lives. Exploratory discussions regarding the potential for a life sciences cluster in Hampshire are already in progress with key stakeholders including Wessex Health Partners, Health Innovation Wessex, the Institute for Life Sciences, and UHS Health Research.

WHAT ROLE WILL THE BOARD PLAY?

- Champion the cluster, including helping to secure buy-in from key businesses and other partners at a senior level.
- Influence central government, in order to gain recognition for and investment in the cluster, including through the Industrial Strategy.

DESIRED OUTCOMES

- National and international recognition of Hampshire's creative cluster.
- Increased public funding, private investment, business growth, and high skilled jobs.

KEY DELIVERABLES

- Initial workshop(s) with businesses and industry bodies to understand the opportunity for the cluster in Hampshire.
- Development of an agreed cluster structure, including membership and governance.
- Online cluster prospectus.
- Cluster promotion strategy.

HOW WILL WE MEASURE SUCCESS?

- Sign-up of businesses and other partners to the cluster.
- National recognition of the cluster.
- Cluster plays a role in attracting public funding and/or private investment.
- Cluster becomes self-financing in the medium term.

HIGH POTENTIAL SECTORS/CLUSTERS – WORKSTREAM D4: HPP BUSINESS FORUM (THE "SUPER CLUSTER")

DESCRIPTION

HPPB has previously agreed the aim to establish some kind of Business Forum, in order to engage a wider spread of businesses in the Hampshire Prosperity Partnership.

We are proposing that the Business Forum should take the form of a "Super Cluster". This would bring together representatives of a range of cluster and other industry groups already existing within Hampshire, as well as incorporating the new clusters developed through other workstreams (see above). It would provide a highly efficient route to engaging thousands of businesses across Hampshire's key growth industries, and a forum for understanding shared needs and exploring opportunities for collaboration.

Clusters from across Hampshire and the Solent have been invited to an initial workshop to explore further the potential for this approach.

WHAT ROLE WILL THE BOARD PLAY?

- Advise on the membership and structure of the Super Cluster.
- Maintain a regular dialogue with the Super Cluster, considering and responding to output from the Super Cluster.
- Working with the Super Cluster to maximise the impact of Hampshire's business voice on government.

DESIRED OUTCOMES

- Hampshire's business community is increasingly able to speak with a single voice on issues of common concern, increasing its influence with government
- Hampshire's clusters and other industry groups increase their effectiveness through sharing best practice and innovation, networking and collaboration etc.

KEY DELIVERABLES

- Initial workshop with cluster/industry bodies to explore the potential for the Super Cluster.
- Programme of meetings and networking events.
- Annual summit.
- Annual report, including key messages for government.

HOW WILL WE MEASURE SUCCESS?

- Participation by business groups and businesses in Super Cluster activities.
- National recognition for the Super Cluster.
- Achievement of lobbying objectives.

INFRASTRUCTURE – WORKSTREAM E1: INFRASTRUCTURE GAP AND OPPORTUNITY ANALYSIS

DESCRIPTION

Hampshire faces significant economic, demographic, and environmental challenges, necessitating a rethinking of infrastructure by both public and private sectors. Modern, efficient, and reliable infrastructure is crucial for trade, business operations, job connectivity, and community opportunities.

Transport infrastructure, such as roads, rail, and ports, remains vital for competitiveness and growth. Digital infrastructure is now also essential for gaining a competitive edge across the whole economy. Also, there is evidence to suggest that availability of the right quality of business space, in the right places, is of strategic importance to competitiveness and business growth. (For energy infrastructure, see workstream A1 above).

As a powerful voice of business and other stakeholders in Hampshire, HPPB has an important role to play in making the case to Government for crucial infrastructure investment. That role needs to be underpinned, however, by an agreed view on priorities, and evidence that a business case can be made. The initial phase of this workstream will therefore to commission a study to provide that evidence, with a focus on the following types of infrastructure: transport; digital; and employment space.

WHAT ROLE WILL THE BOARD PLAY?

- Review report recommendations and develop an agreed view on priorities.
- Steer the development of a lobbying strategy.
- Advocate and lobby for investment into priorities, with both public and private sector investors.

DESIRED OUTCOMES

- Increased infrastructure investment in Hampshire.
- Unlocking stalled opportunities for development / inward investment.

KEY DELIVERABLES

- An evidence-based report, setting out the key infrastructure constraints on economic growth in Hampshire, and recommending priorities for public and private investment.
- To be followed by development of a lobbying strategy.

HOW WILL WE MEASURE SUCCESS?

- Stakeholder buy-in to the priorities identified in the report.
- Investment in those priorities.

EVIDENCE ANNEX

MEETING ENERGY NEEDS (1)

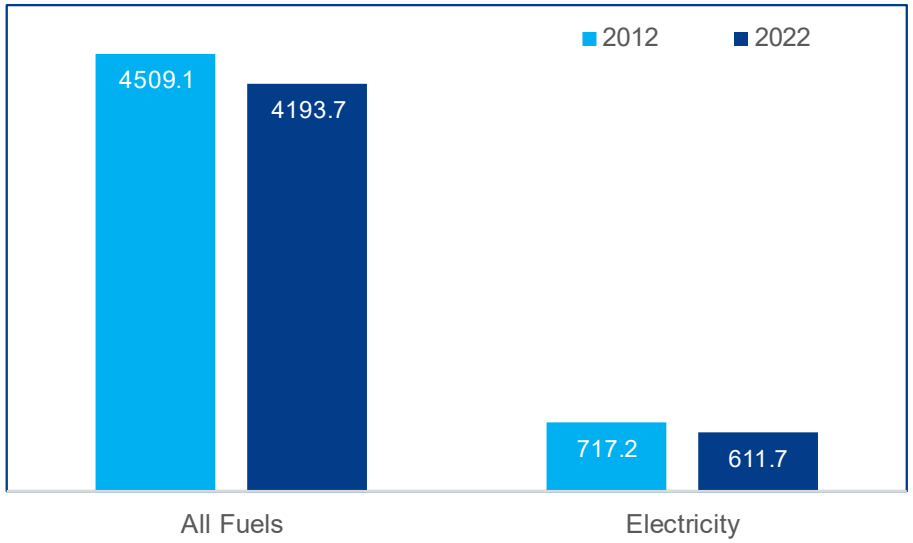
Energy is a critical driver of economic development, influencing everything from industrial productivity to job creation and overall quality of life

- Between 2012 and 2022 total annual energy consumption in Hampshire (Hampshire and the Solent) decreased by 7%, from 4,509 ktoe (kiloton of oil equivalent) to 4,193 ktoe (**Chart**).
- Total energy consumption decreased in all local authorities in Hampshire (varying from -1.2% in New Forest to -16.5% in Southampton). Urban areas have seen faster decreases in total energy consumption than Hampshire's rural districts.
- Between 2012 and 2022 electricity consumption in Hampshire decreased by 14.7%.
- The fall in industry & commerce electricity consumption was greater than in domestic consumption, -16.2% and -12.6% respectively (**Chart**). The share of domestic in total electricity consumption increased from 41.5% in 2012 to 42.5% in 2022.
- Total electricity consumption and domestic consumption decreased across all local authorities in Hampshire. Industry consumption decreased in all but one district, Hart (+62.6%).

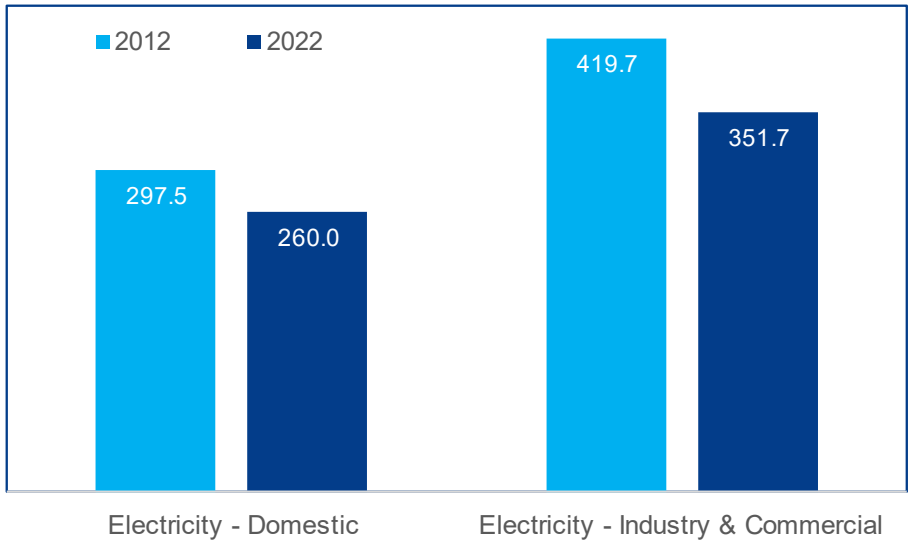
Projected sharp increase in electricity demand across Hampshire and the UK

- National Grid Energy System Operator (NG-ESO) Future Energy Scenarios point to a 93%-144% increase in total annual electricity demand between 2021 and 2050.
- We are less than 25 years away from the Net Zero deadline, which is not long when we consider investment cycles for electricity transmission lines and domestic heating systems.
- Transitioning to renewable energy sources can help mitigate…

Total final energy and electricity consumption in Hampshire, ktoe



Electricity consumption in Hampshire, ktoe



MEETING ENERGY NEEDS (2)

- … climate change, reduce energy costs, and provide a sustainable path for long-term economic growth.
- The Government's primary goal is to decarbonise electricity by 2035.

Renewable electricity accounts for a low share of total electricity consumption in Hampshire

- Annual renewable electricity generation capacity in Hampshire (Hampshire and the Solent) was 706 MW in 2021.
- 706 MW of capacity generated 625 GWh in 2021, or just ~8% of the 7,520 GWh of electricity used in Hampshire in 2020. This implies that around 92% of Hampshire's electricity is 'imported'.

Growth in installed capacity and renewable electricity generation in Hampshire lags the UK average

- Between 2021 and 2023 installed capacity in Hampshire had increased by 8.7%, significantly slower than in the UK (13.9%).
- Over this time renewable electricity generation increased by 9.8% compared to 11.2% nationally.

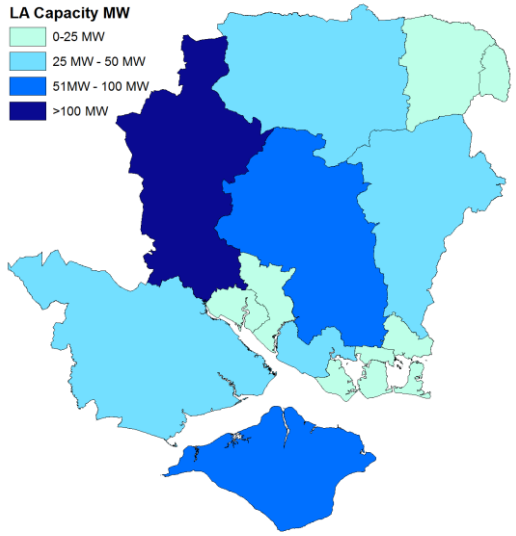
Renewable energy supply mostly constrained to a single source and a handful of mostly rural local authorities

- 88% of generated renewable electricity in 2021 was photovoltaics. In 2023 90.4% was generated from photovoltaics compared to just 10.2% in the UK.
- Test Valley, Winchester, New Forest and East Hampshire accounted for 62% of installed capacity and 63% of generated renewable electricity in 2023 (**Maps**).

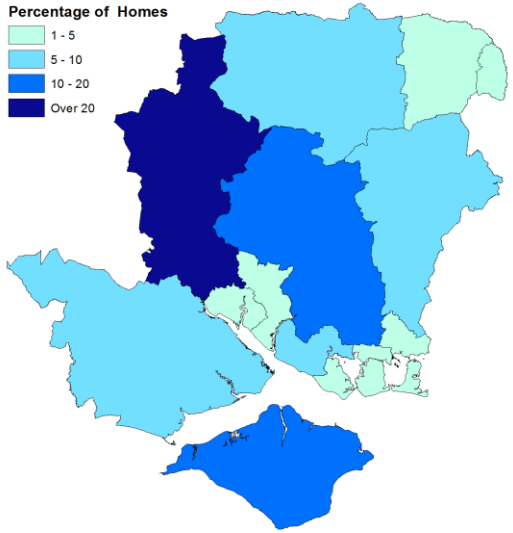
There is a significant technical potential to increase renewable electricity supply in Hampshire

- A study by the University of Southampton commissioned by Hampshire County Council suggests that:

Renewable energy capacity within LA area (MW)



Proportion of energy used in homes produced by renewables within the LA



MEETING ENERGY NEEDS (3)

- A maximum annual technical potential for 2,780 GWh of tidal stream generation, 10,040 GWh of offshore wind, 4,280 GWh of onshore wind, 53,301 GWh of utility-scale solar PV and 460 GWh of rooftop solar PV is technically possible in Hampshire.
- Assuming no other development, a single large offshore wind development could provide 134% of Hampshire's current annual electricity use.
- Full implementation of onshore wind could provide 57% of Hampshire's current electricity consumption compared to 6% for rooftop solar PV.
- Utility scale solar could provide 709% if fully developed, but would be seasonally variable, whilst tidal stream could meet 37%.

Option analysis – several mixed development scenarios are possible in Hampshire

- It is unlikely that the full technical potential would be implemented. However, over 200% of Hampshire's current energy demand could be met with 25% of the technical maximum of the combined generation opportunities. This would also satisfy future demand as projected by the National Grid ESO Future Energy Scenarios.
- Surplus electricity could be 'exported' or used locally to produce hydrogen.
- Several high-medium-low developments (scenarios) that represent different levels of development and penetration are possible in Hampshire (**Table**).
- The high, medium-high and medium-low scenarios are based on unlocking additional renewable energy supply from offshore wind and other generation technologies.

Annual potential generation identified for each mixed development scenario (GWh)

	High		Medium-high		Medium-low		Low	
Generation technology	GWh	%	GWh	%	GWh	%	GWh	%
Tidal stream	1,390	7%	700	5%	280	3%	140	2%
Offshore wind	5,020	24%	2,510	17%	1,000	10%	500	8%
Onshore wind	1,070	5%	860	6%	640	6%	430	7%
Utility-scale solar PV	12,840	62%	10,270	70%	7,700	78%	5,140	80%
Rooftop solar PV	460	2%	370	3%	280	3%	190	3%
Total	20,780		14,700		9,910		6,390	

MEETING ENERGY NEEDS (4)

- The high, medium-high and medium-low scenarios all met or exceeded current electricity use, and high and medium-high developments may be able to meet future electricity demand.
- Future scenarios are predicated on a 158%-257% increase in total installed capacity in which renewables play a major role and these would also require significant investment (£5-£11.6bn), **Table**.

Potential capacity constrained to a relatively small number of suitable areas

- Solent deemed suitable for offshore wind and tidal developments, with large potential sites possible.
- Large number of urban areas deemed suitable for utility-scale solar PV development across Hampshire.
- Potential for excess production for other uses or for intra-day/inter-seasonal storage.
- Fewer local authorities were deemed suitable for onshore wind development. There is a high potential in New Forest and several other areas. Some sites are within proximity to each other so could form one larger site.
- For rooftop solar PV, the greatest potential will occur in more built-up urban areas which will have a lower utility-scale generation potential.
- This will help with the spatial distribution of generation across Hampshire and may be able to alleviate urban network constraints.

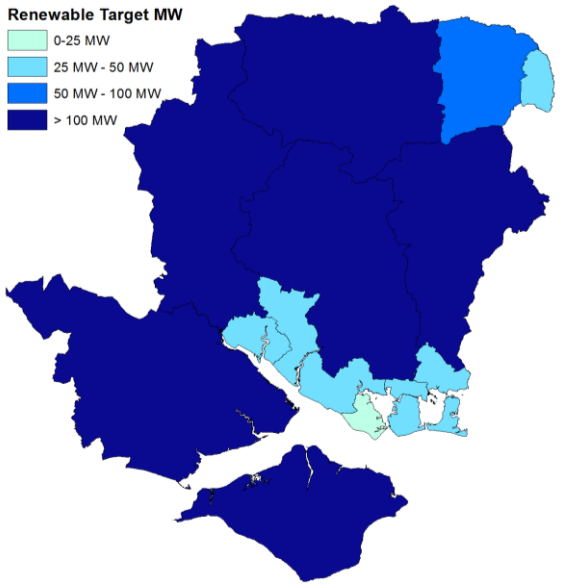
Other studies (Friends of the Earth) also point to high renewable energy capacity in Hampshire's rural areas

- In Hampshire current renewable capacity is highest in mostly rural districts. 'Target' renewable energy capacity is also the highest in mostly rural local authorities across Hampshire (**Map**).

Total annual potential generation identified for each scenario combined with existing generation and compared to the current electricity demand across Hampshire (GWh)

Scenario	High	Medium-high	Medium-low	Low
Total potential generation (GWh)	20,800	14,700	9,900	6,400
% of 2020 demand	276%	195%	132%	85%
Excess (GWh)	13,300	7,180	2,380	-1,120
CAPEX (£m)	£11,590	£7,330	£5,150	£3,290

Renewable energy target capacity within LA area (MW)



MEETING ENERGY NEEDS (5)

Capacity of the network across Hampshire determines how much of the potential installable capacity could be connected

- The University of Southampton study considered the potential utility-scale of **onshore wind and solar PV generation** capacity and network capacities of 153 primary substations to determine the level of constraint that would occur with this level of capacity.
- The results suggest that up to 50% of substations in Hampshire would experience constraints under the high development scenario.
- Constraints would mainly occur in rural areas where both network capacity and local demand levels are low and where scope for installable renewable capacity is high. **Table** shows top 20 primary substations with the lowest connectable generation.

Projected top 20 primary substations with the lowest connectable generation (MW)

Primary Substation	Available Capacity (MW)	Projected Generation (MW)	Constraint (MW)
ALRESFORD	9.12	905.00	-895.88
PRESTON CANDOVER	8.56	738.25	-729.69
BARTON STACEY	4.48	623.00	-618.52
ALTON LOCAL	25.88	610.50	-584.62
BISHOPS WALTHAM	15.27	568.00	-552.73
HOUGHTON	6.45	500.50	-494.05
MIDDLE WALLOP	7.69	447.25	-439.56
OVERTON	9.05	431.00	-421.95
HURSTBOURNE TARRANT	3.64	414.25	-410.61
PETERSFIELD	20.35	417.75	-397.40
KINGSCLERE	6.39	400.00	-393.61
ROCKBOURNE	1.31	354.25	-352.94
HORNDEAN	18.11	341.50	-323.39
MILL LANE	13.34	304.00	-290.66
WHITCHURCH	3.23	289.50	-286.27
HOOK	18.41	304.50	-286.09
DUNBRIDGE	6.78	277.50	-270.72
GORDON ROAD	20.70	275.50	-254.80
LANGLEY	9.56	264.25	-254.69
THRUXTON	3.60	237.75	-234.15

Urban areas have high capacity but less potential for generation

- Primary substations with the highest connectable generation tend to be located in or near urban areas that have low potential for renewable electricity generation.
- **Table** shows top 20 primary substations with the highest connectable generation. In all instances available headroom for connectable renewable generation is significant.

Projected top 20 primary substations with the highest connectable generation (MW) across Hampshire for the High scenario

Primary Substation	Available Capacity (MW)	Projected Generation (MW)	Available Headroom (MW)	Connectable Generation (MW)
WATERLOOVILLE	28.11	117.75	-89.64	28.11
EASTLEIGH NORTH	27.10	64.75	-37.65	27.10
HOUNDMILLS	26.28	156.00	-129.72	26.28
ALTON LOCAL	25.88	610.50	-584.62	25.88
CHRISTCHURCH	25.36	77.00	-51.64	25.36
NEWPORT	25.26	106.00	-80.74	25.26
HITCHES LANE	25.03	81.25	-56.22	25.03
NETLEY COMMON	22.34	33.50	-11.16	22.34
NEW MILTON	21.04	30.25	-9.21	21.04
THATCHAM	20.95	43.25	-22.30	20.95
GORDON ROAD	20.70	275.50	-254.80	20.70
ANDOVER EAST	20.40	201.75	-181.35	20.40
PETERSFIELD	20.35	417.75	-397.40	20.35
FLETCHWOOD	19.47	119.25	-99.78	19.47
DOWN GRANGE	19.40	58.50	-39.10	19.40
RYDE	19.40	79.75	-60.35	19.40
COWES	19.28	44.00	-24.72	19.28
BASINGSTOKE	18.97	191.00	-172.03	18.97
LYMINGTON	18.86	182.50	-163.64	18.86
HOOK	18.41	304.50	-286.09	18.41

There is insufficient network capacity to allow the exploitation of the potentially available renewable supply in Hampshire.

- The results suggest that a theoretical capacity of 2,280 MW could be connected to the wider Hampshire network before network reinforcement or load management would be required.

MEETING ENERGY NEEDS (6)

- However, because some sub-station areas have little scope for additional renewable installation (**Table on the previous page**), of the potential installed capacity, a maximum of 1,258 MW (55% of theoretical capacity or 9% of the estimated potential) is connectable without constraints arising.
- This could comprise a maximum of 218 MW of onshore wind and 1,040 MW of utility-scale solar PV generating approximately 1,747 GWh of electricity per year or 23% of Hampshire's 2020 electricity demand (7,520 GWh).
- Capacity on the network could be increased via increased local demand (or storage) which could absorb some of the electricity generated locally thus increasing the overall capacity on the network.

Substantial impact of the grid constraint on development, competitiveness and growth

- Anecdotal evidence points to significant delays for connection times to the grid owing to transmission-level constraints.
- Strategic projects can get stuck behind less strategic projects in the queue for connectivity to the grid.
- Evidence from other areas (Dorset) suggests that there are requests for significant deposits (~£200K) even for projects that have been given 10-12 years connection dates.
- Impact could be significant since delays could affect business growth and investment/relocation of high-energy businesses and industries.
- Research by the Aldersgate Group and the UK Energy Research Centre (UKERC) suggests that without a clear plan to accommodate the increase in electricity use as industry decarbonises, 42% of large industrial sites will experience power constraints in 2030, increasing to 77% in 2050.
- The report highlights that industrial decarbonisation through electrification can accelerate emissions reductions and drive UK competitiveness, but that grid upgrades are crucial to enable this progress.

Policy implications

- Opportunities for some of the smaller onshore wind sites or solar PV farms to be organised by community-led projects across Hampshire.
- Co-location of local 'clean energy hubs' with additional renewable capacity could be used to increase minimum local demand in areas of high constraints and high renewable potential.
- Local energy storage systems will need to be utilised to help balance the temporal mismatch between renewable electricity generation and electricity demand.
- Absence of storage can be mitigated through the introduction of a hydrogen production facility which used electricity in the production process.
- The hydrogen produced can then be used as an energy storage method, for transport, heating methods or other alternatives.
- Direct 'private wire' connections could be used to bypass the local distribution network and provide renewable supply to demand centres at some distance from the source of generation.
- It may be possible for larger installations (e.g. > 100 MW) in specific areas to connect directly to the transmission network. This would bypass distribution network constraints and could enable a significant increase in the exploitable renewable capacity.
- None is currently in planning in Hampshire, several are planned elsewhere in the country.

PATHWAYS TO EMPLOYMENT (1)

Economic inactivity below the national average but higher than in several neighbouring areas

- Hampshire (Hampshire and the Solent) has an estimated 222,000 working age residents who were economically inactive in the year to September 2024; nearly 1-in-5 working age residents (18.1%). The County area figure is 141,000 (17.1%). The County area inactivity rate is above Berkshire, West Sussex and Wiltshire, but lower than the Isle of Wight, Portsmouth, Southampton, Surrey, and BCP.

Urban areas are home to most hidden unemployment (inactivity)

- Cities have higher levels of overall inactivity, mostly driven by students but also have lower levels of inactive working age retirees.
- Most Hampshire districts have inactivity rates below the South East and UK averages although some urban Solent districts (home to three universities) have above average economic inactivity (**Map**).

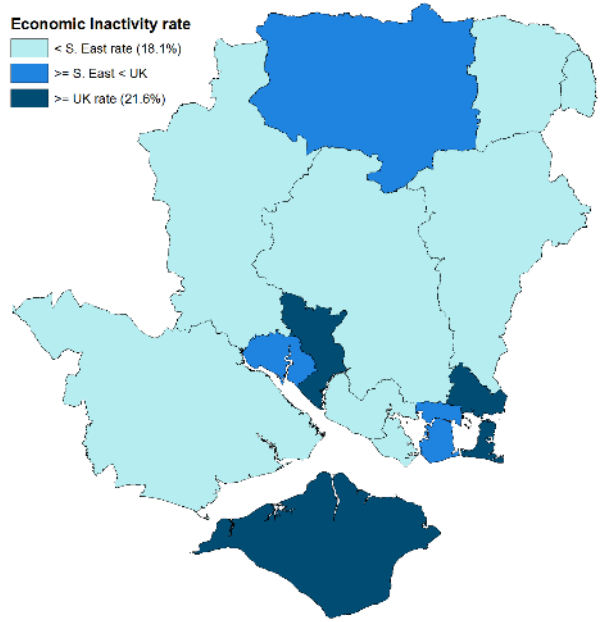
Overall economic local inactivity rates have fallen back since pandemic peaks in 2022

- Economic Inactivity in Hampshire was close to 1-in-5 pre-pandemic, before rising to peak at around a quarter of a million in 2022, and then declining back to around 220,000. The latest rolling quarter annual data suggests an uptick. This contrasts with a steadier UK trend, with which the gap has widened since 2022 **(Chart).**

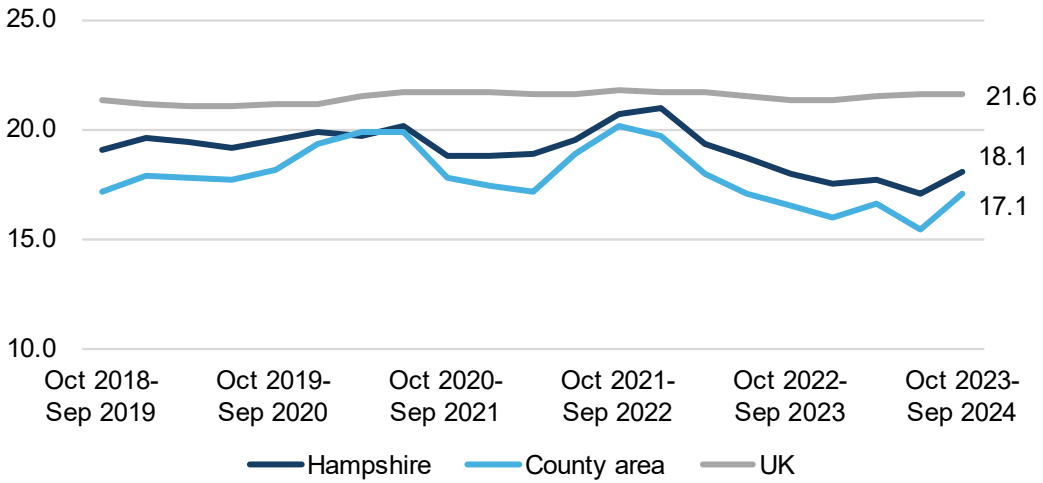
Gender disparities exist for some reasons for economic inactivity.

- Female inactivity (118,500) in Hampshire is higher than for males (103,500). National research suggests inactivity is higher for women among 25-to-49-year olds (when most likely to have dependent children). Inactive residents looking after family/home are heavily biased in Hampshire towards females (85%). The proportion of male students in Hampshire who are inactive (41%) is much higher than inactive female students (16%) although it is not clear why that would be the case.

Hampshire Working Age Economic Inactivity (%), Year-to-Sept 2024



Working Age Economic Inactivity Rates (%) 2019 - 2024



PATHWAYS TO EMPLOYMENT (2)

Most inactive are young people and people near retirement

- Research suggests inactivity rates follow a broadly 'U' shaped trajectory by age, with higher inactivity among young people and older working age people. In Hampshire 16-24-year-olds made up 1-in-4 inactive residents (24%), falling to 8% for 25-49 year-olds, before rising again to 1-in-3 (35%) for those aged 50-64. Inactive residents looking after family/home heavily biased towards females (85%).

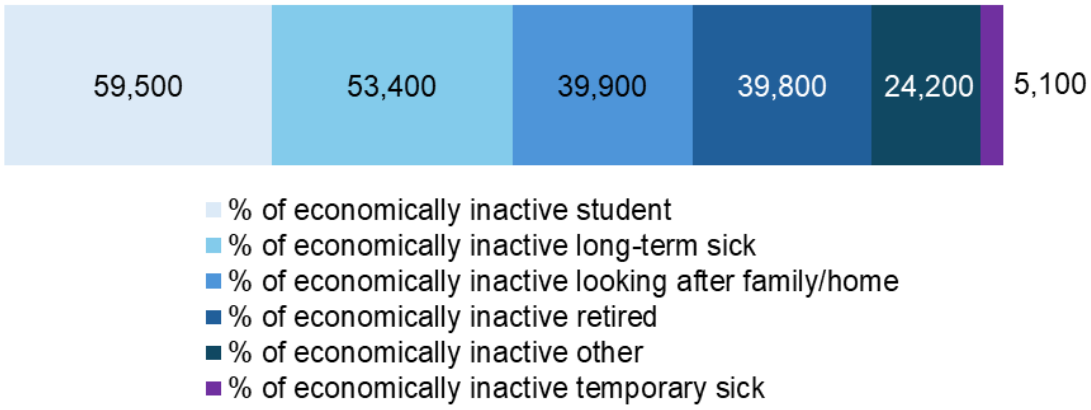
Largest single reason for economic inactivity is young people studying.

- In keeping with the research on national trends, the largest reason for economic inactivity in Hampshire was being a student, reflecting the four universities, FE colleges and other full-time training provision in Hampshire. Hampshire's inactive students number 59,500 **(Chart).**
- This group represents a major future labour resource providing that graduates can be encouraged to remain in Hampshire.

Long-term illness a major cause of economic inactivity that has grown since the pandemic due to illness and capacity challenges in the health system.

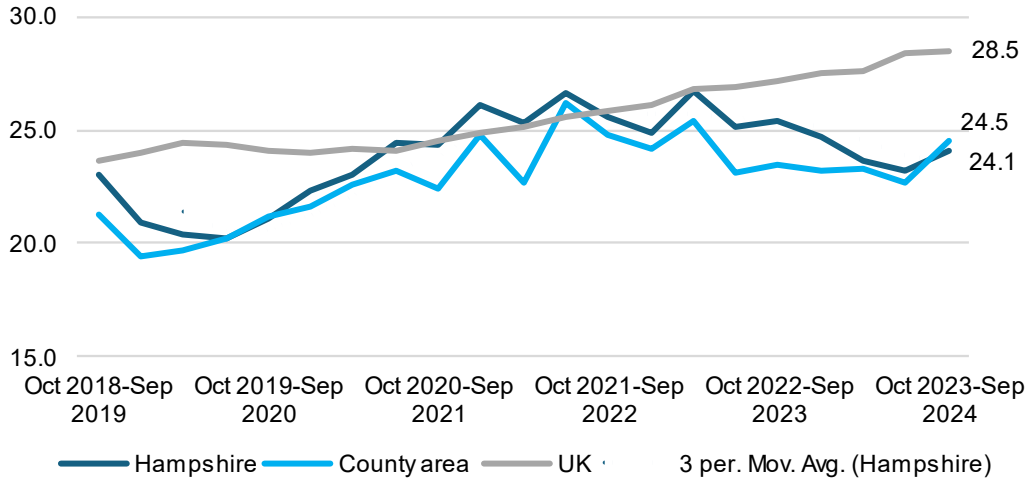
- One-in-four working age inactive residents are classed as long-term sick, accounting for 53,400 individuals – 34,800 in the County area.
- Inactivity due to long-term illness rose sharply during the pandemic and in the years after before easing in 2023-24, although latest annual rolling quarter suggests an uplift. The County area has followed a similar (if more volatile) trendline to Hampshire. The UK however, has shown a steady increase over time **(Chart).**
- Inactivity is adding pressures to overstretched health and social services. Research suggests prevalence of musculoskeletal conditions in older workers and mental health problems for young people. Inactivity and not high unemployment characterised the post-Covid labour market.

Hampshire Working Age: Reasons for Economic Inactivity (number)



'Other' as a reason for being economically inactive include those who are waiting for the results of a job application, have not yet started looking for work, do not need or want employment, have given an uncategorised reason for being economically inactive, or have not given a reason for being economically inactive.

Percentage Working Age Economic Inactivity Due to Long-term Illness 2019 - 2024



PATHWAYS TO EMPLOYMENT (3)

Disability also a major contributing factor to economic inactivity

- People with disability are more likely to be inactive or unemployed. One third (33%) of working age residents in Hampshire that fall under the Equality Act (EA) core or work-limiting disabled category were economically inactive (**Chart**) compared to 18% for all residents.
- The unemployment rate for this group was 6.6%, over twice the working age average (2.5%). For the County area 32% of inactive residents had a disability, while the unemployment rate was 4.0%.
- There were an estimated 106,000 Hampshire EA core or work-limiting disabled residents who were inactive, falling to 68,000 in the County area. A further 13,000 inactive disabled were unemployed in Hampshire and 5,700 in the County area.
- The proportion of inactive residents who are EA core or work-limiting disabled in Hampshire is the same as the South East average, although the County area is marginally lower, but both are below the UK average. Hampshire's rate is relatively low compared to neighbouring areas.

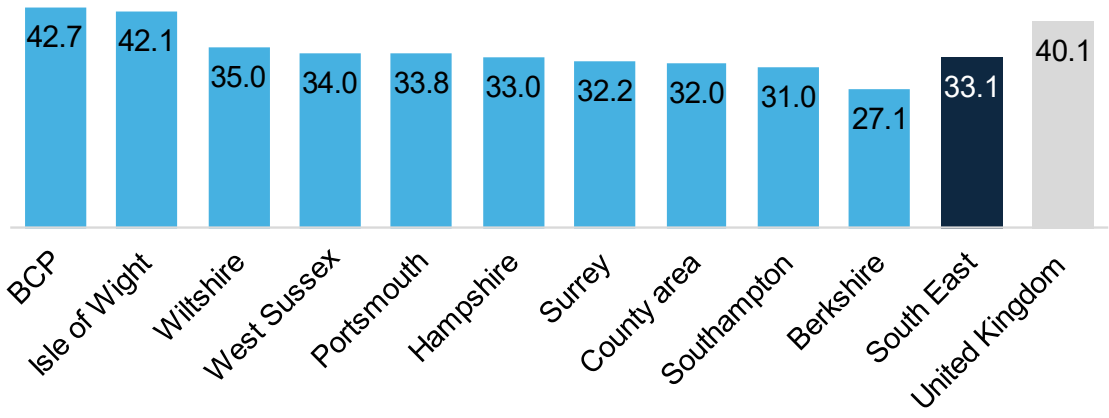
Sizeable minority of inactive residents want a job

- One in-five inactive residents (42,000) in Hampshire want a job but are not currently actively seeking employment – 24,000 in the County area. The proportion of inactive residents who want a job varies across adjacent authorities. Hampshire sits above the regional and UK averages, but the County area sits just below (**Chart**).
- No gender bias, with 1-in-5 inactive females and males wanting a job.

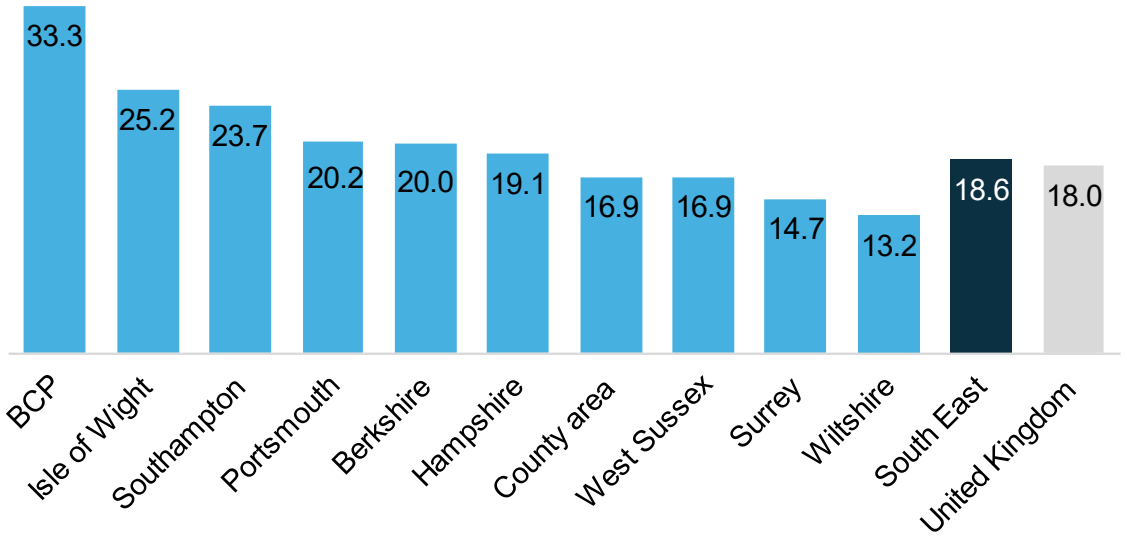
Number of programmes and initiatives to get more inactive people back to work, with a recent focus on health and disability

- Government's 'Get Britain Working' approach includes Connect to Work, which aims to support up to 100,000 individuals nationally with disabilities and long-term health conditions into work.

Percentage of EA Core or work-limiting disabled residents who are economically inactive (year-to-Sept 2024)



Percentage of Economically Inactivity 'Want A Job' – Year-to-Sept 2024



PATHWAYS TO EMPLOYMENT (4)

Hampshire is relatively prosperous but with several pockets of multiple deprivation where Connect to Work is likely to focus

- Hampshire has 125 neighbourhoods (Lower Super Output Areas, LSOAs) classed as being among the 20% most deprived neighbourhoods nationally, nine more than in 2015. The red circles in the **top map** denote the number of LSOAs in that district that fall within the 20% most multiple deprived areas in England, ranging from 43 in Southampton (highest number) to single LSOAs elsewhere.
- Deprived areas represent approximately one in 10 of all LSOAs in Hampshire but this does not imply that one in every 10 people are living in deprivation.
- Over half (58%) of the most deprived neighbourhoods found in Hampshire are in the two cities, while around one third (32%) are in the County area and the remaining 10% are located on the Isle of Wight.

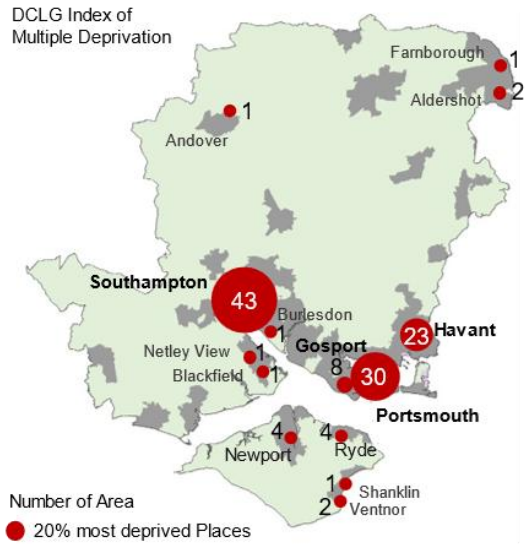
Deprivation more commonly found in two types of built environment – older inner city and post-WW II edge of urban area estates

- Pockets of deprivation found in older inner-city locations, such as Charles Dickens Ward in Portsmouth and the Bevois Valley/Northam area of Southampton, or often post-war, large social housing estates situated on the periphery of major urban centres, such as Thornhill Park in Southampton, Rowner Estate in Gosport, Paulsgrove in Portsmouth, and Leigh Park and Wecock in Havant. Neighbourhood deprivation exists in some smaller County area towns.

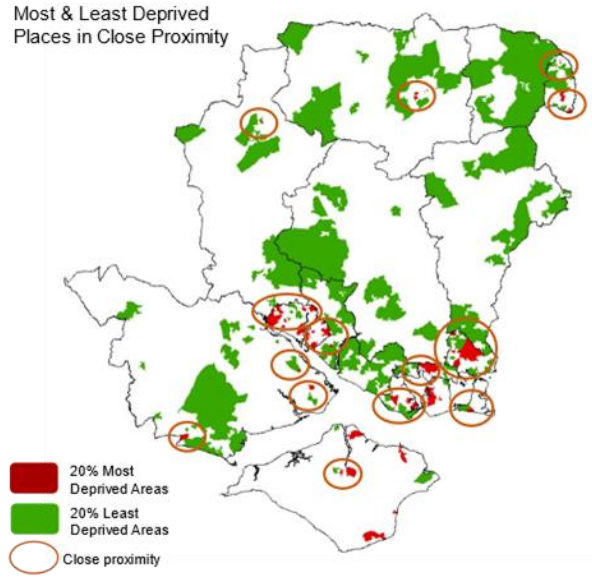
Wealth can co-exist with or be in closer proximity to deprivation

- Multiple deprivation **(Bottom Map)** often associated with low-income families in social housing, or in private rented properties on benefits often close to affluent areas. A study by the Southern Policy Centre also highlighted the significance of ‘hidden’ deprivation in affluent areas.

Hampshire: 2019 Index of Multiple Deprivation (2019) 20% most deprived areas nationally



Proximity deprived areas to affluent neighbourhoods



PATHWAYS TO EMPLOYMENT (5)

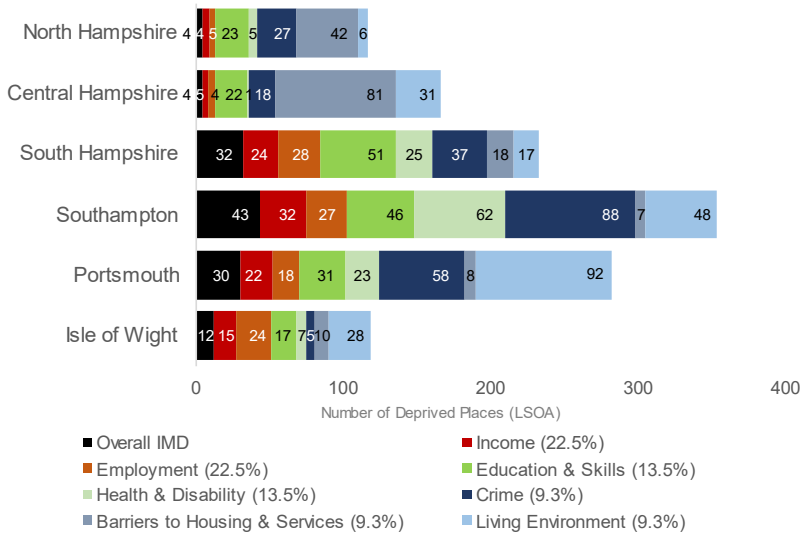
Different types of deprivation more prevalent in different economic sub-areas of Hampshire

- Health & disability, income, employment, & crime deprivation higher in urban areas, while the types of deprivation associated with access to services and local amenities prevalent in more rural areas (**Chart**).
- There is evidently less place deprivation in North Hampshire. North Hampshire includes Hart, the least deprived local authority in England.
- Although all seven types of deprivation can be found in North and Central Hampshire, there are more areas with crime, education & skills deprivation, and barriers to housing and services – and in Central Hampshire, living environment deprivation. Families on low incomes with higher levels of welfare dependency and older residents are especially vulnerable to deprivation, with public transport often an essential need in rural areas.
- In Hampshire's cities and South Hampshire there is naturally more deprivation across all types (except for barriers, where distances to services will be much shorter and easier to access).

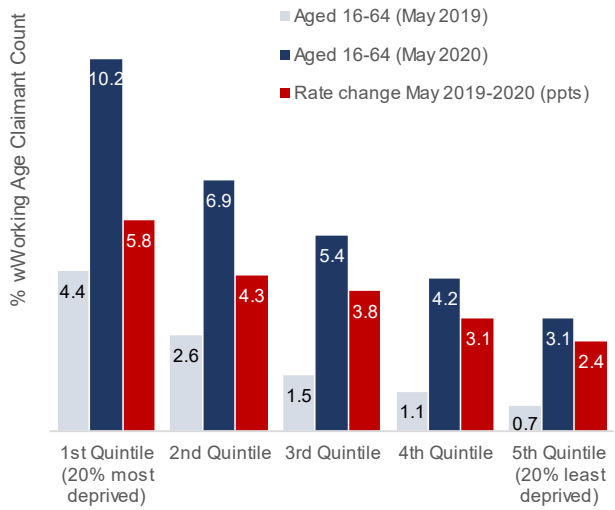
Deprived areas see higher inactivity and unemployment, often due to lack of skills and job opportunities

- There is a clear correlation between deprivation and claimant count unemployment rates, with the rate of unemployed claimants increasing steadily by higher levels of deprivation. This trend existed prior to the pandemic but was exacerbated by recession.
- Unemployment levels in the 20% most deprived areas have been up to six times higher than in the 20% least deprived areas in Hampshire. There is a broadly similar trend for young people in terms of rates decreasing by the relative level of deprivation.

Prevalent Types of Deprivation



Relationship between Deprived Neighbourhoods and Unemployment



BUSINESS SUPPORT (1)

Relatively low business start-up rate in rural areas, below the national average and below several neighbouring economies

- In 2023, just under 1-in-10 (9.6%) of Hampshire's active business stock were start-ups. This is below the national average (11%), lower than some neighbouring economies such as Berkshire (10.6%) and BCP (11.2%), but broadly comparable to the South East.

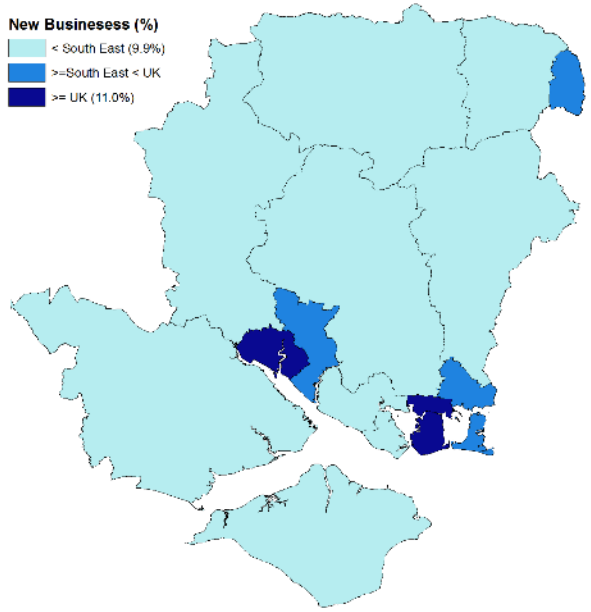
Urban authorities with larger employment centres tend to have more market opportunities and therefore higher business start-up rates than more rural authorities

- As a rule of thumb, urban districts in Hampshire, and notably the two cities, have higher start-up rates than largely or mainly rural districts with smaller local markets. This is because cities tend to be larger and more dynamic markets. As such, Portsmouth (12.4%) has a start-up rate 4.5 percentage points higher than mainly rural Winchester district (7.9%) – although sub-district, the City of Winchester is likely to have a higher start-up rate than surrounding rural towns and villages. Rural areas have generally steadier business flows with fewer start-ups and fewer closures (**Chart**).
- Business location and relocation decisions tend to favour urban areas over rural areas, mainly due to benefits derived from agglomeration economies (lower transportation costs, access to large pool of labour and consumer markets). Limited office supply in rural areas is a factor that can constrain business growth.

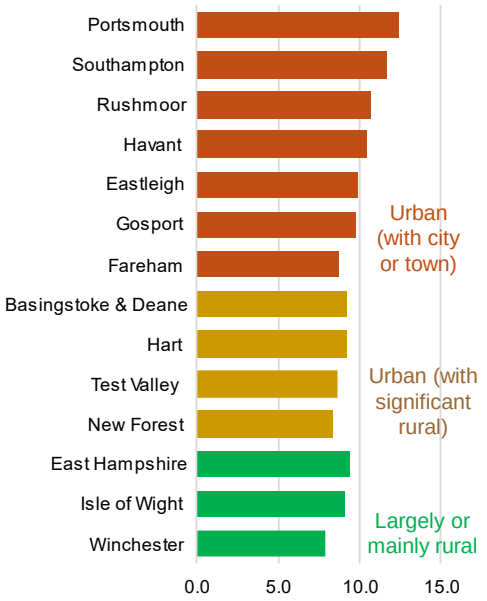
Falling business stock in stark contrast to neighbouring areas

- Once business closures are added to start-ups, the net difference in Hampshire (-0.2ppts) underperforms all neighbouring areas (**Chart**). The County area is also negative (-1.4ppts) with Southampton at -14.5ppts (Southampton lost 40% of office floorspace since 2010).

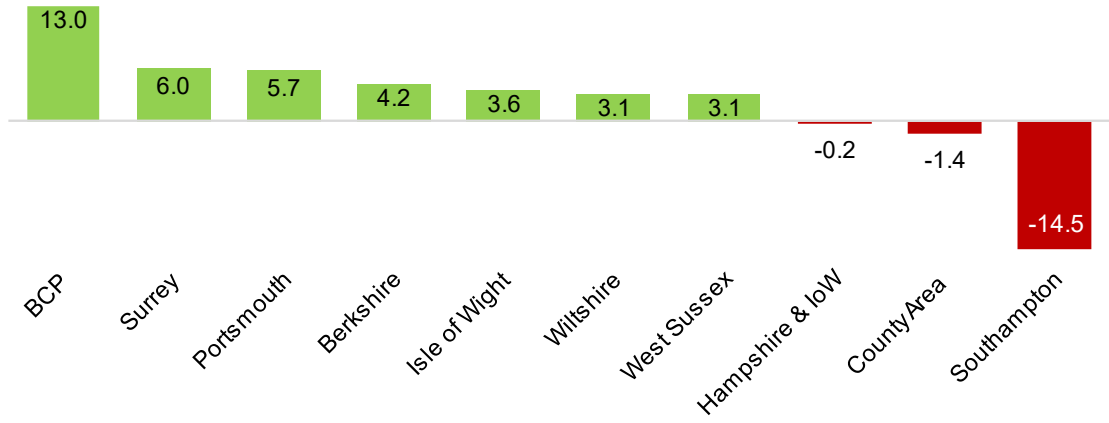
Business Start-up Rates % (2023) – South East & UK benchmarks



Rural-Urban (RUC 11) Business Start-up Rates % (2023)



Net New Businesses (percentage points), 2023 get rid of HIOW



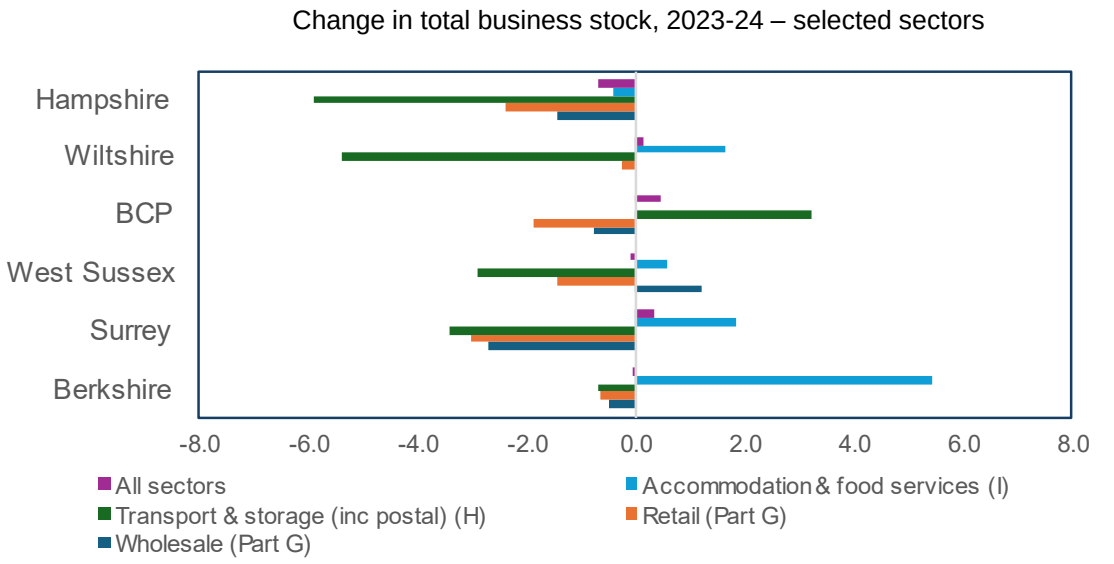
BUSINESS SUPPORT (2)

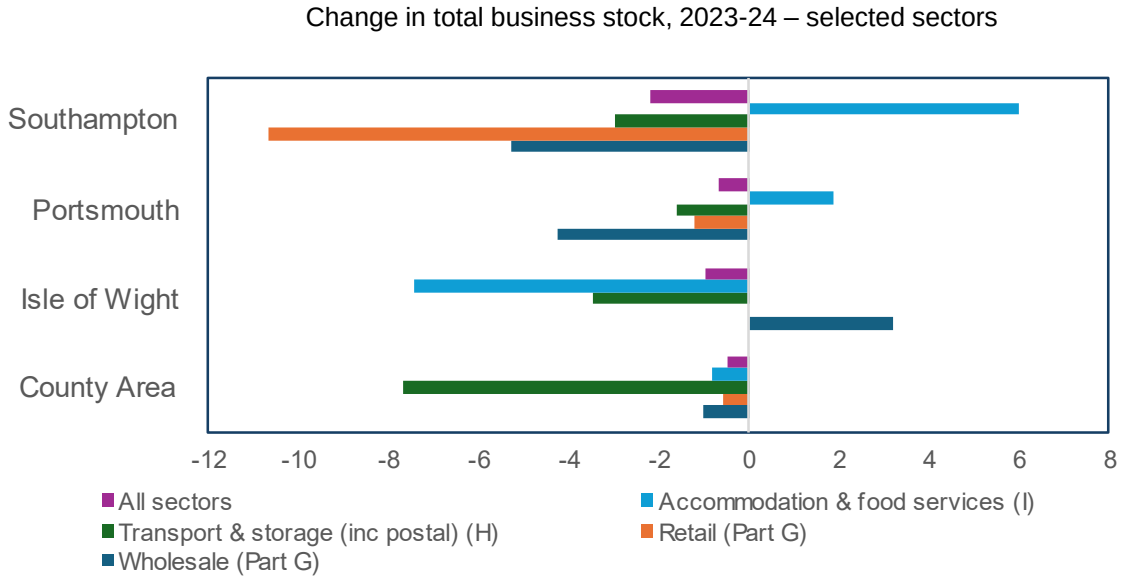
Change in total business stock driven by relative underperformance of several large sectors

- Sectoral data for start-ups and business survival is not available but a similar data set that captures change in total business stock suggests that Hampshire's performance lagged comparator areas in several large sectors (**Chart**).
- Transport & storage, wholesale and retail and accommodation & food account for about one in every five Hampshire businesses and Hampshire lost ground relative to most comparator areas.
- Decline was notable in transport & storage and retail. The number of accommodation & food businesses decreased in Hampshire compared to growth in other comparator areas.
- At local level we have seen a sharp decrease in retail businesses in Southampton, transport & storage in the County area, accommodation & food on the Isle of Wight, and wholesale in Portsmouth (**Chart**).
- The number of businesses also decreased in Hampshire's high productivity knowledge intensive services.

Scale ups data compares well with the UK average but lags several areas in the South East

- In 2024 Hampshire had close to 1,000 scale ups or close to 3% of UK scale-ups with 535 scale-ups in the pipeline.
- The County area was ranked fifth highest for scale-up density (scale-ups per 100k population) but behind neighbouring economies such as Berkshire and Surrey. The County area had the highest scaling pipeline density in the country which bodes well for growth.
- However, Hampshire has fewer high productive professional and ICT businesses compared with Berkshire and Surrey.





BUSINESS SUPPORT (3)

Large number of mostly micro and small businesses in rural areas

- Of the roughly 90,000 businesses (local units) in Hampshire, over 1-in-5 (20,100) are rural based (Census MSOA definition).
- Of the 900,000 workers in Hampshire, approximately 1-in-7 (137,000) are employed in rural areas.
- Larger business share than employment share points to a concentration of micro and small businesses that are more likely to be in need of business support than larger businesses.

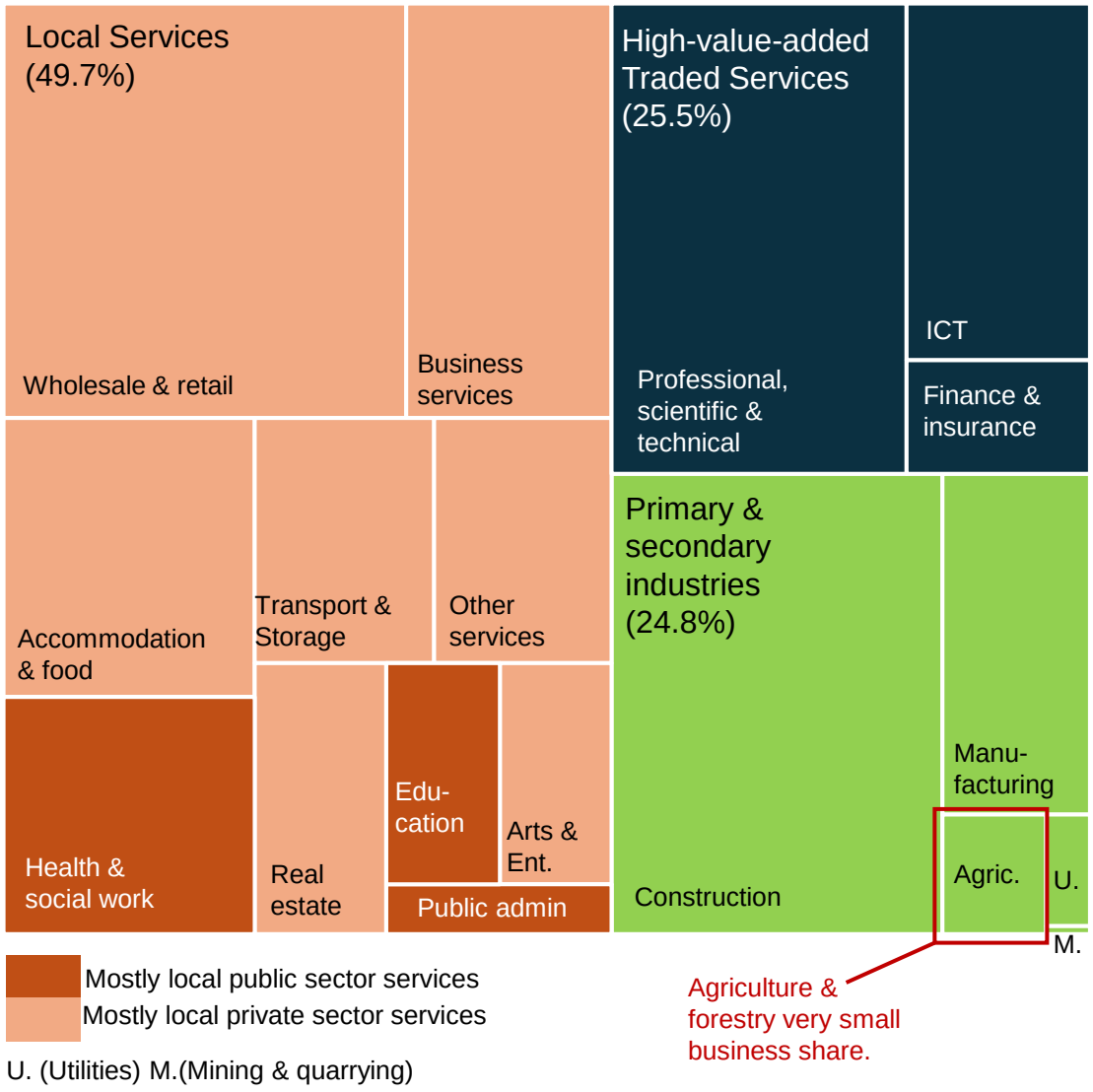
Rural business means far more than just traditional farming and forestry type business

- 'Traditional' rural farming & forestry activities are estimated to account for 1.5% of total businesses, 0.08% of employment and 0.3% of GVA in Hampshire, and for around 7% and 0.5% of all businesses and employment in rural areas, respectively.
- Rural-Urban Classification is commonly used to distinguish broadly rural and urban areas. Using this definition rural economic activity covers all industries located in rural areas (**Chart**).
- Half of all rural businesses are in local services, the majority private sector, and one-in-four businesses are in high-valued added traded services.

Rural businesses saw slower pre-pandemic growth than urban business but were comparatively more resilient to downturn

- Rural Hampshire businesses saw slower pre-pandemic growth of 4.7% (2015-2020) than urban businesses (9.1%), but rural-based businesses were more resilient during/post pandemic (2020-2024): -2.3% growth for rural businesses compared to -7.1% for urban ones.
- Employment growth in rural areas outpaced urban areas pre-and-post pandemic and in both relative and absolute terms.

Rural Hampshire Business, Industry Profile (2024)



BUSINESS SUPPORT (4)

Higher concentrations of primary businesses in rural areas compared to urban centres

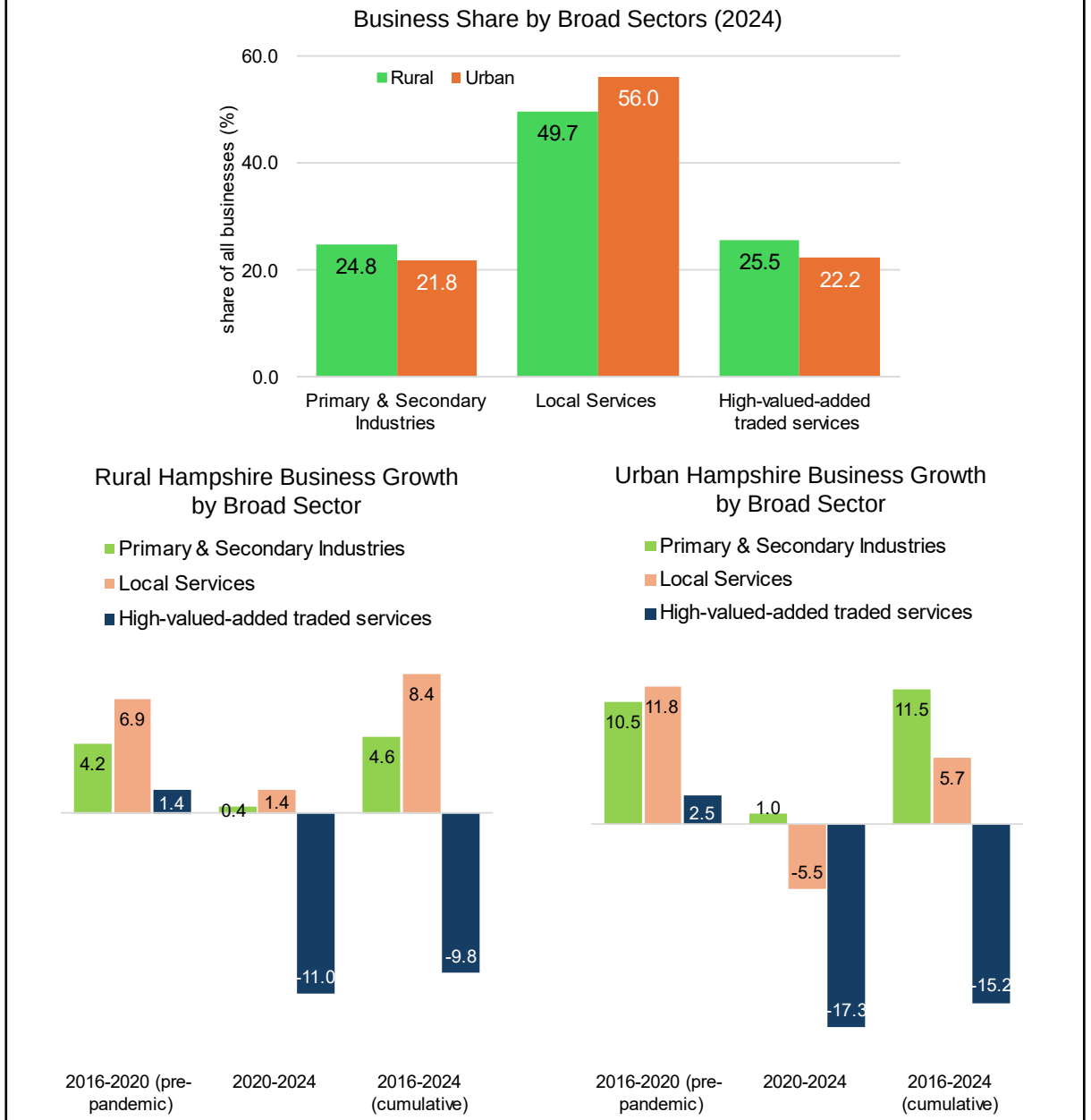
- Rural areas have a lower share of local services compared to urban centres. Higher relative share of rural businesses in high-valued-added traded services than in urban areas, notably in professional services (17.5% rural to 13.6% urban).
- Higher rural share in primary & secondary industries, notably agriculture, forestry and fishing, and in construction **(Chart).**

Decline in rural business numbers driven by fewer high value-added traded services but urban areas also impacted

- High value-added traded services in rural areas saw slower pre-pandemic growth and were hit harder during the pandemic. The fall was led by ICT and professional services, but both sectors saw larger falls in urban areas, so this was not a rural phenomenon **(Chart).**
- Primary and secondary industries in rural Hampshire were less impacted by the pandemic with losses in agriculture offset by robust growth in construction. Urban areas were impacted more by the pandemic with losses in manufacturing dragging down growth.
- Strong pre-pandemic growth in retail in rural and urban areas has largely been undone since 2020.

Getting physical and digital infrastructure right is essential for competitiveness and sustained growth in rural areas

- Digital infrastructure in rural Hampshire is characterised by lower access to gigabit internet speeds compared to the South East average.
- Less than half of rural village addresses are currently in scope for possible commercial upgrades to gigabit broadband which could constrain investment and business growth in rural areas.



BUSINESS SUPPORT (5)

Infrastructure can constrain business investment and growth in rural areas

- Businesses in rural areas tend to be much smaller than their urban counterparts. Scale up is harder to achieve in rural areas, often due to lack of larger premises.
- Rural location and limited public transport are other factors that affect business investment and growth in rural areas.

Demographics and high cost of living are other factors that can constrain investment and growth in rural areas

- Skills and labour availability are a major issue for rural businesses, with research suggesting one in two rural businesses find it difficult to recruit or retain suitably-skilled staff.
- Rural firms' recruitment challenges are exacerbated by weak local services and infrastructure; around two-fifths of rural firms with skills and labour shortages report losing business (NICRE's 2023 State of Rural Enterprise survey).
- High house prices act as barriers to labour supply, competitiveness and growth of rural businesses.
- Many lower paid jobs tend to be filled by workers commuting out of urban areas.
- It is necessary to enhance rural productivity - too few jobs in rural Hampshire are ‘high quality’ jobs that are more productive and pay higher wages, even in those instances where jobs fall under higher value-added tradable services.

Targeted business support needs to focus on attracting high growth and medium and larger businesses

- It is necessary to attract knowledge intensive medium and larger business services into the area and remove barriers to business growth for existing businesses.
- More support is required for voluntary and community organisations to continue to support rural areas and to maintain essential social infrastructure (CRE 2023).

Skills provision and market towns have roles to play to support rural SMEs

- There is a role for Hampshire’s Local Skills Improvement Plans to boost skills supply and matching in rural Hampshire.
- Market towns need to play a central role. Planning policy needs to be flexible, in order to enable sustainable new business developments that support job creation, job quality and wage growth in rural areas.
- The local business base, which is mostly micro and small, may need enhanced business support through, for example, business associations and networks (engagement, mentoring and advice, including peer-to-peer).

HIGH POTENTIAL SECTORS/CLUSTERS – OVERVIEW (1)

A handful of sectors are the main drivers of competitiveness and growth in Hampshire

- Hampshire's knowledge intensive services are close to a fifth more productive than the economy average. Over the long run growth in this broad industry group has been close to double the all industry average.
- These knowledge intensive services that account for about a fifth of economic output have accounted for almost a third of economic growth in Hampshire over the long run (1998 to 2022).
- Within the knowledge intensive services sector, information & communication has labour productivity per FTE employee of about £107,000 or about 27% above the all industry average (**Table**).
- This sector captures much of creative and digital activities and this sector has been by far the most important growth-driving sector in Hampshire (**Table**). It accounts for £4.9bn or 7.6% of Hampshire's GVA but this sector alone has accounted for almost a fifth of the increase in Hampshire's GVA over the long run.
- Life sciences activities span across highly productive manufacturing activities, parts of scientific & technical industries and the health sector.
- As shown in the second table productivity levels in other more traditional sectors such as health & social work or education are well below the average. Furthermore, GVA growth in these sectors on average lagged the all sector average since 2010.
- Several sector and cluster initiatives are already in place aimed at supporting competitiveness and growth of other strategically important sectors. Sector and cluster initiatives currently within the 'South Central' region include: Farnborough Aerospace Consortium, Jet Zero, Maritime UK Solent, South Central Regional Defence and Security, and Space South Central.

Labour productivity and GVA growth – Hampshire's Broad Sectors

	Productivity per FTE	Relative productivity % all industries	Real GVA growth % p.a. 1998-2022	Real GVA growth % p.a. 2010-2022
Knowledge Intensive Services	£100,000	18.3	3.6	2.2
Services	£79,000	-5.7	2.1	1.6
All Industries	£84,000	n/a	1.9	1.6
Production	£123,000	46.0	1.6	1.4
Construction	£104,000	23.4	0.2	1.8

Labour productivity and GVA growth – Hampshire's Sectors

	Productivity per FTE	Relative productivity % all industries	Real GVA growth % p.a. 1998-2022	Real GVA growth % p.a. 2010-2022
Information & communication	£107,000	27.1	11.0	6.4
Admin. & support	£49,000	-42.1	3.0	3.2
Accommodation & food	£43,000	-49.2	2.2	3.4
Professional, scient. & techn.	£74,000	-12.7	2.2	1.1
Human health & social work	£51,000	-38.9	2.1	1.5
Agriculture etc.	£42,000	-50.4	1.9	0.5
Manufacturing	£116,000	37.1	1.7	1.6
Financial & insurance	£179,000	113.0	1.5	-0.5
Transportation & storage	£63,000	-25.3	1.4	-1.6
Wholesale & retail	£66,000	-22.1	1.3	1.6
Education	£49,000	-41.7	0.0	0.6
Public admin. & defence	£108,000	28.5	-1.0	0.5

HIGH POTENTIAL SECTORS/CLUSTERS – CREATIVE AND DIGITAL (1)

Technological progress has transformed economies and societies worldwide

- The UK and global economies are fundamentally different to where they were a decade ago, transformed by digital sectors and increasingly by advances in AI and other technologies.
- Creative industries is a closely related sector to digital as indicated by some overlap between the DCMS sector definitions.
- According to the Creative Industries Policy and Evidence Centre, the creative industries accounted for 67% of the UK's digital exports in 2021.
- Creative industries and digital technologies are highly productive and innovative, attracting significant inward investment. The UK secured over a quarter of all European technology FDI projects in 2023.
- The most valuable businesses in the world are digital and technology companies – 6 of the top 10 by market capitalisation but just 2 of the top 10 in the UK (**Tables**).

Creative and Digital identified as growth driving sectors in the forthcoming UK industrial strategy

- The ICT sector grew about three times faster than the total economy across OECD countries between 2013-23. This trend is projected to continue, creating further growth opportunities. Recent research suggests that half of global trade is expected to be digital by 2050.
- The rapid development of artificial intelligence (AI), digitalisation, and increased automation have shaped and will continue to shape the UK's and Hampshire's economic future.
- Digital technologies and creative industries are among the eight growth driving sectors in the forthcoming UK Industrial Strategy, *Invest 2035: the UK's modern industrial strategy*.

Largest Companies by Market Capitalisation, January 2025

Company	Industry
Apple	Technology
Microsft	Technology
NVIDIA	Technology
Alphabet (Google)	Technology
Amazon	Online Retail
Saudi Aramaco	Oil & Gas
Meta Platforms (Faceboo	Technology
Tesla	Automotive
TSMC	Technology
Berkshire Hathaway	Financial & Professional Service

Largest UK Companies by Market Capitalisation, January 2025

Company	Industry
AstraZeneca	BioPharmaceutical
Linde	Chemicals
Shell	Oil & Gas
HSBC	Financial & Professional Service
Arm Holdings	Technology
Unilever	Consumer Goods
Rio Tinto	Mining
RELX	Technology
British American Tobaco	Consumer Goods
BP	Oil & Gas

HIGH POTENTIAL SECTORS/CLUSTERS – CREATIVE AND DIGITAL (2)

Knowledge Intensive Services have been the main driver of economic growth over both the medium and the long-run

- Over the long-term (between 1998 and 2020) inflation adjusted GVA growth in Hampshire's Knowledge Intensive Services averaged 3.6% p.a. or nearly twice as fast as the all sector average (1.9% p.a.).
- Over the medium-term (2010 to 2022) GVA grow slowed to 2.2% p.a. or about 1.4 times faster than the all sector average (**Chart**).

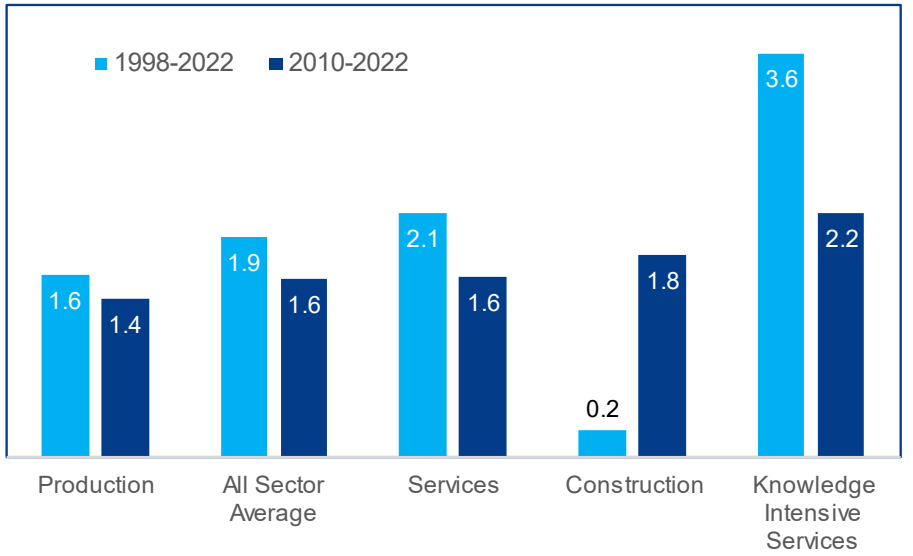
Creative and digital has been by far the fastest growing sector in Hampshire over both the medium and the long term

- Creative and digital sector spans across several digital, creative and some manufacturing business activities and as such it is hard to define in GVA terms in the national accounts.
- However, information & communication (ICT), for which GVA data is available, accounts for over 70% of business activities that makeup the DCMS creative and digital sector definition.
- Information & communication (as a proxy for creative and digital) expanded by 11% on average per annum over the long term, 5.6 times faster than the all sector average or 3.6 times faster than the next fastest growing sector (admin & support), **Chart**.
- GVA growth since 2010 has averaged 6.4% p.a., significantly slower than over the previous decade but nevertheless about 4 times faster than the all sector average and 1.9 times faster than the next fastest growing sector (accommodation & food).

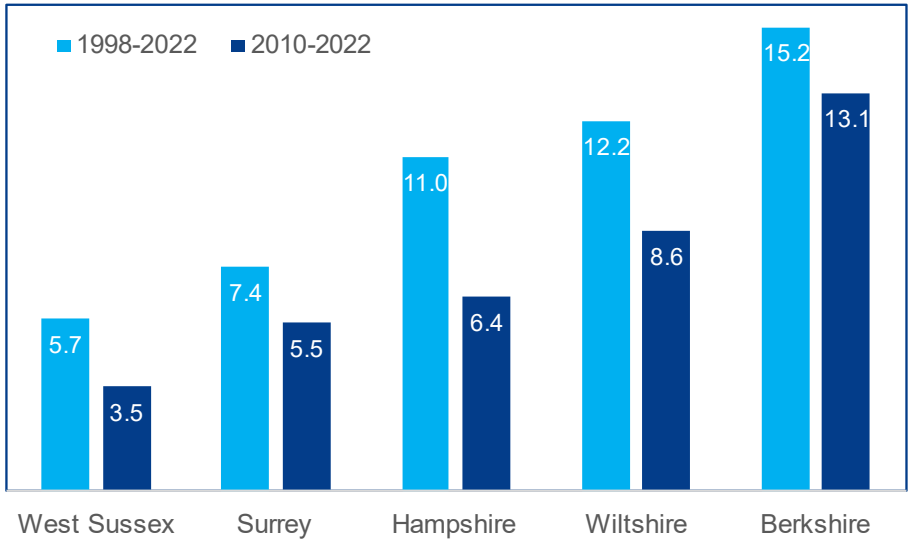
Faster GVA growth than in some neighbouring areas, but a sharp slowdown in GVA growth over the past decade

- Faster growth than in Surrey or W. Sussex, but a significant gap with Berkshire, **Chart**. Digital GVA growth in Hampshire has slowed down more than in comparator areas between 2010 and 2022.

Real GVA growth in Hampshire and the Solent, % p.a.



Information & Communication: real GVA growth, % p.a.



HIGH POTENTIAL SECTORS/CLUSTERS – CREATIVE AND DIGITAL (3)

Significant number of creative and digital businesses and jobs

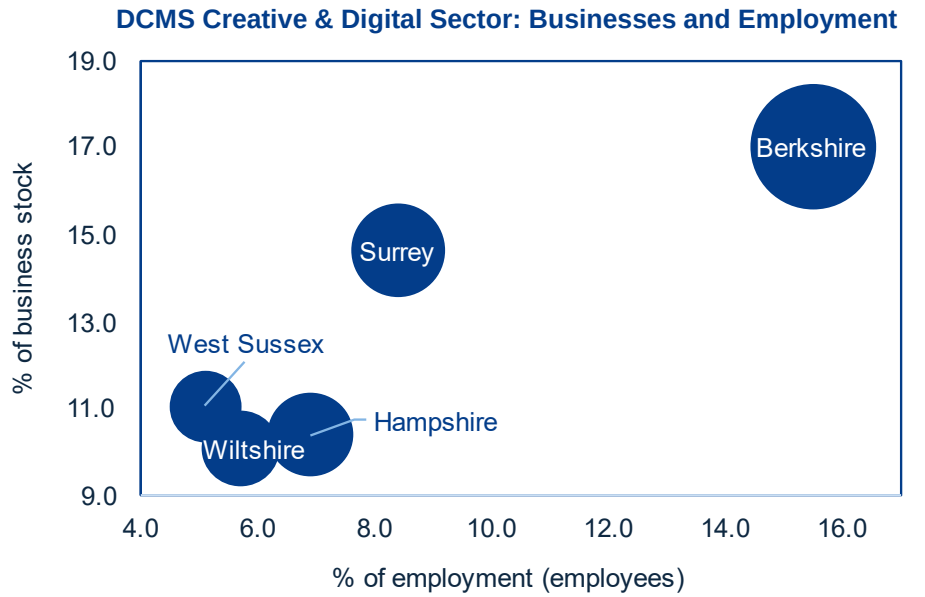
- The most recent data suggests that Creative and Digital on the DCMS sector definition accounts for about 1 in every 10 Hampshire businesses (9,345 businesses). The broad sector accounts for about 7% of employee jobs (62,000) in Hampshire (**Chart**).
- These businesses and jobs matter as they are far more productive than the all economy average.

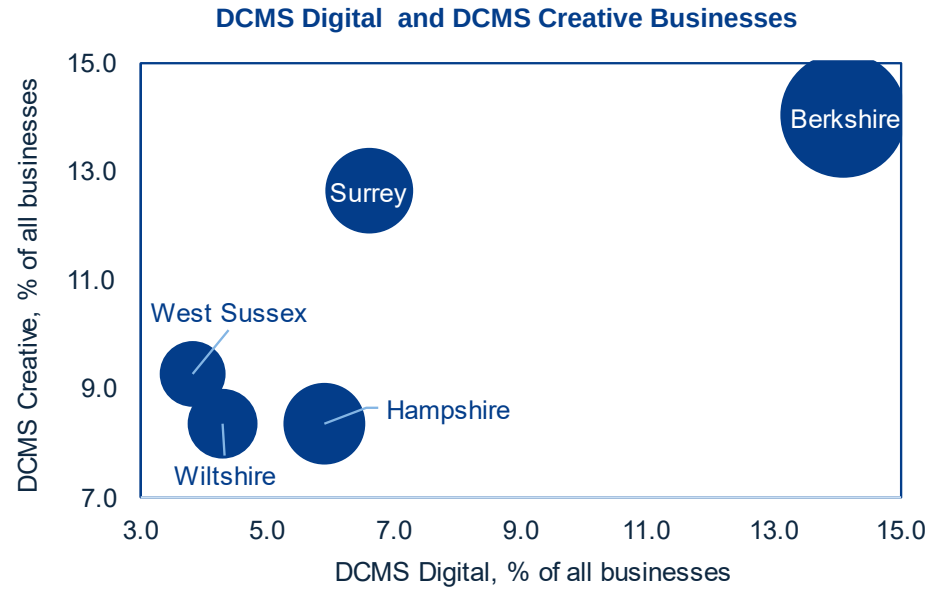
Fewer digital and creative businesses than in neighbouring areas

- Creative and digital business concentration in Hampshire (relative to England average) is below West Sussex, similar to Wiltshire.
- In terms of the share of creative and digital businesses in the local economy, Hampshire has a large gap with Surrey and Berkshire.
- Hampshire's gap with Surrey and Berkshire stands at between 3,800 and 6,000 fewer creative and digital businesses, respectively.
- In 2024 Hampshire had just 1.9% more businesses in information & communication than in 2010. Its performance lagged all other areas but Wiltshire. Growth was negative in the County area (-1.1%).

Significant creative and digital employment gap with Berkshire

- Some 15.5% of total employment in Berkshire is found in this broad sector or more than double Hampshire's share. Hampshire's employment gap compared with Surrey is also large but smaller than the business gap.
- In terms of employment, Hampshire's performance is better than in Wiltshire and West Sussex, explained by a larger share of medium and large businesses in Hampshire than in Wiltshire and West Sussex.
- Splitting this broad sector into two sub-sectors makes little difference in terms of sector strength – Hampshire has a large gap with Berkshire and Surrey for both creative and digital, but for digital it stands better than Wiltshire and West Sussex (**Chart**).





HIGH POTENTIAL SECTORS/CLUSTERS – CREATIVE AND DIGITAL (4)

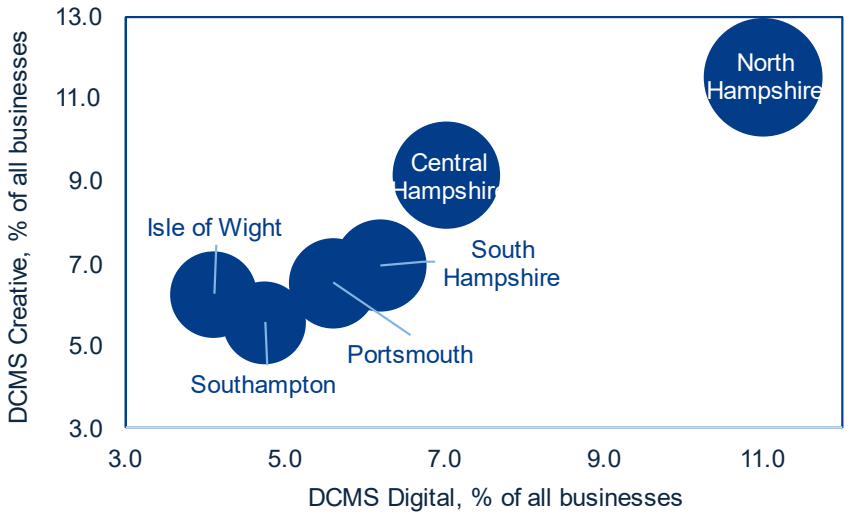
Substantial disparities in creative and digital businesses and employment are found across Hampshire

- Labour productivity in North Hampshire is among the highest in the country and this is largely explained by its favourable industry mix, and in particular a high concentration of knowledge intensive services and manufacturing.
- For example, the proportion of creative and digital businesses in North Hampshire (excluding overlapping business activities) stands at 14.4%, well above the Hampshire average but also well below the average for Berkshire.
- About 11.5% of businesses in North Hampshire are classified as digital and creative respectively on the DCMS sector definition (includes some overlap of business activities), **Chart**.

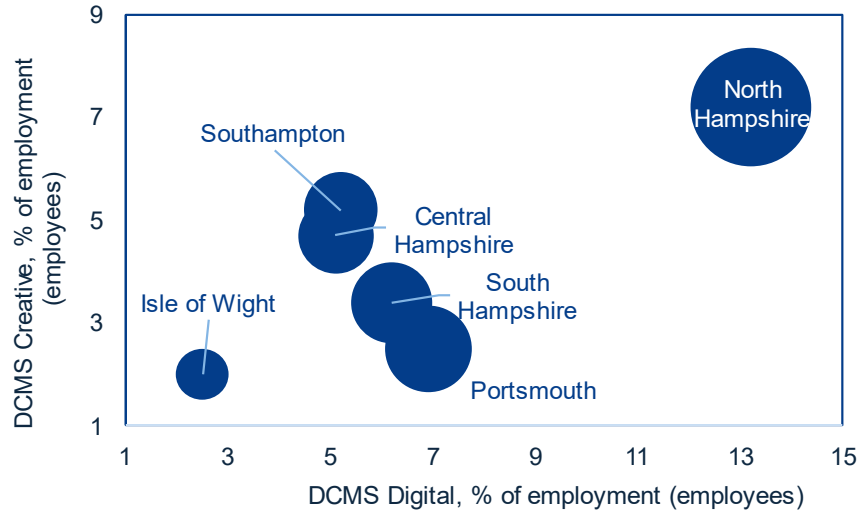
Large cities in the Solent have relatively low share of creative and digital businesses

- The proportion of digital employee jobs in North Hampshire stands at 13.2% or almost double the proportion of employee jobs found in the next largest sub-area, Portsmouth, **Chart**.
- Large cities tend to have high concentrations of creative and digital businesses and employment, but Southampton has the lowest share of creative businesses and the second lowest share of digital businesses in Hampshire.
- The creative employment share in Southampton is the second highest in Hampshire, which points to a concentration of medium and larger businesses in the city.
- Central Hampshire has the second highest share of both creative and digital businesses but a lower share of employment, which points to a concentration of micro and small businesses.

DCMS Digital and DCMS Creative Businesses



DCMS Digital and DCMS Creative Employment



HIGH POTENTIAL SECTORS/CLUSTERS – CREATIVE AND DIGITAL (5)

Significant impact of the pandemic on the creative and digital sector in Hampshire

- In 2024 Hampshire had about 1,900 fewer businesses (-16.9%) than at the start of the pandemic (**Chart 1**).
- Areas with significant concentrations of creative & digital sector were affected the most.

Hampshire's performance over the medium-to-longer term lagged all but one neighbouring areas

- Hampshire had just 560 additional creative & digital businesses in 2024 (+6.4%) compared to 2010, the slowest growth after Wiltshire.
- Berkshire was affected the most by the pandemic but alongside West Sussex, Berkshire had some 15% more businesses last year than in 2010 (**Chart 1**).

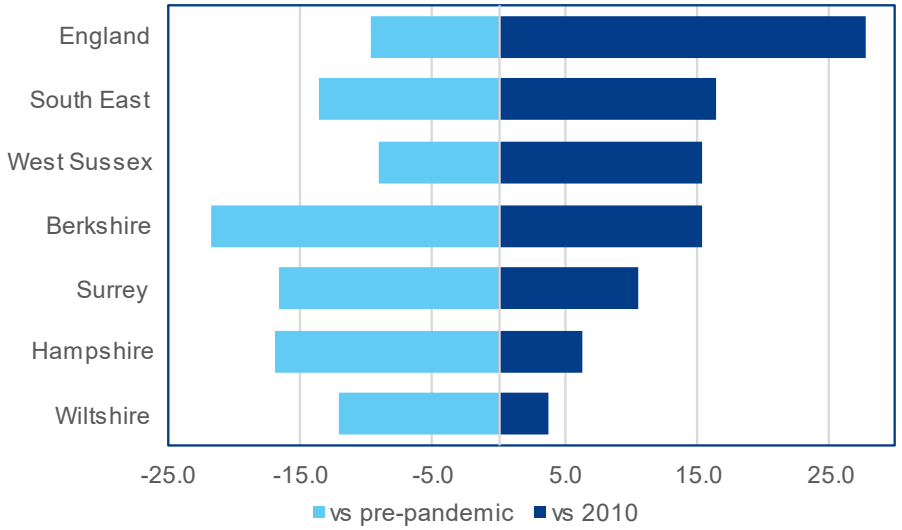
North Hampshire, the most productive sub-area outside London, saw the sharpest decrease in creative and digital businesses

- Solent performed better albeit from a lower base (fewer businesses), **Chart 2**.

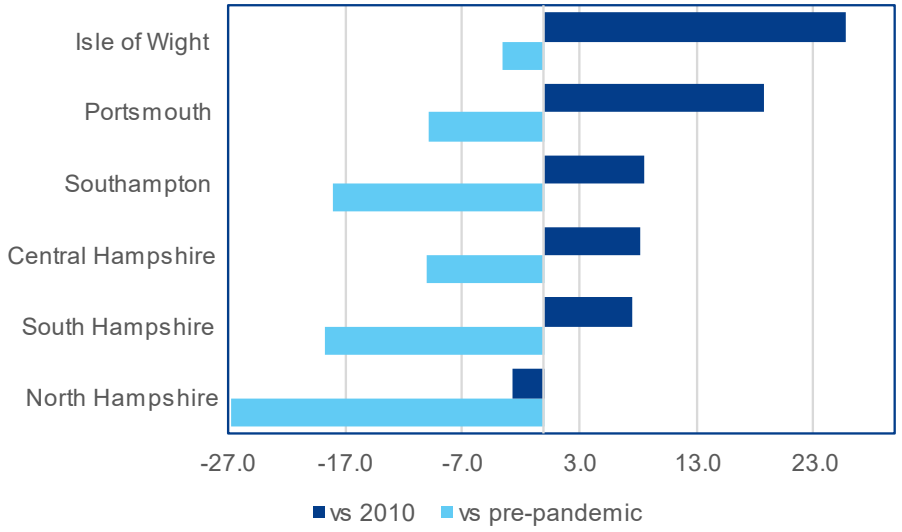
Creative and digital employment has recovered, but performance has been poor over the medium-term

- By 2023 Hampshire's employment had returned to its pre-pandemic peak (+1,000 employees). Growth was driven by creative industries.
- A large discrepancy between employment and business impacts suggests that it was micro and small businesses that bore the impact of the pandemic.
- In 2023 Hampshire had about 8,000 (-11.4%) fewer creative & digital employee jobs than in 2015, lagging all neighbouring areas. There was jobs growth in creative industries but a sharp fall in digital.

DCMS Creative & Digital Businesses: 2024 vs. …. (%)



DCMS Creative & Digital Businesses: 2024 vs. …. (%)



HIGH POTENTIAL SECTORS/CLUSTERS – CREATIVE AND DIGITAL (6)

Summary – Evidence Base

- Highly productive and innovative sector that attracts significant inward investment to the UK.
- Strategically important sector for international trade and re-balancing of the UK and Hampshire's economy.
- Recognised as strategically important sector to the UK economy in the forthcoming Industrial Strategy.
- Past growth in OECD economies, the UK and Hampshire significantly faster than the total economy.
- Creative & Digital output (GVA) growth in Hampshire, over both the medium and the long-term, several times faster than growth in the next fastest sector.
- Hampshire's growth faster than in Surrey and West Sussex but lagged Berkshire and Wiltshire
- A sharp slowdown in GVA growth since 2010. Hampshire's growth faster than in Surrey and West Sussex but Hampshire sees the sharpest slowdown in growth compared to the pre 2008/9 decade.
- Large number of creative & digital businesses but in relative (%) terms fewer than in most neighbouring areas. Significant employment gap with Berkshire and a gap with Surrey.
- Significant impact of the pandemic on business stock but employment has returned to pre-recession peak.
- Business growth over the medium-to-long term lagged all but one neighbouring areas (Wiltshire). Jobs growth significantly lower than in 2015, behind all neighbouring areas.
- Significant disparities in sector strength and performance over medium to longer term across Hampshire.

Policy Implications

- Hampshire's competitiveness, growth and economic prosperity in future years will depend on the performance of this sector.
- The creative and digital industries are set to be a key part of the government's Industrial Strategy.
- The Industrial Strategy and the sector plans, including the sector plans for the creative and digital industries, are due to be published alongside the Spending Review.
- The government has announced tax reliefs for "creative industries, worth £15bn over the next five years.
- The government has also emphasised the role of skills in growing the creative and digital industries.
- Research suggests that workforce skills are the main challenge faced by digital economy businesses.
- New skills are needed to develop new technologies as well as to embed them in production. Research evidence suggests that digital skills supply needs to be aligned with the skills needed for the adoption and diffusion of AI.
- Timely job postings data continues to point to the strong demand for digital skills (computer programming etc.) in Hampshire.
- Policy needs to ensure tech skills are taught to both the future workforce, through initiatives in Hampshire schools and universities, but also the existing workforce, through training and life long-learning.

HIGH POTENTIAL SECTORS/CLUSTERS – LIFE SCIENCES (1)

The UK has established comparative advantage in the life sciences sector

- Life Sciences refers to the application of biology and technology to health improvement, including biopharmaceuticals, medical technology, genomics, diagnostics and digital health.
- In recent decades, life sciences has become one of the UK's greatest business strengths. UK specialism includes categories such as pharmaceuticals, biotechnology and medical devices – life sciences categories that are set to become more important in the future.
- The UK is home to four of the top ten global universities in this field (Oxford, Cambridge, Imperial and UCL) .
- In Hampshire, the University of Southampton is home to the Institute for Life Sciences, while the University of Portsmouth is home to the Institute of Life Sciences and Healthcare.
- The UK's life sciences sector is built on a strong foundation, with 6,330 high productivity businesses across 7,180 sites in 2020 that generated £88.9 billion in turnover.

In the forthcoming Industrial Strategy life sciences has been recognised as a sector which 'holds enormous potential to drive economic growth and productivity'

- The development of vaccines and treatments during the pandemic has highlighted the UK's strengths in pharmaceuticals / life sciences.
- The life sciences sector offers unparalleled opportunities for future economic growth, propelled by new discoveries, data availability, opportunities offered through the use of AI, personalised healthcare.
- The sector sits at the intersection of healthcare innovation and cutting-edge technologies, offering immense potential to transform public health, enabling people to live longer and healthier lives.

Life sciences industry in the UK, 2020

Life sciences – services and supply chain

HIGH POTENTIAL SECTORS/CLUSTERS – LIFE SCIENCES (2)

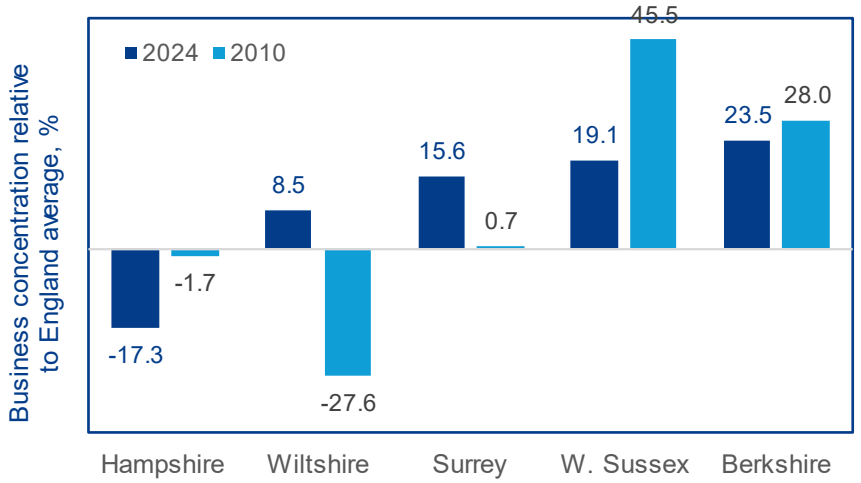
Over the long-term life sciences business concentration in Hampshire decreased faster than in most neighbouring areas

- In 2024 Hampshire had 110 businesses across some 178 sites. Medical technologies accounted for about two thirds and biopharmaceuticals for about a third of the sites.
- Hampshire had about 16% more businesses in 2024 than in 2010 but over the long-run Hampshire lost ground relative to the national average and most other neighbouring areas.
- Concentration of life science business in Hampshire stood at almost 20% below the national average in 2024. In 2010 business concentration was comparable to the national average, **Chart**.
- Decrease in Hampshire's sector strength relative to the national average has been greater than in all but one neighbouring areas.
- Over this time the relative performance of Wiltshire and Surrey had improved from below/comparable to the national average to above the national average.

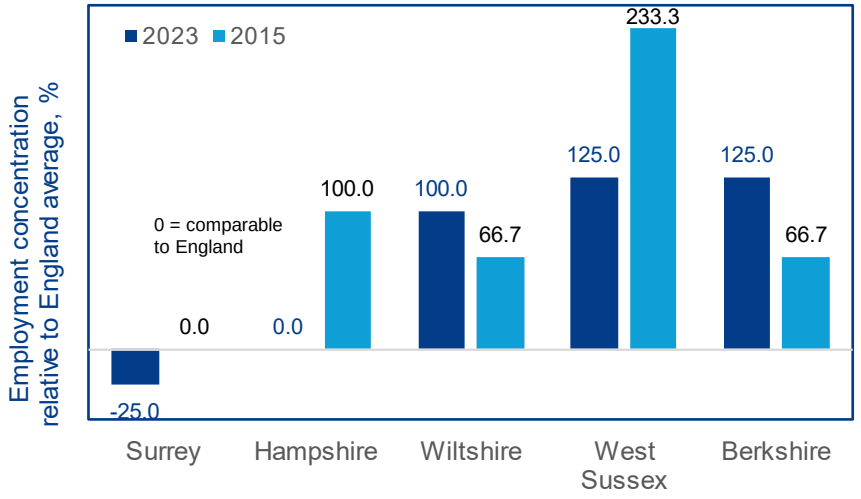
Over the medium-term employment concentration decreased from double the England national average to the national average

- In 2023 Hampshire had 4,000 employee jobs in this high productivity, high wage sector or about a fifth fewer than in 2015. Employment concentration decreased from 0.6% (double the England average) to 0.4% (comparable to the national average), **Chart**.
- Over this time employment growth in West Sussex was flat but employment growth was strong in Surrey and Wiltshire. Berkshire's employment doubled between 2015 and 2023.
- Over this period life sciences employment concentrations in Berkshire and Wiltshire increased relative to the national average.

Life sciences business concentrations relative to England average, 2010 and 2024



Life sciences employment concentrations relative to England average, 2010 and 2024



HIGH POTENTIAL SECTORS/CLUSTERS – LIFE SCIENCES (3)

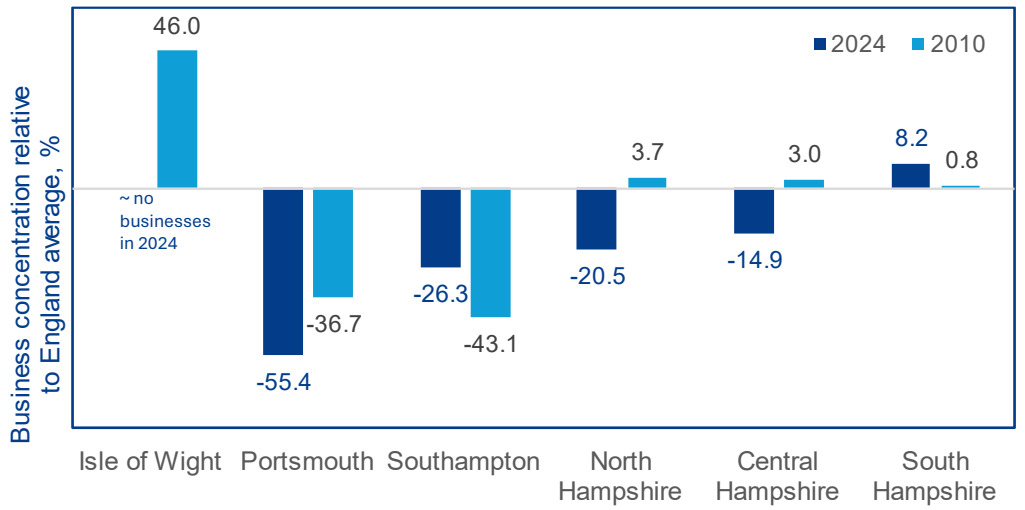
In terms of life science businesses, most economic sub-areas have lost ground relative to the national average

- The largest number of life science businesses is found in Central Hampshire and South Hampshire, 40 and 30 businesses respectively.
- In 2024 Central Hampshire had more life science businesses than in 2010 but growth was slower than nationally. Business concentration decreased from slightly above to below the England average (**Chart**).
- North Hampshire and Portsmouth saw no growth in businesses over the longer term. In 2010 Isle of Wight had few life science businesses but in relative terms business concentration stood at close to 1.5 times the national average. The latest data suggests that by 2024 the island had lost life sciences businesses (**Chart**).
- Business growth in South Hampshire was strong and by 2024 business concentration had increased to 8% above the national average.

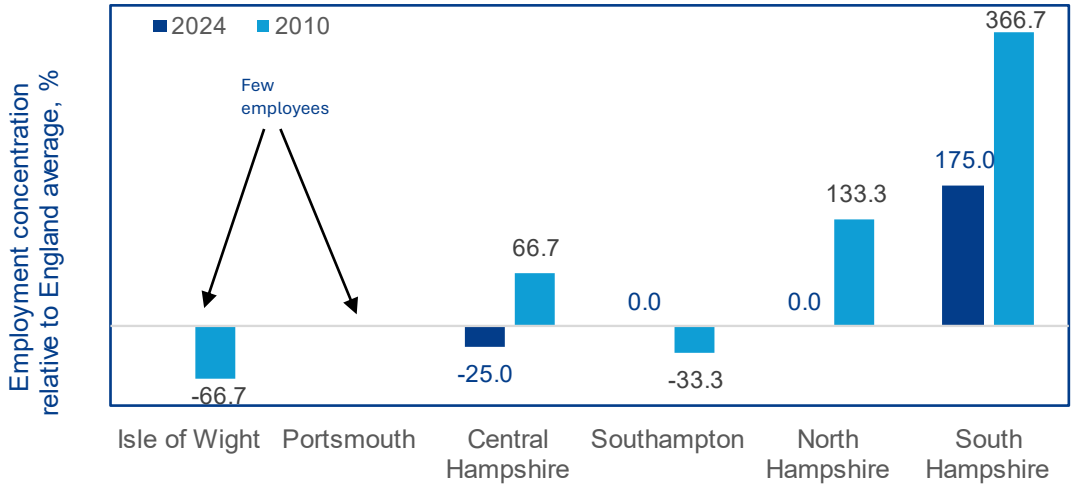
Employment concentration in South Hampshire well above the England average, but South Hampshire lost ground relative to the England average between 2010 and 2024

- About 50% of total life science employment in Hampshire and the Solent is found in South Hampshire (2,000 employee jobs).
- Employment decreased and employment concentration fell from about 4.7 times the national average in 2015 to 2.8 times the national average (**Chart**).
- Employment growth was strong in Portsmouth and Southampton with Southampton's employment concentration improving from well below the national average to comparable to the England average.

Life sciences business concentrations relative to England average, 2010 and 2024



Life sciences employment concentrations relative to England average, 2010 and 2024



HIGH POTENTIAL SECTORS/CLUSTERS – LIFE SCIENCES (4)

Summary – Evidence Base

- In recent decades, life sciences has become one of the UK's greatest business strengths.
- In Hampshire and the Solent, the University of Southampton is home to the Institute for Life Sciences, while the University of Portsmouth is home to the Institute of Life Sciences and Healthcare.
- In 2024 Hampshire had 110 businesses across some 178 sites. Medical technologies accounted for about two thirds and biopharmaceuticals for about a third of the sites.
- Over the long-term, life sciences business concentration in Hampshire decreased faster than in most neighbouring areas.
- In 2024 business concentration in Hampshire was below the national average and lower than in neighbouring areas.
- In 2023 Hampshire had 4,000 employee jobs in this high productivity, high wage sector or about a fifth fewer than in 2015.
- Employment concentration is comparable to the national average and lower than in all neighbouring areas but Surrey.
- Over the medium-term Hampshire's employment concentration decreased from double the England average to the national average.
- Over this time life sciences employment concentrations in Berkshire and Wiltshire had increased relative to the national average.
- In terms of life science businesses, most economic sub-areas have lost ground relative to the national average.
- South Hampshire accounts for 50% of life sciences employment in Hampshire. Employment concentration in South Hampshire is well above the England average, but South Hampshire lost ground relative to the England average since 2015. Southampton's performance improved over this period.

Policy Implications

- Supply of highly skilled workers is of strategic importance to life sciences business survival and growth.
- Hampshire's universities and two research institutes can play a leading role in ensuring adequate provision of skilled labour for the sector.
- Government research suggests that the widespread, effective application of digital tools across the whole of the life sciences industry is occurring very quickly, as it is within the NHS. This implies that a wide range of different skill sets is needed by the sector including computing and informatics, and mathematical and statistical sciences.
- People with digital qualifications tend to be attractive to most healthcare providers around the country. This includes people with university-level qualifications and apprenticeships.
- Collaboration between Hampshire's research institutes and life sciences businesses can unlock innovation and future growth in Hampshire.
- It is important to recognise the importance of active NHS engagement to business growth in the life sciences. NHS engagement with commercial businesses could enable significant transformation in the way healthcare is delivered to Hampshire residents.

INFRASTRUCTURE – OVERVIEW

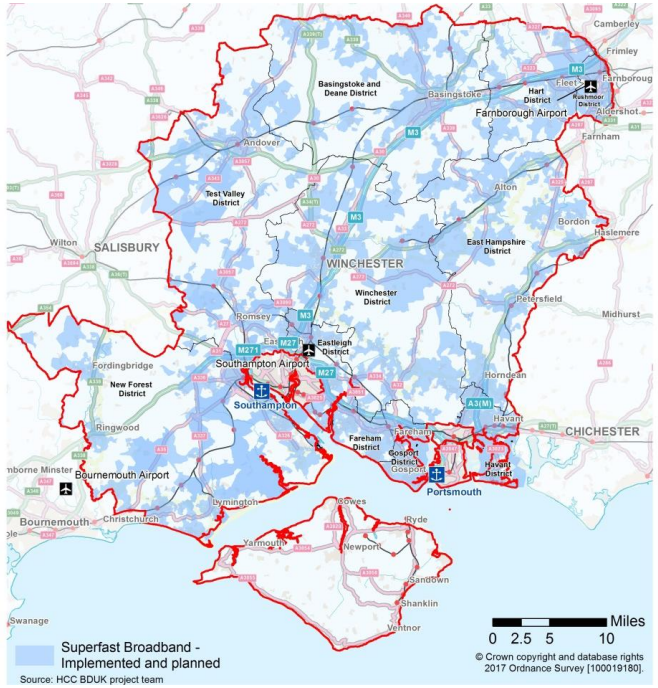
Infrastructure as an enabler of competitiveness and growth

- Hampshire's cities, towns and rural areas face significant economic, demographic and environmental challenges that make it imperative for the public and private sectors to rethink the way they do business. They share an underlying need for modern, efficient and reliable infrastructure.
- Infrastructure matters since it is essential for trade in both goods and services, it powers businesses, it connects workers to their jobs and it creates opportunities for struggling communities.
- Traditional road, rail and port infrastructure is the main enabler of competitiveness and growth, but in the 21st century it is digital infrastructure that gives regions and countries a competitive edge, in a world that is increasingly becoming digital. Fiber-optic cables are the essential building blocks of the new economy.
- The emergence of the digital economy alongside a need to decarbonise our economy has resulted in a sharp increase in demand for electricity and renewable electricity generation.
- Demand for electricity is set to increase as heating, transport and industry increasingly turn to electricity to decarbonise. The National Infrastructure Commission's analysis for the second National Infrastructure Assessment projected demand for electricity would increase by around 50 per cent by 2035 and double by 2050.
- However, there is a mismatch between demand and supply, with much renewable capacity and supply in Hampshire's rural areas, while much of demand is found in large urban centres.
- There are already constraints on the energy network. It will be critical that the network is able to meet the expected level of future demand and maintain a reliable electricity supply to all consumers.

Growth enabling physical and digital infrastructure in Hampshire

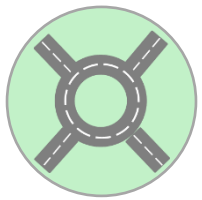
Gigabit Broadband

Airports

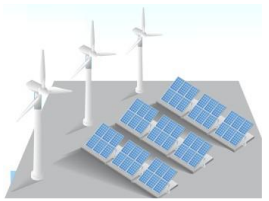


Ports

Rail Network



Road Network



Energy networks

TRANSPORT INFRASTRUCTURE (1)

Urban connectivity

- South Hampshire has the lowest levels of car and public connectivity overall, reflecting high levels of congestion.
- Farnborough / Aldershot and Basingstoke also have low levels of public transport connectivity.

Inter-urban connectivity

- There is moderate to severe congestion on the M3 and M27 (near Southampton), and moderate congestion on the A34 and M3 (north of Winchester).
- Urban areas on the Strategic Road Network (Basingstoke, Andover, Emsworth, Petersfield) have better levels of inter-urban connectivity.
- Areas with the poorest inter-urban connectivity are often on the coast or peninsulas so have increased journey times, e.g. Lymington, Hythe and other locations on Waterside etc.
- Locations without railway stations or poor service provision have lower inter-urban public transport connectivity. This includes Hythe, Bordon, Lymington and Tadley etc.

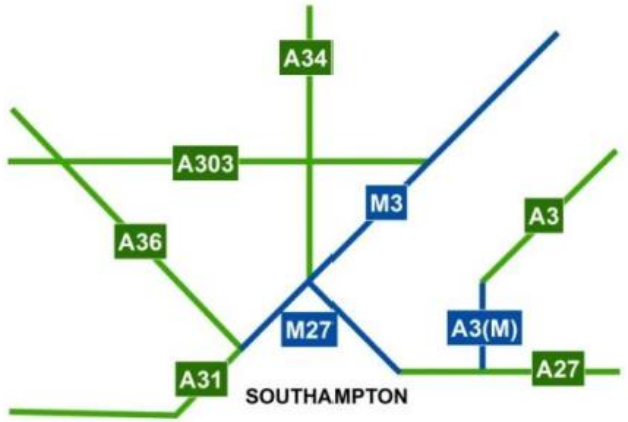
Strong growth in traffic levels projected by 2050

- Traffic levels are forecast to rise by between 17% and 51% by 2050 in England with higher growth projected on the Strategic Road Network compared with locally managed roads (**Chart/Map**).

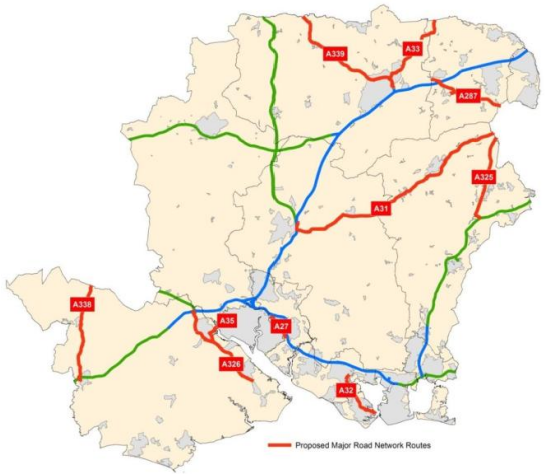
Increase in transport investment backlog

- Hampshire's highways and structures are in a declining state, with a significant backlog of structural maintenance and renewal schemes having been built up over recent years.
- The Government's Road Investment Strategy proposed significant improvements to the M3 and M27 to address capacity issues. Other significant improvement schemes proposed by HCC/HE.

Hampshire's Strategic Road Network



Major Road Network (MRN) in Hampshire, 2018



TRANSPORT INFRASTRUCTURE (2)

Hampshire's Strategic Route Network

- Port of Southampton is the UK's primary port for exports to non-EU countries. This results in high volumes of HGV traffic on the A34 (serving national distribution services in the Midlands), the M3 (to London), and the M27 (to the east and west).
- The A34 is a nationally significant freight cargo and container route to and from Southampton Port to the rest of the country. The A31 offers the only major connection across the New Forest National Park.

Challenges

- Restricted Port to Midlands Freight Route
- Poor M3 to M4 Corridor connections
- M27 congestion

Major Road Network in Hampshire

- The Major Road Network (MRN) plays a critically important role in supporting Hampshire's economy.
- MRNs cover the busiest and most economically important local authority A roads.

Challenges

- A33 Corridor Link: Connection between the M3 and M4 to avoid the longer loop around the M25 – avoiding one of the areas of heaviest congestion (**Map**)
- A326 Waterside Capacity: Linking the ABP Strategic Land Reserve site and Marchwood Military Port (adjacent to Southampton Water) to the Strategic Road Network, to accommodate future growth

Highways England's Road Investment Strategy (RIS1) Implementation Plan for the Strategic Road Network

- RIS outlines a long-term programme for motorways and major roads with the stable funding needed to plan ahead.
- It operates in 5-year funding cycles: RIS 1 2015 to 2020

RIS 1 Schemes

- Smart Motorways
- M27 Junction Improvements.

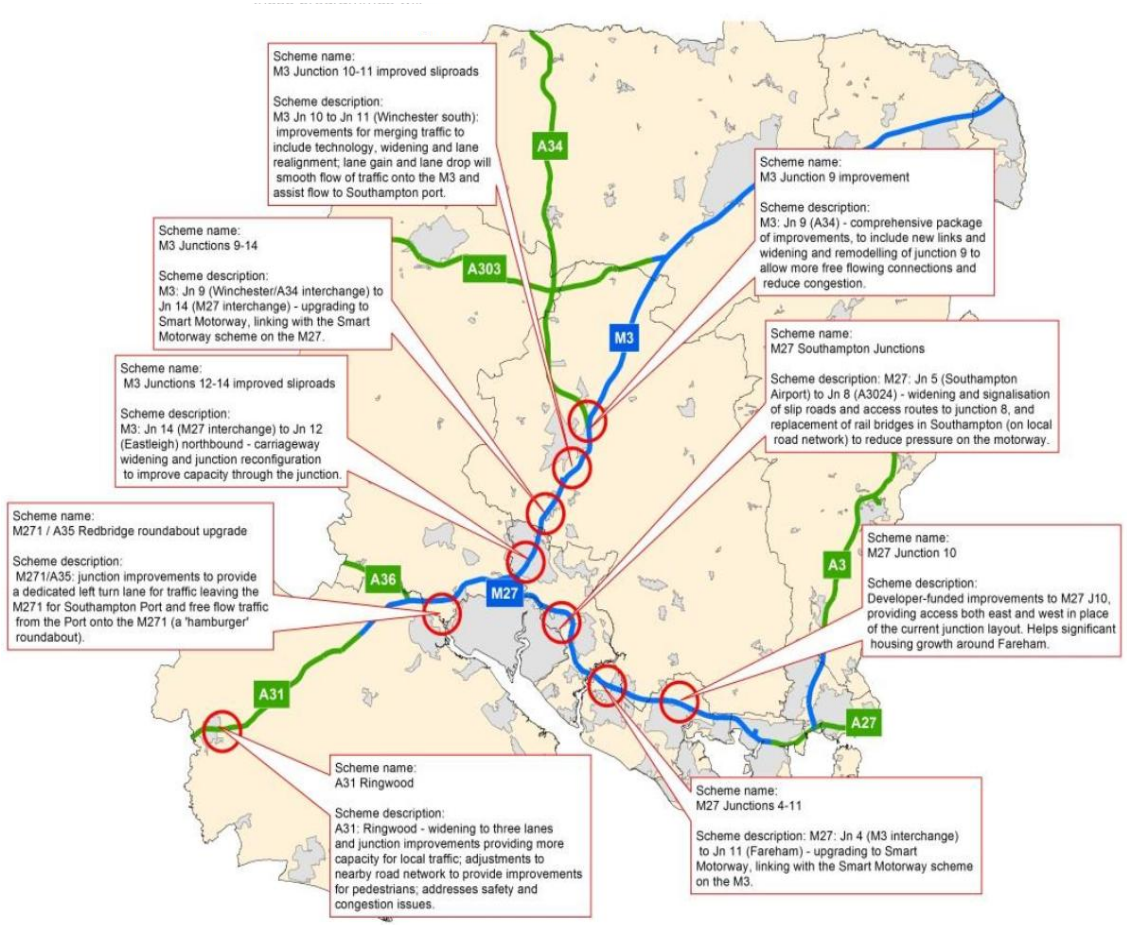
The RIS 2 Investment Plan (2020 to 2025) builds on these schemes by committing to the following schemes in the south of the County:

RIS 2 Schemes

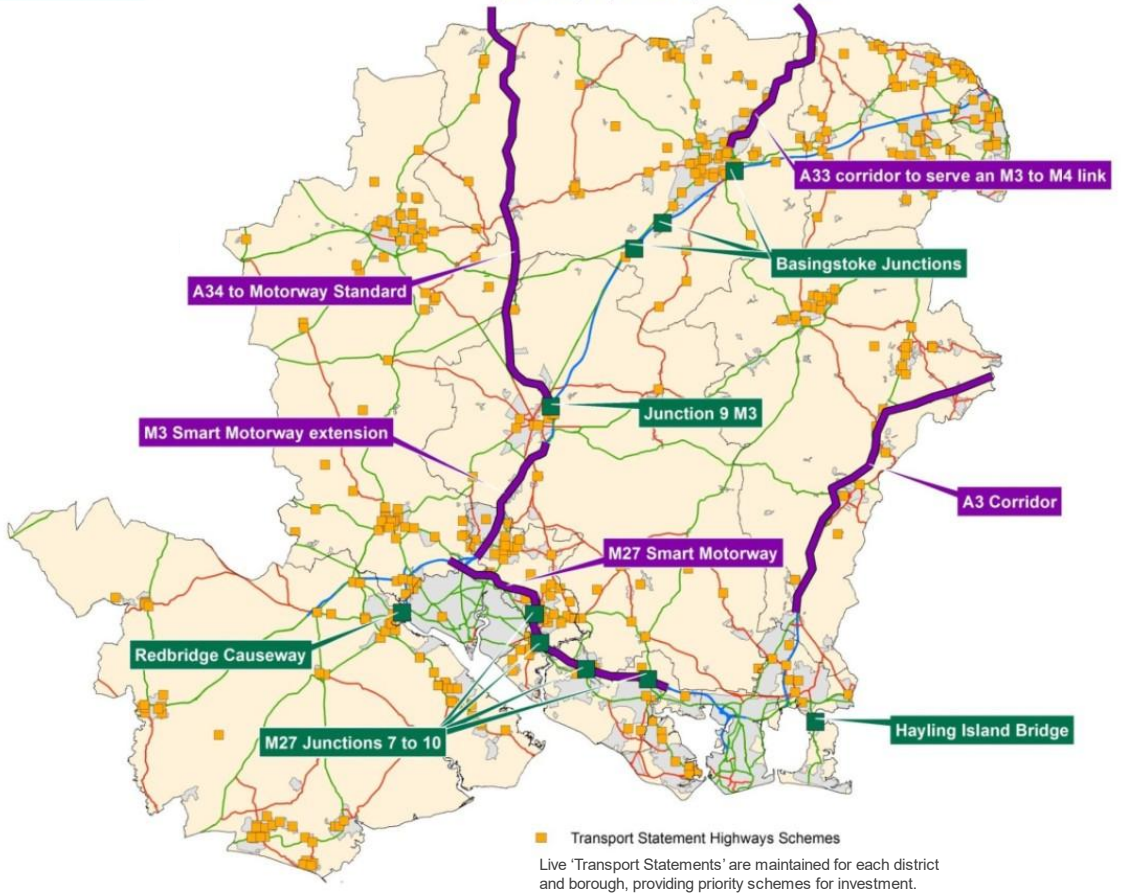
- M3 Junction 9 upgrade
- M27 Southampton Junction 8 capacity improvements
- Widening of the A31 at Ringwood
- Upgrading the M3 to smart motorway between Junctions 9 and 14 (subject to stocktake).
- It also identifies M27 Southampton Access as a RIS3 (2025 to 2030) pipeline scheme.

TRANSPORT INFRASTRUCTURE (3)

Hampshire RIS schemes



Most important future 'strategic' highway schemes in Hampshire (LTP2 Evidence Base)



Live 'Transport Statements' are maintained for each district and borough, providing priority schemes for investment.

TRANSPORT INFRASTRUCTURE (4)

In-Development and Completed Transport Schemes

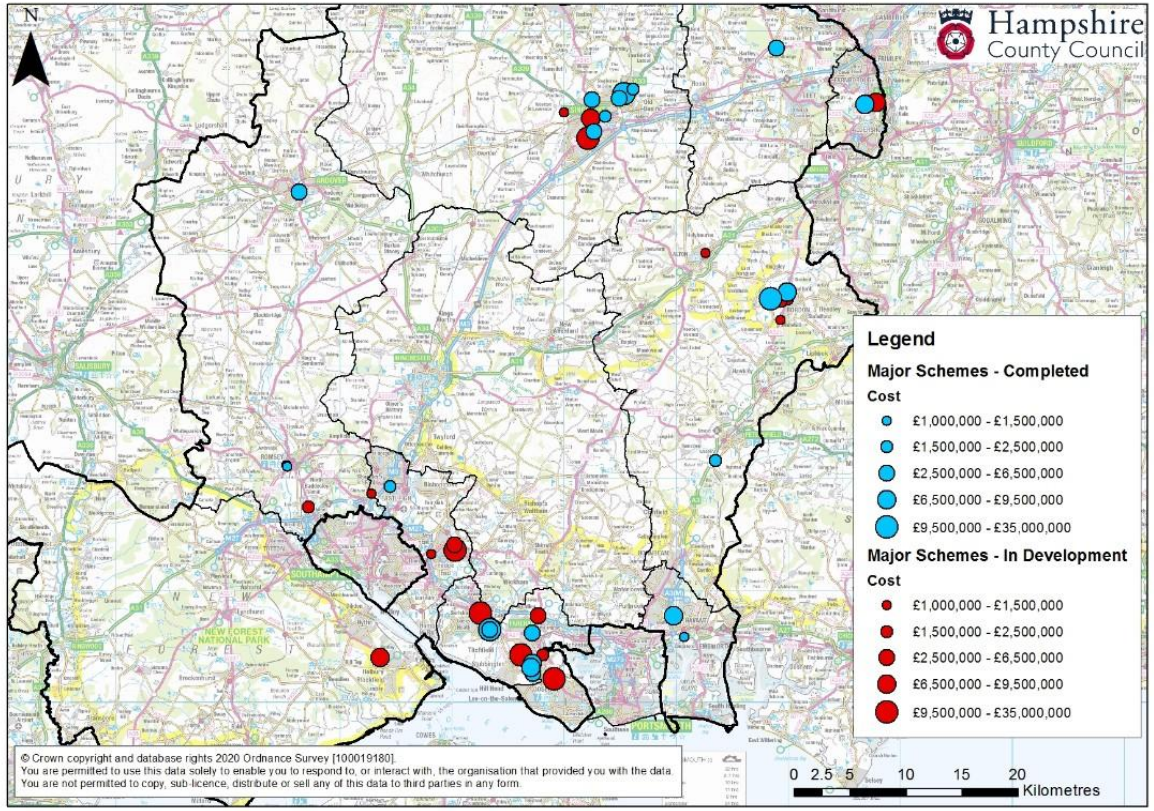
- Over the last decade, major transport schemes (>£1m) have been delivered or are committed and in development within the Hampshire County Council's Capital Programme (**Map**).
- The majority of major transport schemes have been highway related and particularly new highway such as bypasses or junction improvements.
- Many of the highway schemes will include pedestrian and cycling improvements.

Major Schemes: Completed / In-Development

	Complete	In Development
New highway	£41,242,111	£68,566,922
Highway widening	£9,744,426	£16,330,000
Junction capacity	£51,888,294	£65,666,000
Public transport	£3,282,001	£11,602,000
Cycling	£2,089,150	£2,640,000
Pedestrian and cycling	£1,750,396	£5,131,165
Public realm	£2,341,535	£1,303,000
Other	£1,136,871	£0
Total	£113,474,785	£171,239,088

- In addition (not mapped) there have been a large number of smaller schemes delivered across the county and these are more likely to be pedestrian and cycling improvements (**Table**).

Major Schemes: Completed / In-Development



TRANSPORT INFRASTRUCTURE (5)

Rail plays a vital socio-economic function in Hampshire

- Rail plays a vital role in providing for longer-distance freight transport, commuting, and local journeys within Hampshire.
- The County is well served by the rail network, which provides important strategic links, including many direct trains to London.
- The rail network largely mirrors the road pattern, with a focus on radial passenger journeys into London provided by the:
  - London-Weymouth line (serving Farnborough, Basingstoke, Winchester, Southampton and intermediate stations);
  - London-Portsmouth line (serving Guildford in Surrey, Petersfield, Havant, Portsmouth and intermediate stations); and
  - London-Alton line (serving Woking and Farnham in Surrey, Aldershot, Alton, and intermediate stations).
- East-west rail opportunities are much more limited.

Five rail schemes of strategic importance to Hampshire

- The Hampshire Strategic Infrastructure Study (2019) identifies 5 schemes which are considered to be the most important future 'strategic' rail schemes in Hampshire (**Table**).
- The relative importance and policy fit of these schemes will need to be reviewed in the context of the new Local Transport Plan.
- There is a need for greater capacity on the rail network and improved services, including better facilities and interchanges at Hampshire's 49 railway stations.
- Providing increased capacity for freight services, especially those that serve UK export industries reliant on access to the Port of Southampton, is also of increasing national economic importance.
- There is a need to provide better sustainable transport links with key surrounding employment areas.

Key major rail improvement schemes previously identified

Scheme	Proposal
Rail electrification	Reading to Basingstoke as part of electric spine
Western and Eastern access to Heathrow	Linking Great Western mainline to LHR via Reading – with four trains per hour from Reading to Heathrow.
Eastleigh Chord	New 'chord' line to allow trains to run from Southampton Airport towards Portsmouth (without the need to reverse at Eastleigh)
Woking flyover	Key priority for the Wessex Route as it would significantly improve rail capacity and reduce delays on services into London Waterloo.
Digital Railway	Vital for improving capacity by making the current rail infrastructure more productive. Digital Railway project involves using in-train signalling (the European Train Control System) and traffic management systems to optimise the speed and movements of trains on the network so they can run closer together without supervision – it would open up an additional 4 train paths.

DIGITAL INFRASTRUCTURE (1)

Digital infrastructure plays a vital role in our daily lives and is the foundation of a modern thriving economy

- With the advent of the 4th Industrial Revolution, characterized by a fusion of technologies, a robust and innovative digital infrastructure will underpin Hampshire's need to stay competitive in a global market. Adopting technologies like artificial intelligence (AI) and big data analytics will be impossible without superfast broadband.
- Therefore, remaining competitive in the new technological age will require investment in digital infrastructure.

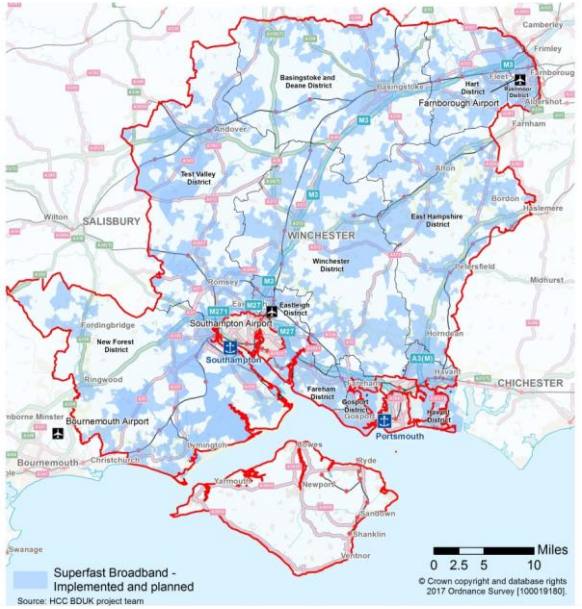
Spatial disparities in superfast broadband coverage

- By 2023 some 97.8% of premises in the County area had been covered by the superfast broadband programme (30-80Mbps), and 77.8% by ultrafast broadband (>300Mbps), but there are significant disparities in coverage between urban and rural areas across Hampshire (**Map**).
- The Department for Digital, Culture, Media and Sport (DCMS) is leading an ambitious programme of work to accelerate the commercial delivery of nationwide gigabit broadband. Its aim is to achieve at least 85% gigabit coverage by 2025 and at least 99% gigabit coverage by 2030.

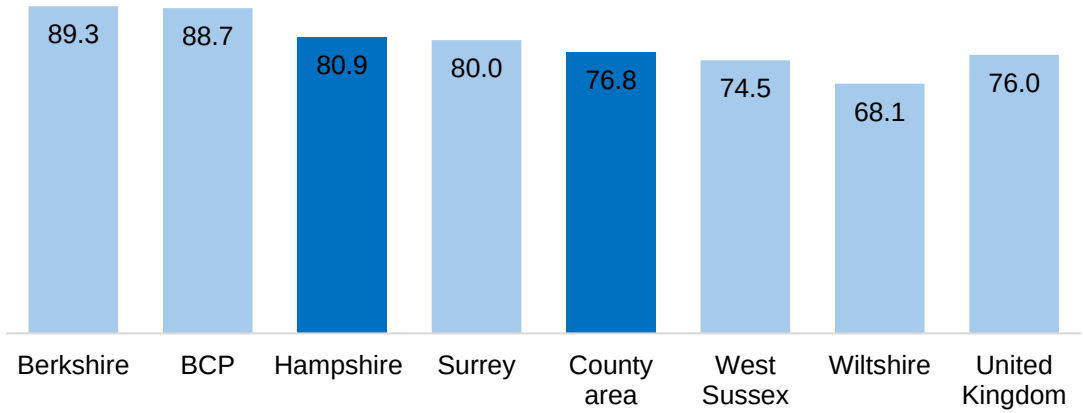
Hampshire has a substantial digital infrastructure gap with some neighbouring economies

- Gigabit availability in the County area is marginally above the national average, Wiltshire and West Sussex.
- Hampshire's figure is marginally higher than in Surrey, but Hampshire has a large gigabit coverage gap with BCP and Berkshire (**Chart**).

Approximate Superfast Broadband coverage across Hampshire



Gigabit availability, % premises 2024



DIGITAL INFRASTRUCTURE (2)

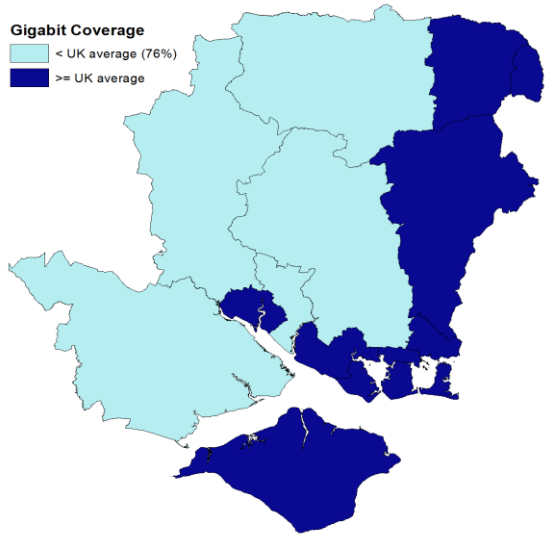
Gigabit connectivity in much of the County lags the UK average

- Gigabit availability tends to be the highest in cities and large towns, but this is not uniform across Hampshire. In Portsmouth this stands at 95.6% of premises whilst in Basingstoke it stands at just 74%.
- Basingstoke underperforms in terms of digital connectivity in comparison with Berkshire. For example, gigabit connectivity in Reading stands at 96% and digital connectivity in Windsor and Maidenhead (the worst performing local authority in Berkshire) stands at 81.2%, well above Basingstoke.
- A gap in digital connectivity relative to Basingstoke's neighbours in Berkshire is probably a factor that has contributed to relative underperformance of its knowledge intensive services, and particularly its digital sector.
- Much of Central and North Hampshire has availability below the UK average (**Map**). The lowest gigabit availability is found in Winchester and New Forest (60.3% and 64% respectively).

Insufficient digital infrastructure impacts on competitiveness and business growth

- The Leadership Priorities in Tech survey (2024) of over 800 executives across the UK and US showed that 75% of leaders say digital transformation investment is needed in the next year.
- To provide digital operations with the data and bandwidth they require, organisations are becoming increasingly reliant on higher capacity connectivity – speeds of 1Gbps and above.
- 42% of UK businesses see higher capacity connectivity in the next two years as key to their growth plans.
- Some 55.6% of UK companies have risked losing a client or customer because of poor internet connectivity, speed or reliability.

Gigabit availability, % premises 2024



Gigabit availability, % premises 2024

	%
Portsmouth	95.6
Southampton	94.0
Gosport	93.7
Rushmoor	92.9
Havant	90.9
Fareham	90.4
East Hampshire	90.2
Isle Of Wight	82.6
Hart	80.3
Basingstoke and Deane	74.3
Test Valley	70.9
Eastleigh	68.2
New Forest	64.0
Winchester	60.3

EMPLOYMENT INFRASTRUCTURE (1)

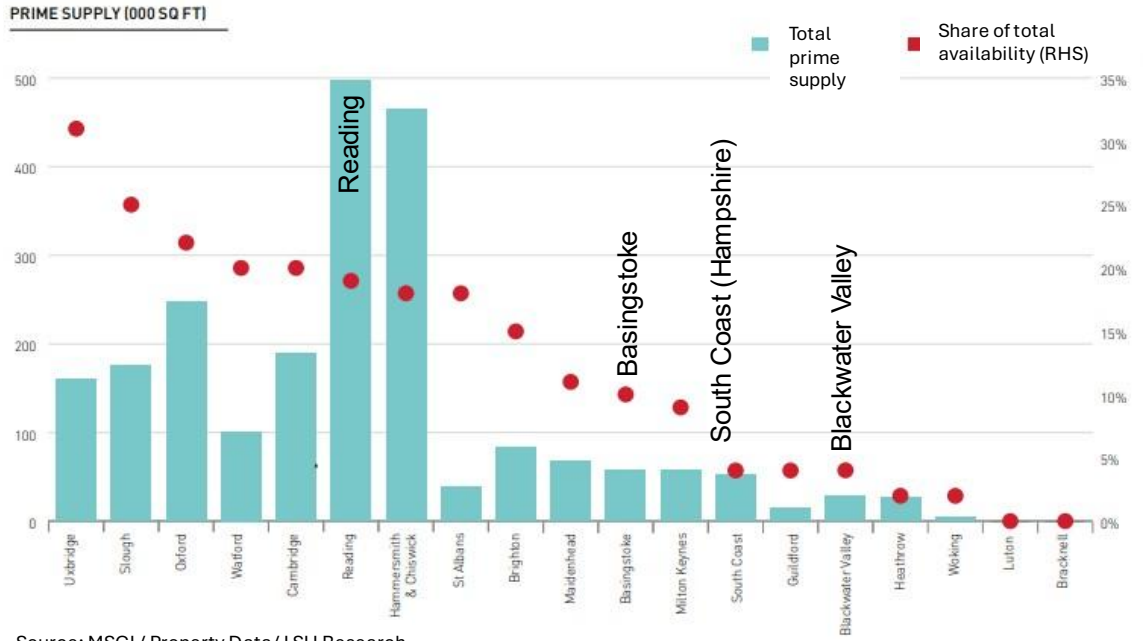
Availability of business space in the right places is of strategic importance to competitiveness and business growth

- Total office space in the South East and Hampshire is still below their 2013 peak, when Permitted Development Rights (PDR) became a policy mechanism for meeting housing supply, often at the expense of office space, exacerbated by COVID and hybrid working.
- Hampshire's 2023 total office floorspace was 16.9% smaller in 2023 compared to 2013; for the County area this was 15.4% less floorspace, with both worse than the South East average (-14.6%)
- Within Hampshire, North Hampshire has seen a larger fall in office space, notably in Hart (-53%) and Basingstoke & Deane (-26%). In contrast Reading only had 8% less office floorspace over the same period. However, over the long run (2001-2023) Southampton has seen a 40% fall in its office floorspace, as there has been little high-quality prime office development in the city over the past 25 years.
- Hybrid working has resulted in a reduced need for office space, leaving many secondary, out-of-date assets empty. However, research by Grant Thornton (2024) and Clutton (2024) suggests that there is increased demand for prime office space.

Strong demand for prime office space, sites with high ESG ratings

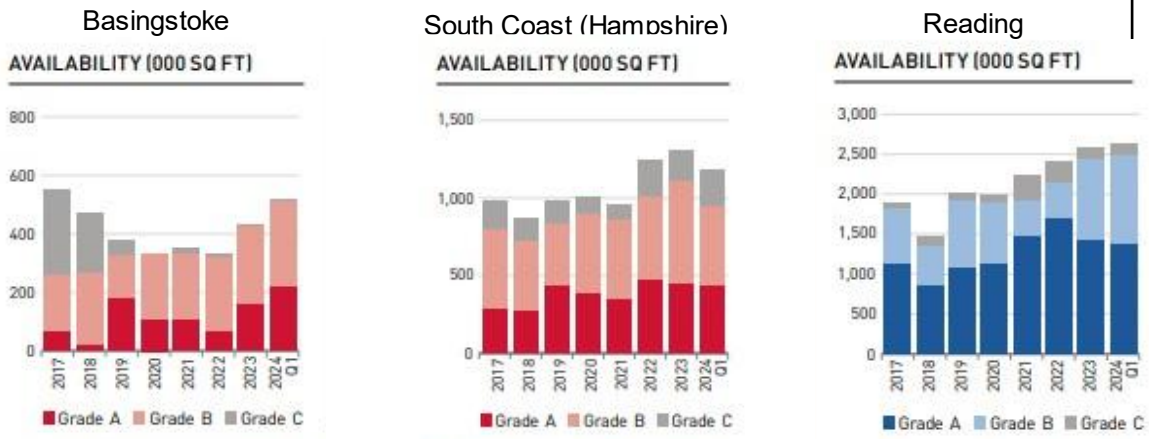
- LSH 2024 research, that looked at a small number of Hampshire locations alongside other locations in the South East, suggests that compared to Reading and other major markets in the South East region, Basingstoke, South Coast and Blackwater Valley each have a much lower supply of office space and prime office space, and much lower shares of prime office availability within total availability **(Top Chart).**
- Although Grade A office space has improved in Basingstoke and to a degree on the South Coast, both are outperformed by Reading **(Bottom Charts).**

South East Prime Office Supply (Thousand SQ FT) and Share (%)



Source: MSCI / Property Data/ LSH Research

Office Availability (Thousand SQ FT)



Source: LSH Research

EMPLOYMENT INFRASTRUCTURE (2)

Lack of speculative office builds in Hampshire compared to some neighbouring markets

- Recent data suggests no new speculative office construction in Basingstoke from 2017 onwards with recent developments focused on refurbishing existing stock (e.g., Grosvenor House). South Coast saw some speculative development pre-Covid but nothing since 2019. This contrasts with Reading with close to 300,000 sq ft of new speculative office space in both 2023 and in the first quarter of 2024, notably the Station Hill development which is a prime Grade A office/living space, making Reading a top location for knowledge intensive professional services. Reading also has the advantage of major new infrastructure (Queen Elizabeth line) and good digital accessibility, and 96% gigabit coverage compared to 74% in Basingstoke (Ofcom 2024). Research by Savills highlights Reading as a key location for growth in the coming years.

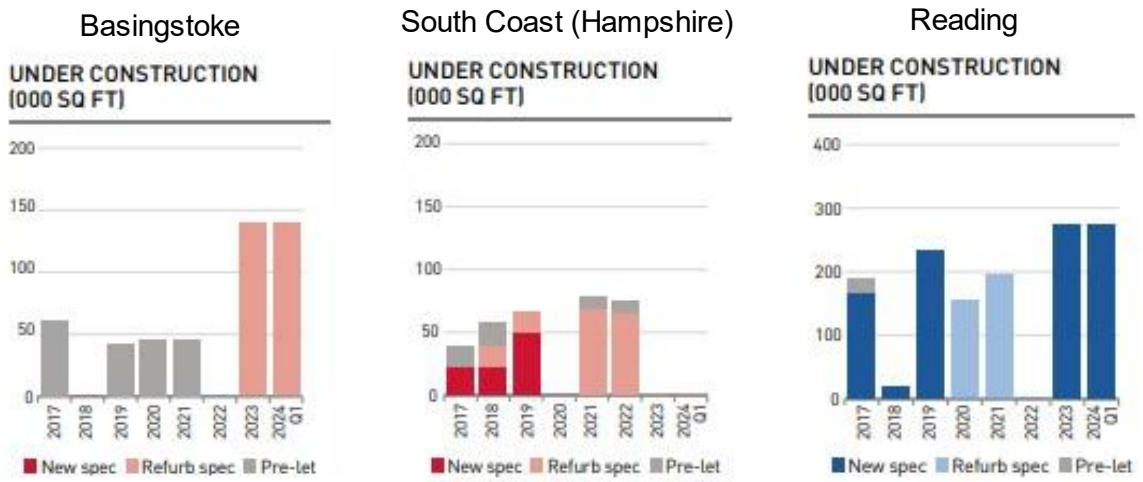
Blackwater Valley bucks the trend in North Hampshire

- The Blackwater Valley, which includes Rushmoor, has new speculative office space and good availability of A-Grade office space. There has been good transactional activity in 2023 in Farnborough Business Park **(Top Charts).** Rushmoor is the second most productive local authority in the UK.

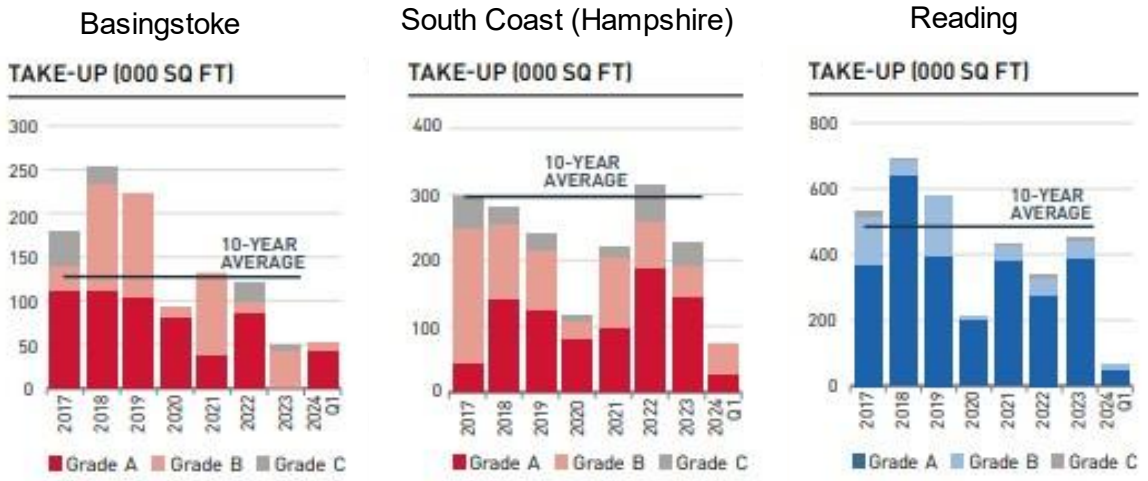
Grade A Office take-up (demand) has been slower in Hampshire

- Looking at demand, take up of floorspace in Basingstoke and South Coast markets has been much lower than in Reading **(Bottom Charts)**. Grade A take up in Reading increased between 2022 and 2023, contrasting with no Grade A take-up in Basingstoke in 2023. The South Coast fared better for Grade A take up but the level was half that of Reading.

Office Space Under Construction (Thousand SQ FT)



Office Space Take-Up (Thousand SQ FT)



Source: LSH Research