

Agreeing HPPB priorities

Hampshire Prosperity Partnership Board

6 January 2024

Agenda item 8

AGREEING HPPB PRIORITIES – OVERVIEW

- HPPB have indicated that you want to focus on a relatively small number of priorities. The main purpose of these priorities will be to focus the effort and agenda time of HPPB.
- The priorities will be included in our forthcoming Hampshire Economy and Growth Plan. The plan will also include business-as-usual programmes that may not be a particular focus of attention for HPPB.
- The longlist of potential “priority areas” shown on slide 3 is organised under the six capitals framework and the key themes from the Hampshire Economic Strategy update. It is the same as the list considered by HPPB on 14 November, apart from the addition of number 14, “Supporting rural businesses”.
- Note that there are strong links between many of the priority areas. For example, although 8 and 9 relate specifically to skills, skills supply is a key enabler of many of the others. Other examples of cross-cutting themes include Net Zero and innovation.
- Slide 4 shows the prioritisation criteria agreed by HPPB on 14 November.
- Slide 5 sets out a proposed approach to agreeing a shortlist and then confirming HPPB’s priorities for 2025-26. Slide 6 sets out some recommendations for inclusion in a shortlist for HPPB to consider, and slide 7 outlines some other key activities which we expect to be on the agenda for the year ahead.
- The rest of this slide pack contains supporting information. Slides 8 to 34 provide the following for each of the longlisted areas: key evidence relating to the area’s importance for Hampshire; key activities already being delivered by Hampshire partners and by central government; and some suggestions for what HPPB’s focus could be, within that area.
- Slides 35 to 40 summarise our evidence on which sectors are significantly clustered in Hampshire, including their importance to Hampshire and to UK PLC. This is directly relevant to longlist area 13, “Developing high potential sectors/clusters”, but also has a part to play in defining our focus within other areas e.g. number 9, “Meeting future skills needs”.
- Note that in the evidence sections, “Hampshire” refers to the Hampshire County Council area plus Portsmouth, Southampton and the Isle of Wight, unless otherwise specified.



OVERVIEW OF PRIORITISATION FRAMEWORK			SIX CAPITALS					
KEY THEMES	LONGLIST OF AREAS		Physical	Natural	Human	Knowledge	Social	Institutional
Sustainable growth	1	Transition to Net Zero / green economy						
Infrastructure development	2	Improving transport and mobility						
	3	Improving digital connectivity						
	4	Meeting energy needs						
	5	Increasing housing supply						
	6	Increasing supply of employment space						
	7	Regenerating town centres						
	Skills and employment	8	Tackling recruitment and skills shortages					
9		Meeting future skills needs						
10		Pathways from inactivity to employment						
11		Health and wellbeing of the workforce						
Innovation and technology	12	Supporting start ups and scale ups						
	13	Developing high potential sectors/clusters						
	14	Supporting rural businesses						
	15	Developing our innovation ecosystem						
Collaboration and partnerships	16	Joining up the business support system						
	17	Promoting our region internationally						
	18	Making devolution work						
	19	Securing funding and generating income						

PRIORITISATION CRITERIA

- A. How strong is the evidence of the **importance** of this area to Hampshire's economy?
- B. How clear is the potential for the Hampshire Prosperity Partnership to have an **impact** on growth by focusing on this area, either through direct delivery, or through influence?
- C. Is there a clear **gap** in respect of action in Hampshire in this area (or is somebody else already taking action to address it)?
- D. Is the area aligned with **central government** priorities?
- E. Does the area present opportunities to secure public **funding** and/or private **investment**?
- F. Does the area present opportunities to improve economic **inclusion** for our deprived communities?
- G. Can **partnership** working between the business community, local government and education add value in this area?



PROPOSED APPROACH

- At its meeting on 6 January, we are asking HPPB to agree a **shortlist** of potential priorities, taking into account the information in this slide deck and the prioritisation criteria.
- The Economy and Skills team will then do further work on that shortlist, in order to provide to HPPB for its meeting in March: a more specific proposal for work that HPPB could lead in each shortlisted area during 2025/26; and advice about timing and resourcing.
- We will ask HPPB to confirm its priorities from the shortlist at the March meeting. This will enable us to incorporate these into the forthcoming Hampshire Economy and Growth Plan.
- We are also proposing that HPPB should review these priorities after one year, at which point HPPB may decide to change them.
- The following slide (slide 6) sets out four areas which the Economy and Skills team is recommending for inclusion in the shortlist. In addition, slide 7 outlines some other activities to which HPPB will also need to dedicate agenda time during the year ahead.
- **HPPB is asked to confirm:**
 1. Whether you agree that the four recommended areas should be included in the shortlist
 2. Which other areas (if any) you would like to shortlist at this stage



SHORTLIST RECOMMENDATIONS

RECOMMENDED AREAS		RATIONALE
A	4 – Meeting energy needs	<ul style="list-style-type: none"> • A key enabler of growth and of the transition to Net Zero • Alignment with Government’s “clean energy superpower” mission • Opportunity to attract private and public investment into clean energy projects • Potential to take forward Local Area Energy Planning
B	10 – Pathways from inactivity to employment	<ul style="list-style-type: none"> • Labour market participation is a key driver of growth • Government has committed to local work, health and skills plans and local commissioning of programmes, starting in 2025 with Connect to Work • A key lever for improving economic inclusion for our deprived communities • Connects to Hampshire 2050 Year of Health and Wellbeing
C	<p><i>A combination of:</i></p> <p>12 – Supporting start ups and scale ups</p> <p>14 – Supporting rural businesses</p> <p>16 – Joining up the business support system</p>	<ul style="list-style-type: none"> • Creating an outstanding environment for businesses to start and grow is crucial for future growth • Opportunity to align with Government’s forthcoming Small Business Strategy • Opportunity to improve coordination and achieve efficiencies across county, districts, business organisations, universities and colleges • Potential initiatives include development of an online hub, and a regional investment fund • Can consider effectiveness of support for businesses in rural areas as a sub-theme
D	13 – Developing high potential sectors/clusters	<ul style="list-style-type: none"> • Industrial Strategy is focused on sectors and clusters and will direct funding and support to these • HPPB can catalyse cluster initiatives at an early stage of development e.g. digital & creative, life sciences • Partnership between business, education and government is key to successful cluster initiatives (including meeting skills needs)

OTHER KEY HPPB ACTIVITIES IN 2025/26

In addition to leading work in the agreed priority areas, we anticipate that HPPB will also be:

- **Agreeing the Hampshire Economy and Growth Plan.** This will include specific actions to be delivered within HPPB's agreed priority areas. It will also include Government-funded programmes that we expect to be delivering in the year ahead, including the Growth Hub, the Careers Hub, Skills Bootcamps, and Connect to Work (a forthcoming supported employment programme).
- **Overseeing the development of the new Hampshire Skills Strategy.** The Hampshire Skills Partnership (one of the HPPB's sub-groups) will lead this work.
- **Establishing the Business Forum.** We would like to explore the potential to structure the Business Forum around priority sectors/clusters; we will provide HPPB with a proposal for this once its priorities are confirmed.
- **Contributing to the vision for devolution in Hampshire.** In particular, HPPB could play a key role in shaping the story about our regional economy, as a key component of a devolution deal.
- **Supporting income generation.** We would welcome advice and support from HPPB, regarding the development of new ways of funding local economic development initiatives in Hampshire.



1 – TRANSITION TO NET ZERO / GREEN ECONOMY

Key evidence

Lower carbon dioxide emissions and faster decrease in per capita emissions than nationally.

- Hampshire’s carbon dioxide (CO2) emissions halved between 2005-22.
- In per capita terms, this has fallen from 7.9 to 1.7tCO2e, faster than the national average, from 8.8 down to 4.5.

The fall in emissions seen in all sectors driven by the 2nd largest sector, domestic.

- Transport and domestic are the two largest sectors that account for three quarters of all emissions in Hampshire.
- The largest fall in emissions was observed in household sector with transport seeing the third largest fall in emissions.

Acting on transport and housing emissions is key to reducing Hampshire’s emissions.

- Local Transport Plan 4 has a range of measures aimed at reducing transport emissions. Research suggests that at least a 10% reduction in car mileage will be required to achieve carbon neutrality, even if we wholly switch to electric/hydrogen vehicles.
- Energy efficient retrofit of existing housing stock is needed in the transition of domestic sector to net zero.

Making this transition a success will depend on creating a workforce equipped to deliver it.

- Research by Parity Projects suggests that the number of jobs supported by a retrofit programme in Hampshire is projected to exceed 6,000 FTE roles p.a. for a 10-year period.
- Research points to 91,000 jobs in Hampshire that may need upskilling in transition to a green economy.

What are we already doing?

- Hampshire Climate Change Strategy and Action Plan.
- Hampshire Retrofit Consortium.
- Skills Bootcamps commissioned by Hampshire County Council include retrofit, heat pumps, and electric vehicles.
- District climate change action plans.
- Hampshire Chamber of Commerce – Sustainable Action Network.
- Identification of green skills needs through the Local Skills Improvement Plans, followed by Local Skills Improvement Fund investments in skills facilities.
- Solent Cluster – hydrogen, carbon capture, and sustainable fuels.
- Solent Freeport Net Zero Plan.

What could HPPB’s focus be in this area?

- Bringing the business voice to lobbying government for the infrastructure and funding needed to support clean growth.
- Engaging the business community with the Hampshire Climate Change Strategy.
- Net Zero / sustainability should be a cross-cutting theme across all HPPB priorities.

2 – IMPROVING TRANSPORT AND MOBILITY

Key evidence

The 5th largest road network of any local authority in the country and greater reliance on cars than the national average.

- Overall car ownership in Hampshire (86%) is well above England average (76%). Economic and social factors, degrees of rurality and access to public transport all influence car ownership.
- The car or van is the primary mode of travel to work (65%), despite 35% of commuting trips less than 10km, comparable to national average.

Passenger cars main contributor to greenhouse emissions.

- Vehicle traffic on Hampshire's roads rose by 2.6% between 2022-23 but stands at 3.8% below 2019 pre-pandemic levels. Great Britain's road traffic rose 2.2% and stands at 2.3% below 2019.
- National car traffic forecast points to strong growth by 2050 although new technologies may soften future demand.

Mixed picture for bus and active travel (walking and cycling).

- Bus use increased by 3% over the last decade but number of journeys per head is below South East average.
- Compared to England's 22.7% benchmark, Hampshire shows reduced levels of adults walking for travel at least three days per week at only 18.6%.
- Hampshire shows the same percentage of adults cycling for travel at least three days per week as the England benchmark (3.1%).
- Walking is the main mode of travel to school, but 30% of pupils are taken to school by car (excludes car sharing).

Continued overleaf

What are we already doing?

- Hampshire Local Transport Plan 4 sets out a vision for 2050 of “a carbon neutral, resilient and inclusive transport system”, and a roadmap for getting there.
- Scheme delivery – in the five years prior to LTP 4, Hampshire County Council delivered schemes to the value of approximately £300m.
- Bus Service Improvement Plan – updated in 2024, setting out a refreshed vision and proposed improvements to March 2029.
- District plans to e.g. improve town centre access, encourage walking and cycling etc.
- Membership of Transport for the South East, which identifies regional priorities and plays a key lobbying role with government.
- Solent Freeport – transport improvements for key sites.

What could HPPB's focus be in this area?

- Bringing the business voice to lobbying of central government for future infrastructure investment in Hampshire.
- Feeding into the Transport for the South East Business Board to ensure business needs are reflected in regional transport priorities.
- There is an interdependency with “4 – Meeting Energy Needs” (see below) because of the increased long term demands on the energy system from the electrification of transport.

2 – IMPROVING TRANSPORT AND MOBILITY

Key evidence continued

Some of the worst urban congestion in the country is found in Hampshire.

- 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 congestion is highest in the largest urban areas. The urban built-up areas of South Hampshire have the highest level of urban congestion overall and some of the worst congestion in the country. This area also has the highest level of inter-urban congestion.

There is considerable uncertainty regarding traffic trends, post Covid.

- The strong growth of all trips by 2036 have been predicted by the two Hampshire/Solent transport models.
- There is a degree of uncertainty due to fewer commuter trips (due to increased levels of remote working) and more flexible working hours that allow people to avoid rush hour traffic.

Investment needed in maintenance of Hampshire's highways, major roads and rural roads.

- 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.
- Rural roads comprise 60% of the Hampshire network but roads are in a declining state with maintenance backlogs due to a sustained lack of funding from central government.
- The Government's Road Investment Strategy proposes significant improvements to the M3 and M27 to address capacity issues.
- Other significant road improvement schemes have been proposed by Hampshire County Council or Highways England.



3 – IMPROVING DIGITAL CONNECTIVITY

Key evidence

Hampshire reduces the digital divide by successfully completing its superfast broadband programme.

- Successful completion of superfast broadband programme with 97.8% of premises in the County area covered by 2023.
- Mobile coverage in Hampshire is on average similar to the national average but half of the 14 districts are below the national average for indoors coverage. The areas with the lowest coverage are the more rural districts.
- The risk of digital deprivation in Hampshire is relatively low but there are pockets of high deprivation along the coast and in rural areas. Isle of Wight and New Forest are the most digitally deprived LAs.
- Research suggests that older adults (60+), low-income households, people with disabilities, rural residents, and individuals with low literacy or language barriers are most at risk from digital exclusion.

Low risk of digital exclusion but gigabit coverage in Hampshire lower than in the UK.

- UK Government has set a target of 85% of premises to be able to access a one gigabit or faster broadband service by the end of 2025.
- 75% of Hampshire’s premises had gigabit connectivity in 2023, compared to 76% in the UK and 69.5% in the County area.
- Approximately 22,000 of the County area’s most hard to reach properties not included in Project Gigabit due to viability issues - properties would be reliant on the voucher scheme for connectivity.

Investment in digital infrastructure one of the key enablers of competitiveness and future growth.

- Digital connectivity essential for attracting and retaining businesses.
- Research suggests that for every £1 invested in digital skills, there is a return of £9.48.

What are we already doing?

- Hampshire Digital Future Strategy – promoting digital inclusion, enabling digital infrastructure investment by suppliers, and systems leadership.
- Skills Bootcamps in digital marketing, data analytics, and coding.
- Project Gigabit – government programme to enable hard to reach communities to access fast, reliable gigabit-capable broadband. Benefitting rural and remote communities, as well as tackling pockets of poor connectivity in urban areas.
- District digital strategies and/or digital inclusion/skills initiatives.
- Digital skills provision across the education and skills system.

What could HPPB’s focus be in this area?

- Bringing the business voice to lobbying of central government for future infrastructure investment in Hampshire.
- Making the case for improved mobile phone coverage in cold-spots, to support local businesses and better community services.

4 – MEETING ENERGY NEEDS

Key evidence

Smaller fall in energy consumption and slower growth in renewable electricity than in the UK.

- Total energy consumption in Hampshire decreased by 7% between 2015 and 2022, marginally slower than the UK average (-7.5%), while the County area (-6.3%) fell at a slower pace.
- There appears to be a correlation between more rural and affluent districts seeing much lower falls in energy consumption compared to larger falls in urban districts associated with higher deprivation.
- Renewable electricity generation increased by 3.6%, rising to 16.3% in the County area, both much lower than the UK average (63%).

Substantial opportunity for renewable energy generation in Hampshire.

- Research by the University of Southampton suggests that the largest generation potential involves offshore wind and utility scale solar.
- Onshore wind and tidal generation also have the opportunity to contribute significantly to meeting energy demand.
- Generation potential was found to be highest in more rural areas where grid capacity was lowest. Conversely, where capacity for generation was highest (in urban areas) there was less potential for generation.
- Currently only 23% of Hampshire's energy demand can be met without infrastructural upgrades to the grid.
- Anecdotal evidence suggests that energy connectivity is often an issue affecting larger commercial and housing developments in Hampshire.
- Community energy projects have the potential to alleviate some of the pressures on the grid through community-led renewable energy generation and reducing energy consumption through shifting demand.

What are we already doing?

- “Make Britain a clean energy superpower” is one of the new government's five missions. Includes the establishment of Great British Energy, which will invest in clean energy production.
- Hampshire County Council's Climate Change Team is supporting a group of stakeholders with a common interest in local area energy planning.
- District investments in local renewable energy generation.
- Growing network of community energy groups across Hampshire, taking forward community-led renewable energy projects.

What could HPPB's focus be in this area?

- Bringing the business voice to lobbying of central government for grid infrastructure improvements, influencing Great British Energy's investment programme etc.
- Catalysing local area energy planning for Hampshire.
- Attracting private investment by articulating the substantial opportunities in the area.

5 – INCREASING HOUSING SUPPLY

Key evidence

Housing affordability in most places well below the national average with affordability declining faster than nationally.

- Housing affordability in all but three local authorities in Hampshire (Southampton, Portsmouth and Gosport) considerably worse than the national average.
- Long-term house price growth causing faster reduction in affordability in all but one Hampshire local authority (Southampton) than nationally since 2010.

Housing supply failed to keep pace with demand with supply lagging the South East average.

- In the latest financial year for which we have data the net addition to housing stock in Hampshire was a quarter below its target or some 2,227 fewer dwellings.
- Hampshire lagged the South East average. In the region the gap between the current housing target and net additions was -20%.

Councils are to be given new, mandatory targets. Proposed targets considerably larger than under the current method.

- Hampshire faces annual housing target that is 1.5 times larger than under the current method compared to 1.35 in the South East.

Increase in supply of housing would to some degree improve affordability, improve graduate retention and possibly labour supply but increased delivery over the short-term is a challenge.

- Housing supply is inelastic in an oligopolistic market dominated by a handful of major housebuilders.
- Hampshire faces considerable skills and infrastructure challenges e.g. transport and energy supply.

What are we already doing?

- Government aim to deliver 1.5 million homes. New mandatory housing targets and planning reforms.
- Government support for housing development via Homes England.
- District and unitary councils responsible for housing and local planning.
- Several county council responsibilities with implications for housing development: transport, water management, school places, minerals and waste, public health.

What could HPPB's focus be in this area?

- Making the case to government for investment in affordable housing in high house price areas.
- Bringing the business voice to lobbying government for investment in the infrastructure needed to support housing growth e.g. in transport, skills.

6 – INCREASING SUPPLY OF EMPLOYMENT SPACE

Key evidence

Falling total business floorspace in Hampshire. Hampshire loses ground relative to the national average since 2010.

- Over the long-term (2001-2023) total business floorspace in Hampshire increased faster than in England.
- However, business floorspace decreased slightly over the medium to longer term (2010-2023) compared to growth in England. Over the short-term (2021-2023) total business floorspace decreased by 2% compared to no growth in England.

Growth in total industry and retail floorspace over the medium-to-longer term but a sharp fall in total office floorspace. Hampshire underperforms the national average.

- Total retail floorspace slightly larger in 2023 than in 2010 but growth in England double the Hampshire average. Growth in industry floorspace comparable to the national average.
- Total office floorspace contracts by about 13% between 2010 and 2023, more than double the contraction in England.

The fall in total office space since 2010 driven by large falls in office floorspace in large cities.

- Southampton lost over 40%, followed by Basingstoke 27% and Portsmouth 5.1%
- There was growth in supply in eight local authorities.
- Conversions from office to housing was a contributing factor.

Continued overleaf

What are we already doing?

- District and unitary councils responsible for regeneration and local planning.
- Major town centre regeneration projects e.g. Levelling Up Fund projects in Andover, Gosport and Farnborough.
- Solent Freeport includes development of key commercial sites e.g. Dunsbury Park, Navigator Quarter.

What could HPPB's focus be in this area?

- Identifying any cases where a shortage of a specific type/quality of employment space is damaging Hampshire's competitiveness, or constraining a high potential sector/cluster (see 13 below).
- Inputting into district council local plans, to articulate the importance of employment space to balance housing growth and to create new employment opportunities for local people.
- Commissioning work on unlocking stalled commercial sites, to understand and address the barriers to development.

6 – INCREASING SUPPLY OF EMPLOYMENT SPACE

Key evidence continued

Sharp decrease in total office floorspace in Hampshire since the pandemic and considerably faster than in England.

- Between 2021 and 2023 total office floorspace contracted by over 10%, close to double the rate found in England. Pandemic was the main driver, but firms had already started to shrink footprints.

Strong demand for industry and office space before pandemic, but quality matters.

- A sustained supply/demand imbalance in South and Central Hampshire significantly compressed industry vacancy rate to 2.8% in March 2020 compared to the average rate of 5.2% over the previous decade (Stantec study).
- The rate pointed to an exceptionally tight industry market, where demand was much in excess of supply. A normal vacancy rate is generally considered to be between 5% and 10%.
- There was strong demand from professional, technology/media/telecommunication companies, and serviced office providers.
- 6/10 local authorities had vacancy rates below the national average in March 2020 with 8/10 having lower rates than the 10-year average.
- A study commissioned by Enterprise M3 LEP found that pre-pandemic in Basingstoke and Andover and large parts of the Blackwater Valley, the challenge was an oversupply of poor quality, second-hand space which depressed rental values and discouraged investors from building new, high-quality offices.
- Both areas lost out on investment to towns in the M4 corridor which have seen significant investment in high quality stock.

Future office demand uncertain but likely to be driven by quality and flexibility through, for example, 'hotelized' office space.

- Occupancy rates have been low post-pandemic although rising; hybrid working to constrain growth in office demand.
- Anecdotal evidence points to strong demand for smaller specialised spaces in Hampshire and falling demand for out-of-town offices. There has been rising demand for coworking space.



7 – REGENERATING TOWN CENTRES

Key evidence

There are significant disparities in Hampshire’s high street postal addresses by land use category which implies that regeneration needs are likely to be different between places.

- Just over a quarter of all addresses in Portsmouth and Gosport high street are not residential compared to over two thirds in Eastleigh and close to 60% in Winchester and Basingstoke.

Lower pre-pandemic commercial vacancy rates than both the regional and national average but significant disparities across Hampshire.

- At the start of the pandemic commercial vacancy rates in Hampshire stood at 7%, slightly below the regional and national average.
- There were significant disparities in commercial vacancy rates with local authorities in North Hampshire having rates significantly above the national average, and those in Central Hampshire being well below the Hampshire average.

Dwellings vacancy rates lower than both the regional and national average but with significant disparities across Hampshire.

- The highest vacancy rates were again on average found in North Hampshire, comparable to Solent and below the national and regional average.

The rates increased during and in the aftermath of the pandemic.

Hampshire’s vibrant high streets have recovered but the recovery has not been uniform across Hampshire.

- New local authority powers such as High Street Rental Auctions, will allow local leaders to take control of empty properties blighting their high streets and rent them out to local businesses.

What are we already doing?

- District and unitary councils responsible for regeneration and local planning.
- Major town centre regeneration projects e.g. Levelling Up Fund projects in Andover, Gosport and Farnborough.
- High street improvement projects funded through the UK Shared Prosperity Fund.
- Regeneration and Growth Boards provide a mechanism for cooperation between districts and county e.g. to align regeneration projects and transport improvements.
- Local authorities to be given new powers to use High Street Rental Auctions of eligible vacant premises.
- The government will reform the local growth funding landscape at the next Spending Review, in Spring 2025.

What could HPPB’s focus be in this area?

- Making the case from a business perspective for key regeneration projects to be supported from new local growth funding streams, once announced.
- Lobbying for the infrastructure to support town centre regeneration.
- Ensuring that business support services provide effective support to town centre businesses.

8 – TACKLING RECRUITMENT AND SKILLS SHORTAGES

Key evidence

Hampshire employers more likely to have vacancies and skills-shortage vacancies than nationally. Relatively high incidence of hard-to-fill vacancies.

- 25% of all employers in Hampshire had a vacancy at the time of the Employer Skills Survey 2022 compared to 23% in the UK.
- 10% of establishments in Hampshire had at least one skills shortage vacancy, comparable to the national average but in the Hampshire County area the figure stood at 11%.
- Some 16% of establishments in Hampshire had at least one vacancy that was hard to fill.

About two thirds of all vacancies can be filled by local people, more in health & social care but relatively few in several higher skilled occupations.

- Job adverts in Hampshire stand at 4.2 per 100 working age people compared to 3.4 in the UK. 1-in-7 were in health & social care.
- In 2023, 63% of job adverts in Hampshire could have been filled by local people compared to 66% in London and 74% in the UK. Low proportion for higher skilled ICT and engineering vacancies that could have been filled by local people.
- Some 76% of health & social care job adverts in Hampshire matched the skills of at least one person not currently working in the same occupation compared to 78% in the UK.
- Some 16% of employees in Hampshire received job related training in the last 4 weeks, above the national average, but graduate retention in Hampshire is relatively low at around 53%.

Hampshire needs improved job matching efficiency and increased retention / supply of graduates and people with technical skills.

What are we already doing?

- Wide range of provision across Hampshire delivered by schools, colleges, universities and private providers.
- Skills programmes commissioned by Hampshire County Council include Skills Bootcamps, Adult Tailored Learning.
- Local Skills Improvement Plans (LSIPs) led by chambers of commerce. Local Skills Improvement Fund provided capital investment in key capabilities linked to LSIP priorities.
- Online learning offers e.g. Innovation South Virtual Campus, Rushmoor Training Hub (delivered in partnership with SEEDL).
- Hampshire Careers Hub and Solent Careers Hub – connecting schools and learners with employers.
- Requirement on developers to put in place Employment and Skills Plans.

What could HPPB's focus be in this area?

- Leading the development of a new Hampshire Skills Strategy.
- Providing a link between business and education to assist delivery of the skills that businesses need.
- Catalysing the development of an integrated online learning platform across the whole of Hampshire.

9 – MEETING FUTURE SKILLS NEEDS

Key evidence

Demography and technological advances are some of the most important drivers of future demand for skills in Hampshire.

- Hampshire’s population of working age is projected to peak in 2028 with the County population expected to peak this year.
- By 2043 Hampshire’s workforce is expected to be 1.7% smaller than today but its elderly population (65+) is expected to increase by 29% according to the latest ONS population projections.

The latest labour market and skills projections from DfE point to sluggish growth in expansion demand (new jobs) in Hampshire but strong growth in replacement demand (existing jobs).

- The need to replace existing jobs is expected to constitute some 89% of total demand by 2035 and all of demand in manufacturing.
- Among higher value-added services strong employment growth is projected in information & communication and professional services. The top 3 occupational categories are expected to account for over 50% of the overall employment demand by 2035 with caring, leisure and other services also accounting for a significant share of total occupational demand.
- Increasing use of technology in the workplace will affect all sectors and perhaps it will have the greatest impact on some lower skilled occupations like, administrative and secretarial occupations.

Upskilling the workforce will be necessary, but it will come with some challenges.

- Upskilling people in some occupations could increase mobility thus starving some occupations of available labour. A further side effect has been a gradual rise in the number of over-qualified and under-utilised employees in some occupations.

Continued overleaf

What are we already doing?

- See 8 – Tackling Recruitment and Skills Shortages, on previous slide.
- Innovation South Virtual Campus includes courses in cyber security, digital skills etc.
- Skills initiatives focused on key sectors/clusters e.g. Space South Central JUPITER initiative (Joint Universities Programme for In-Orbit Training, Education and Research).
- Green skills initiatives e.g. South Hampshire “Greenprint” framework aims to create a centre of excellence in green skills and jobs.

What could HPPB’s focus be in this area?

- Leading the development of a new Hampshire Skills Strategy.
- Providing a link between business and education to assist delivery of the skills that businesses need.
- Focus on analysing and meeting skills requirements of key high potential sectors/clusters (see 13 below).

9 – MEETING FUTURE SKILLS NEEDS

Key evidence continued

One third of current demand in Hampshire is in high-skilled occupations, with demand for professionals forecast to rise.

- Research (McKinsey) forecast managers, technology specialists, and health professionals to have risen 20% between 2017-2030.
- Programmers and Software Development Professionals consistently in top 10 occupations in demand in Hampshire.
- The fastest growing jobs mostly in high-skilled knowledge intensive services (World Economic Forum) in: AI and Machine Learning; Sustainability Specialists (green economy); Business Intelligence Analysts; Information Security; Fintech; Robotics Engineers; and Agri-tech.

Lower intermediate and low skilled occupations account for a further third of current Hampshire demand.

- Lower skilled jobs vulnerable to future growth in automation but current demand is still strong with demand-supply mismatch in Hampshire in: construction; parts of business services; social care; and hotels and restaurants. Care workers often top the list of occupations that are in demand in Hampshire.

Although research suggests occupations in the middle are being hollowed out by technology, demand in Hampshire remains.

- One third of current demand is in upper intermediate occupations.

Future demand for mix of hi-tech and ‘soft’ creative and critical thinking skills.

- Research points to top future employability skills in analytical thinking; creative thinking; AI & Big Data; leadership & social influence; resilience, flexibility, and agility; technological literacy; design & user experience; motivation & self-awareness, curiosity and lifelong learning.



10 – PATHWAYS FROM INACTIVITY TO EMPLOYMENT

Key evidence

Rising levels of economic inactivity since the pandemic but Hampshire's performance better than the national average.

- Economic inactivity rates in Hampshire and the UK peaked in 2022 before decreasing in 2024. The UK had more inactive residents in 2024 than in 2019 but the same is not true for Hampshire, which had an estimated 18,000 fewer inactive residents than in 2019.
- Some 210,000 or approximately 1-in-6 working age residents in Hampshire are economically inactive. This is better than the national average but there are significant disparities in Hampshire.
- In Havant this stands at close to 30%, well above the national average and 2.7 times higher than in Test Valley.

Young people and older residents are far more likely to be inactive than the average Hampshire resident of working age.

- About a third of Hampshire's young people (16–24-year-olds) and about a quarter of 50–64-year-olds are inactive compared to about 1-in-14 people of the core working age.
- Education is a major reason for young people's inactivity but mental health is increasingly an issue, as is long-term ill-health among older workers.
- NEETs rate for 16–17-year-olds in England has improved slightly since pre-pandemic in contrast to rising rates in Hampshire.

A higher proportion would like to have a job than nationally but there are multiple, overlapping and age-related barriers to activity.

- Close to 1-in-5 of inactive Hampshire residents want a job, slightly more than the national average (17.7%). This amounts to 39,000 residents who could be in work with the right support.
- In Havant, the most deprived place in Hampshire, and the New Forest, with a high share of older people, this rises to over 1-in-4.

What are we already doing?

- Government ambition to achieve an 80% employment rate set out in the Get Britain Working White Paper. All areas to be asked to develop local work, health and skills plans.
- Connect to Work (supported employment) programme to be commissioned by Hampshire County Council from 2025 – the first tranche of funding from a new Get Britain Working Fund.
- Department for Work and Pensions support delivered through Jobcentre Plus and providers. Jobcentre Plus to be merged with the National Careers Service.

What could HPPB's focus be in this area?

- Shaping the forthcoming work, health and skills plan for Hampshire, including a focus on deprived communities.
- Engaging employers in the new Connect to Work (supported employment) programme.

11 – HEALTH AND WELLBEING OF THE WORKFORCE

Key evidence

Hampshire County Area scores high on the overall Health Index Score but there are significant disparities across Hampshire.

- The overall health index score for the County area stood at 110.9 in 2021 compared to 100.8 in England and 106.1 in the South East.
- The lowest scores in Hampshire are found in the cities of Portsmouth and Southampton, 83.8 and 86.6 respectively.
- There is a high degree of correlation between the level of economic development and people's health outcomes, healthy lives and places with the highest scores found in Hart and Winchester.

Physical and mental health impacting the workforce.

- The gap between working age employment rates of those with physical and mental long-term conditions and the overall employment rate is lower in the County area than England but it highlights disparities in employability caused by health conditions.
- The prevalence of depression in the County area (14.4%), is higher than in England (12.3%) and has been increasing over the last 9 years.

Above average life satisfaction and life expectancy.

- The County area's life expectancy figures (2018-20) and life satisfaction are above the national and regional average. However, data suggests people are living longer but in poorer health in later years leading to rising demand on health and care provision.

Life expectancy varies with levels of deprivation.

- Hampshire County Council area shows a difference of +7.5 years between males living in the least deprived areas and those living in the most deprived and a difference of +5.3 years for females. The Hampshire gap is smaller than the England average; +9.7 years for males, +7.9 years for females.

What are we already doing?

- Hampshire 2050 Partnership Year of Health and Wellbeing.
- Hampshire Public Health Strategy.
- Joint Work and Health Directorate established by the Department for Health and Social Care and the Department for Work and Pensions, to better integrate health and employment support.

What could HPPB's focus be in this area?

- Influencing Hampshire's health system to ensure effective support for workplace health.
- Engaging the business community in public health programmes.
- Ensuring that the importance of health to economic prosperity is reflected in the Hampshire 2050 Partnership Year of Health and Wellbeing.

12 – SUPPORTING START UPS AND SCALE UPS

Key evidence

Start-up rate below the national average with almost a half of businesses not surviving beyond five years.

- In 2023 Hampshire had a business start-up rate (business birth) of 9.6% compared to 11% in the UK.
- Below UK average start-up rates is not unusual given absence of large regional cities. Cities in Hampshire tend to have higher rates.
- Almost half of Hampshire businesses fail within the first five years. Those in more prosperous local authorities tend to have higher survival rates.

Scale-ups essential for job creation, firm competitiveness and growth. Hampshire compares well with the UK average but lags several areas in the South East.

- Most Hampshire businesses are micro and they stay micro – creating little employment opportunity.
- According to the ScaleUp Institute, 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 (scaleups per 100k population) but behind neighbouring economies such as Berkshire and Surrey. Hampshire area was ranked first by areas with the highest scaling pipeline density which bodes well for future growth.

Scale-up businesses face considerable challenges that range from the cost and availability of finance to recruiting specialist staff.

- Smaller scale-ups often need to recruit more specialists from the market or obtain expertise from universities while medium sized businesses may need to re-locate to larger premises.

What are we already doing?

- Hampshire Growth Hub small business support service, funded by the Department for Business and Trade and delivered by Hampshire County Council.
- Small business support delivered by districts e.g. UK Shared Prosperity Fund projects.
- Advice and support to members by business representative organisations e.g. Hampshire Chamber of Commerce, Federation of Small Businesses.
- Start-up support to students delivered by universities and colleges.
- Government to establish new Business Growth Service (supported locally by Growth Hubs) and to publish a Small Business Strategy in 2025.

What could HPPB's focus be in this area?

- Influencing the forthcoming Small Business Strategy.
- Exploring the potential for a regional investment fund for the South, investing in new and growing businesses.
- See also 16 – Joining Up the Business Support System, below.

13 – DEVELOPING HIGH POTENTIAL SECTORS/CLUSTERS

Key evidence

Diverse industrial structure but with some key sector concentrations.

- Concentrations of businesses in high-skilled, high value-added professional business services, digital & creative and life sciences.
- Thanks to its natural endowments and rich history Hampshire is home to concentrations of marine & maritime, aerospace, space & defence activities
- Growing numbers and concentrations of higher value-added businesses in some new emerging sub-sectors and activities such as low carbon / green, marine autonomy, robotics and AI.
- There are large numbers of local services businesses that service Hampshire's large population such as health & care and culture and tourism-related activities.

Key sector concentrations



- Aerospace, space & defence
- Marine & maritime
- Farming & rural economy
- Professional & business services
- Digital & creative
- Life sciences
- Low carbon / green
- Health & care
- Tourism
- Construction
- Logistics

Key clusters - Evidence indicates key clusters in Hampshire in the following sectors. Further evidence for these is set out below and in the Annex.

- Professional & business services
- Digital & creative
- Life sciences
- Aerospace, space & defence
- Marine & maritime

What are we already doing?

- Existing sector/cluster initiatives in and around Hampshire include:
 - Animal Health Innovation Network
 - Creative Network South
 - Maritime UK Solent
 - South East Regional Defence and Security Cluster
 - Space South Central
 - Surrey & Central South Creative Corridor
- Forthcoming Industrial Strategy emphasises supporting key growth-driving sectors and sub-sectors.

What could HPPB's focus be in this area?

- Supporting the development of sector/cluster support initiatives, particularly where activity is at an early stage e.g. digital and creative, life sciences.
- Linking business and education providers to address specific skill needs relating to high potential sectors/clusters.
- Influencing the Government's industrial strategy, including making the case for financial support.
- Establishing the HPPB Business Forum as a space for sector/cluster networking and development.

13 – DEVELOPING HIGH POTENTIAL SECTORS/CLUSTERS

Key evidence continued

Professional & business services

Several higher value-added Knowledge Intensive Services make a disproportionate contribution to Hampshire's economy.

- Just three services sectors (digital (ICT), professional, scientific & technical services, and finance & insurance) that account for about a fifth of economic output (GVA) have accounted for almost a third of economic growth in Hampshire over the long run (1998 to 2022).

Professional business services is the largest broad higher value-added services sector. It includes professional, scientific & technical activities and finance & insurance.

- Professional, scientific & technical accounts for about 60% of GVA in this broad sector, a higher share than in the UK (50%).

Professional, scientific & technical has made a disproportionate contribution to output growth in Hampshire over the long term, but growth has halved and one of its main sub-sectors has contracted faster than the national average since 2010.

- Since the end of the 2008/9 recession, growth in this sector has halved to 1.1% p.a. compared to 2.4% in the UK.
- Two professional, scientific & technical activities (scientific research & development and architectural & engineering activities) account for 60% of total output in this sector.
- Output growth in one of the key professional services sub-sectors - scientific research & development - has contracted by 3.4% p.a. since 2010 compared to -1.9% in the UK.
- Output growth in architectural & engineering activities and head offices & management consultancy sub-sectors has been strong and faster than in the UK.

Finance is small and getting smaller in Hampshire. Insurance is important to Hampshire, but its inflation adjusted output (GVA) was smaller in 2022 than in 2010.

- Insurance & pension funding and activities auxiliary to finance & insurance account for four fifths of the economic output of this sector in Hampshire.
- Since 2010 insurance has contracted which is in stark contrast to growth in the UK. Hampshire has seen a double-digit output growth in activities auxiliary to finance and insurance.
- Since the end of the global financial crisis, the contribution from finance to Hampshire's economy has halved. Financial services now account for just 1% of Hampshire's GVA.



13 – DEVELOPING HIGH POTENTIAL SECTORS/CLUSTERS

Key evidence continued

Digital & creative

Digital is a major growth sector in Hampshire, but growth has slowed down in one of its main subsectors to well below the national average.

- Digital sector accounts for less than 8% of Hampshire's GVA, but it has accounted for almost a fifth of the increase in Hampshire's GVA over the long run (1998 to 2022).
- In terms of economic output two digital (ICT) sub-sectors matter to Hampshire: computer programming & consultancy, and telecommunications.
- Telecommunications continues to perform exceptionally well which reflects the ascent of the digital economy, but output growth in computer programming & consultancy has slowed down sharply since the end of the global financial crisis.
- Real (inflation adjusted) GVA in computer programming & consultancy on average expanded by just 0.3% between 2010 and 2022 compared to 4.7% in the UK.

Life sciences

Life Sciences is a smaller emerging knowledge intensive sector of strategic importance to Hampshire's competitiveness and growth.

- Relative concentrations of businesses and/or employment are found across much of Hampshire and especially in rural areas (Annex).
- There are two significant life sciences sub-sectors in Hampshire: medical technologies and biopharmaceuticals.
- Hampshire has seen robust business growth pre-pandemic but slower than nationally. Employment decreased pre-pandemic in stark contrast to growth in England.



13 – DEVELOPING HIGH POTENTIAL SECTORS/CLUSTERS

Key evidence continued

Aerospace, space & defence

Hampshire has a rich Aerospace, Space & Defence history which is reflected in sector concentration that stands at double the national average.

- Many activities classified under advanced manufacturing.
- Hampshire is part of the recently formed South Central Regional Defence & Security Cluster. University of Southampton and University of Surrey are Academic Centres of Excellence in Cyber Security Research in the UK.
- Space South Central , which includes Hampshire, is the largest space cluster in the UK.

Business growth in the broad aerospace sector lagged the national average pre-pandemic with flat employment growth.

- Aerospace, space & defence has seen significant disparities in growth rates at local level over the medium-term.
- The pandemic has had a significant impact on business growth, but we have seen a strong recovery in employment. Employment stands at above pre-pandemic levels.

Marine & maritime

Hampshire's large Marine & Maritime sector acts as an enabler of export growth and as such it is of strategic importance to Hampshire and the UK.

- Business concentration on a narrower sector definition in Hampshire stand at 1.7 times the national average with employment concentrations at 2.5 times the national average.

The sector also links to the visitor economy with an established and growing cruise ship industry.

- Southampton port with its five cruise terminals is the busiest cruise turnaround port in northern Europe and the second largest cruise port in Europe.

Hampshire has clear strengths in marine manufacturing.

- There is a high-tech defence and advanced manufacturing cluster around Portsmouth and its naval base which supports up to 20,000 direct and indirect jobs.

Hampshire sees the emergence and growth of new marine sub-sectors and activities

- We have seen growth in marine autonomy e.g. crewless vessels, or underwater autonomous vehicles (UAV) and robotics used in ocean science, naval and surveying and exploration.
- There are growth opportunities in wave energy, tidal energy, and ocean current energy, all related to marine and maritime.

14 – SUPPORTING RURAL BUSINESSES

Key evidence

Close to 1 in every 7 pounds of Hampshire's (GVA) is generated in Rural Hampshire.

- Some £9.4bn of economic output in Hampshire was generated in Hampshire's rural areas (rural LSOAs) in 2022.
- The rural share in Hampshire's GVA has decreased over time, from 16.7% in 2002 to 13.5% in 2022. Much of the decline occurred since the end of the 2008/9 recession.

Nominal economic growth in rural Hampshire has lagged rural South East and rural England over the long, medium and short term.

- Between 1998 and 2022 growth in nominal GVA in rural Hampshire was slower than in rural South East and rural England but in the decade before the Great Financial Crisis growth in rural Hampshire was slightly faster than in rural South East and rural England.
- The pre-pandemic decade saw a sharp slowdown in GVA growth in Hampshire's rural areas which was in stark contrast to both the regional (comparable to the previous decade) and rural England (slightly slower than in the previous decade) average .
- Since 2019 nominal GVA growth in rural Hampshire averaged just 1.5%, significantly slower than in the two comparator areas.

Continued overleaf

What are we already doing?

- See 12 – Supporting Start Ups and Scale Ups, above. Hampshire Growth Hub and other sources of business support are available to rural businesses.
- Transport and digital infrastructure improvements in rural areas.

What could HPPB's focus be in this area?

- Understanding whether existing business support services are effective in reaching rural businesses.
- Exploring the potential for a Hampshire-wide rural business network.
- Making the case for investment in the infrastructure needed to support rural business growth, e.g. transport solutions to assist rural commuting, digital connectivity etc.



14 – SUPPORTING RURAL BUSINESSES

Key evidence continued

Rural Hampshire accounts for close to 1 in every 4 Hampshire businesses and close to 1 in every 6 of total workplace-based employment in Hampshire. Employment growth significantly slower than in rural South East / rural England.

- Some 89,930 local business units in Hampshire of which 20,115 or 22.4% are located in rural MSOAs.
- Some 143,400 people (excluding self-employed) work in rural Hampshire or about 16% of total employment in Hampshire.
- Employment growth in rural Hampshire averaged 0.5% p.a. between 2015 and 2023 compared to 1.1% in rural South East and 1.4% in rural England.

Relatively low concentration of medium and larger businesses has implications for job opportunities, resilience and growth.

- Areas with above average concentrations of micro and small businesses – providing fewer job opportunities than larger firms.
- Most micro businesses stay micro and have a higher propensity to fail than larger well-established businesses. This can constrain jobs and productivity growth in rural areas.
- Rural businesses concentrated in a handful of sectors such as land-based (farming, forestry) and accommodation and food.
- Concentrations of higher value-added professional, scientific and technical businesses, but mostly micro or small businesses.

Constrained land supply for development and scale-ups.

- Most future employment floorspace in rural areas allocated to general industrial & storage (B1-B8).
- Only 1% of total future floorspace in Rural Mid-Hampshire allocated for offices.
- Market towns play a central role in enabling rural economic growth. They provide a range of services for their rural hinterland, and they also offer a more sustainable location for businesses to expand.

Barriers to physical and digital connectivity and staff shortages more prevailing among rural businesses than urban businesses.

- Lower access to faster broadband speeds can act as a barrier for attracting new or retaining business investment in rural areas.
- Lower density of people of working age and especially younger workers can constrain growth in some sectors like tourism.



15 – DEVELOPING OUR INNOVATION ECOSYSTEM

Key evidence

It is often argued that innovation is the single most important factor for long-run growth. Without large amounts of natural capital (resources), and without other ‘bargaining chips’, such as a large low-cost labour force, Hampshire will have to have the ability to adapt, change and harness innovation as an economic engine in order to prosper.

A higher proportion of innovation active businesses than in England but Hampshire lags some neighbouring economies.

- Some 41.1% of Pan-Hampshire businesses were innovation active between 2020 and 2022, similar to Surrey, West and East Sussex but below Oxfordshire, Buckinghamshire and Berkshire.
- Large businesses are more likely to be innovation active than small and medium enterprises (SMEs).
- Hampshire has a relatively low share of product innovators and businesses introducing new products to the market.

Hampshire sees a decrease in the proportion of innovation active businesses.

- Between 2016 and 2018 46.3% of Hampshire businesses were innovation active, above the 2020 to 2022 rate.

Hampshire businesses face substantial barriers to innovation

- Finance availability and cost of finance is seen as one of the most common barriers to innovation investment, especially among SMEs.
- Sectoral data suggests that availability of finance is a significant barrier for knowledge intensive services and parts of manufacturing
- A lack of skills is another barrier to innovation that is more prevailing in knowledge intensive services than any other broad industrial sector in Hampshire.

What are we already doing?

- Innovate UK funding for business innovation and Catapult network, including Satellite Applications Catapult in Portsmouth.
- Made Smarter programme (support for digital innovation in manufacturing SMEs) being rolled out in the South East.
- University support for start-ups/spin-outs.
- SETsquared business incubator and enterprise partnership includes the University of Southampton.
- Scale Up Institute offers a range of support to scale-up businesses.

What could HPPB’s focus be in this area?

- Fostering collaboration between the Hampshire business community and our universities and colleges.
- Putting in place support for Hampshire businesses to apply for innovation funding.
- Commissioning work to map the current innovation ecosystem and identify where there may be gaps in support.

16 – JOINING UP THE BUSINESS SUPPORT SYSTEM

Key evidence

There are multiple public sector and privately funded business support initiatives in Hampshire and the UK.

- The state-funded initiatives are spread across several central government departments and non-departmental bodies and managed at national, regional and local level.
- Local authorities run initiatives through their economic development and spatial planning departments and recently transferred functions from Local Enterprise Partnerships (LEPs).
- This diverse and multiple structure makes it hard for anyone to understand the extent and the coverage of business support services.
- The number of initiatives has decreased but the business support landscape remains incredibly complex.

Business support system can be disaggregated into the following broad categories: employment and skills; networking and collaboration; advice; and access to finance, funding and tax reliefs

Disjointed business support affects quality of provision and impact on business performance.

- Evidence from impact evaluations of for example business advice from The What Works Centre for Local Economic Growth is mixed at best.
- Encouraging a ‘hands on’ approach through strong relationships in business advice delivery can lead to better outcomes.

What are we already doing?

- See 12 – Supporting Start Ups and Scale Ups, above, for business support services delivered across partners.
- County and district council Economic Development Officers meet regularly as a network, to coordinate efforts, including business support services.
- Growth Hub Cluster – Hampshire County Council coordinates a cluster of Growth Hubs (Hampshire, Solent, Berkshire, Surrey, West Sussex, Brighton & Hove), to share good practice and exploit economies of scale.
- Government to establish new Business Growth Service (supported locally by Growth Hubs) and to publish a Small Business Strategy in 2025.

What could HPPB’s focus be in this area?

- Driving a more integrated approach to business support across partners, reducing duplication and increasing impact.
- Exploring the potential for a single online business support hub for Hampshire, signposting businesses to relevant resources and providing self-service business advice.

17 – SUPPORTING OUR REGION INTERNATIONALLY

Key evidence

Hampshire is an export powerhouse in the region and the UK.

- Total exports in Hampshire stood at £20.2bn in 2021 or almost a quarter (23%) of total exports from the South East. Hampshire's share of the region's economic output stands at just over a fifth of GVA.
- The County Council area is an export powerhouse as it accounts for over four fifths of Hampshire's exports compared to 70% of Hampshire's GVA.

Export intensity in Hampshire stands above the South East and England averages.

- The most recent estimate suggests that exports as a % of economic output (GVA) in Hampshire stood at 32% in 2021, comparable to the UK average and above England and the South East, at 30.5% and 28.5% respectively.
- The latest data has been distorted by the pandemic but Hampshire's export intensity between 2016 and 2019 stood above the UK, England and the South East.

Hampshire County Council is the most export intensive County in the Country.

- Research by Oxford Economics, a consultancy, suggested that pre-pandemic Hampshire was the most export intensive County in the country.
- Our estimate based on the most recent GVA and trade data suggests that export intensity in the County area stood at 37.1% of GVA in 2021.

Continued overleaf

What are we already doing?

- "Business In Hampshire" website resources.
- Responding to inward investment enquiries on an ad hoc basis.
- Hampshire Chamber of Commerce – support for international trade, including export documentation, training and webinars.
- Business South – promotion of the Central South region as "the UK's Global Gateway".
- Department for Business and Trade – support for inward investments, International Trade Week, UK Export Academy etc.

What could HPPB's focus be in this area?

- Ensuring that Hampshire businesses benefit from support available from the Department for Business and Trade.
- Supporting the development of a Central South regional identity, including building links with neighbouring economic growth boards.
- Articulating the case for inward investors to invest in Hampshire.

17 – SUPPORTING OUR REGION INTERNATIONALLY

Key evidence continued

Growth in exports faster than the South East average but significantly slower than the national average.

- In 2021 total exports in Hampshire stood 5.7% higher than in 2016 but some 21.6% lower than in 2019. Nominal exports growth between 2016 and 2021 was considerably faster than the regional average (1.8%) but much slower than the national average.
- The County area performed better (7.1%) but still considerably worse than the national average.
- The fall since 2019 has been twice as large as in the region.

EU remains the most important market for Hampshire's exports of goods.

- Around 45% of Hampshire's exports of goods go to the EU, lower than the UK (52%) and a falling share of total exports.
- Hampshire's distribution of exports of goods suggests that around 60% of goods exports from Central Hampshire go to EU markets, the highest share in Hampshire, compared to less than a quarter from South Hampshire, thus making Central Hampshire more exposed to changing trade arrangements with the EU.

The US is the single largest export market for Hampshire's goods after the EU but threat of protectionism on the horizon.

- Post-Brexit Free Trade deal with US stalled with further uncertainty with Trump taking office in January 2025, with risks of higher tariffs.
- South Hampshire, including Portsmouth and Southampton, and North Hampshire have potentially greater exposure to changes in non-EU trade.

Despite challenges, international trade brings substantial benefits

- The new Solent Freeport could boost Hampshire's global trading position and develop new trading relationships.



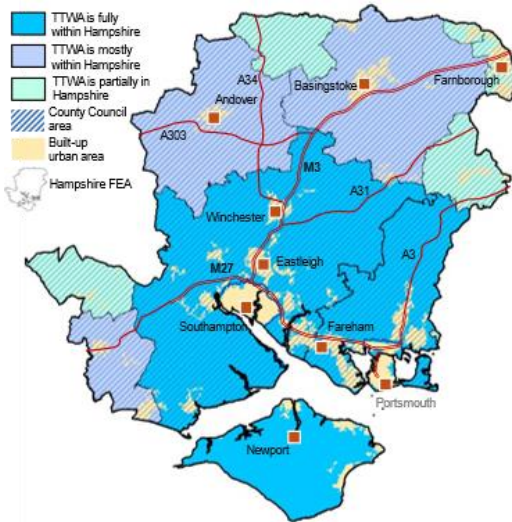
18 – MAKING DEVOLUTION WORK

Key evidence

Data from multiple ‘market areas’ indicates that Hampshire contains many shared aspects of a Functional Economic Area.

- Industrial structure of all but one district is more aligned to the Hampshire average than England.
- Much of Hampshire’s FEA is covered by three travel-to-work areas.
- We have seen signs of convergence in the headline labour market outcomes within Hampshire.

Hampshire Functional Economic Area and its travel-to-work areas



- **Labour market self-containment** – There is a high degree of labour market self-containment. 86% of Hampshire residents live and work in the Hampshire FEA.
- **Supply chains in industry and commerce** – Hampshire sources close to 40% of sectoral inputs from within the Hampshire FEA, ranked 5th out of 33 local economies for doing so.
- **Housing market areas** – House prices have moved in tandem within the county over the past 25 years.
- Nine of the top ten destinations for those moving out of a house in Hampshire are also within the Hampshire area.

Devolving economic policies would offer substantial benefits to Hampshire’s economy and its residents.

- Local decision makers are more likely to know what policies will be most appropriate for their area.
- Additional funding could be diverted to areas of real need.
- Devolution of powers is a necessary precondition for stronger local institutions that can then co-ordinate and lead an industrial strategy locally.

What are we already doing?

- Following publication of the English Devolution White Paper, discussions are ongoing between the Hampshire, Isle of Wight, Portsmouth and Southampton Leaders, and with the districts.
- The Government has invited proposals to be included in the Devolution Priority Programme in January.

What could HPPB’s focus be in this area?

- Helping to develop the vision for the economic future of Hampshire and the Solent, as a key element of any devolution proposition.
- Helping to engage the business community and skills stakeholders in the devolution process, including through the Hampshire Skills Partnership and the forthcoming Business Forum.

19 – SECURING FUNDING AND GENERATING INCOME

Context

- Because of its overall financial position, Hampshire County Council can only deliver discretionary services – including economic development and skills – if these are fully funded through either a central government or other funding stream, or through commercial income.
- Therefore, any expansion of our activities in these areas depends on identifying and securing additional income sources.

What are we already doing?

- The Hampshire Growth Hub, Hampshire Careers Hub and skills programmes are already supported by central government funding.
- Hampshire County Council’s economic intelligence service, and Visit Hampshire, are partially funded by commercial income.
- Hampshire County Council’s Economy and Skills team includes a Strategic Funding Manager to lead on income generation.

What could HPPB’s focus be in this area?

- Advising on the development of commercial approaches.
- Identifying and developing opportunities for co-funding of activities e.g. contributions/secondments from industry, joining up funding/resources across district and county councils etc.

ANNEX – SECTORAL CLUSTERS IN HAMPSHIRE

- **Professional & Business Services**
- **Digital & Creative**
- **Life Sciences**
- **Aerospace, Space & Defence**
- **Marine & Maritime**



ANNEX – SECTORAL CLUSTERS

Professional & Business Services

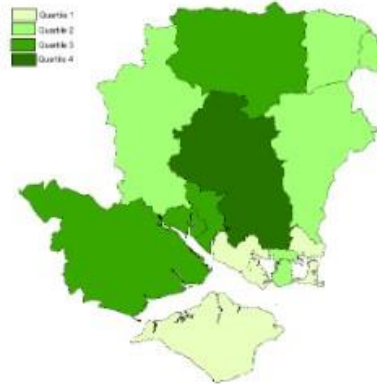
Significant concentrations of Professional Services businesses and/or employment across much of Hampshire

- Relative concentrations in Central Hampshire and parts of North and South Hampshire well above the national average.
- Significant business and employment base in professional and business services across much of Hampshire.

Professional Business Services
Relative concentrations



Professional Business Services
Absolute concentrations



Business and employment growth lagged the national average

- Between 2015 and 2019 business and employment growth lagged the national average but employment outperformed the South East.

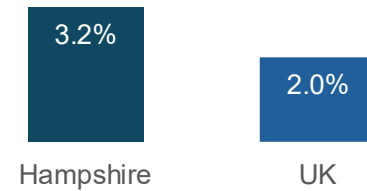
Professional, scientific & technical has made a disproportionate contribution to output (GVA) growth in Hampshire.

- The sector that accounts for 7.9% of GVA has accounted for 8.7% of Hampshire's growth over the long run (1998 to 2022).

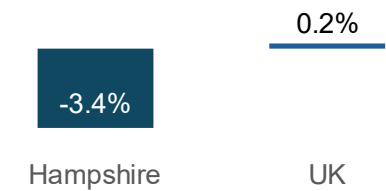
Scientific research & development and architectural & engineering sub-sectors matter to Hampshire's growth.

- These two sub-sectors account for about 60% of professional, scientific & technical output in Hampshire. Head offices & management consultancy and legal & accounting activities account for 14% respectively.

GVA growth in Architectural and Engineering, 2010 to 2022, % p.a.



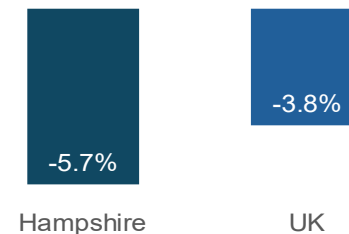
GVA growth in Scientific Research & Development, 2010 to 2022, % p.a.



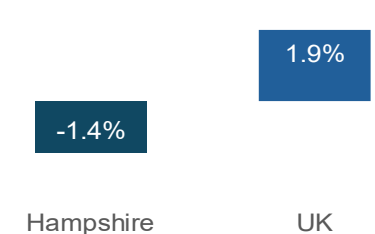
Hampshire has lost ground relative to the national average in several key sub-sectors, but it has made gains elsewhere

- Scientific research & development, finance and insurance sub-sectors in Hampshire underperformed the national average.
- Architectural & engineering and head offices & management consultancy growth in Hampshire was faster than in the UK.

GVA growth in Financial Services 2010 to 2022, % p.a.



GVA growth in Insurance & Pension Funding, 2010 to 2022, % p.a.



ANNEX – SECTORAL CLUSTERS

Digital & Creative

Several higher value-added Knowledge Intensive Services make a disproportional contribution to Hampshire’s economy.

- Digital, professional, scientific & technical and finance & insurance sectors account for about 20% of GVA but they have accounted for almost a third of economic growth in Hampshire over the long run.

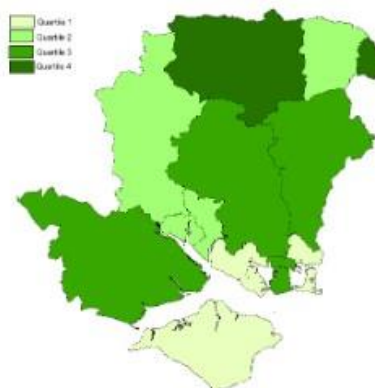
Significant concentrations of Creative and Digital businesses and/or employment but sluggish growth pre-pandemic.

- 9,430 firms across Hampshire employing some 67,000 workers
- North Hampshire, alongside Thames Valley is one of the largest digital clusters in Europe. This cluster has spread to Central Hampshire and parts of South Hampshire/Solent.
- Creative & Digital business concentration in North Hampshire stands at 1.2 times the national average with employment concentration at around double the national average.

**Digital (ICT) & Creative
Relative concentrations**



**Digital (ICT) & Creative
Absolute concentrations**



- Business growth lagged the national average between 2015 and 2019 with lower employment in all but one sub-regions (Central Hampshire).

Digital accounts for less than 8% of GVA, but it has accounted for almost 20% of the increase in Hampshire’s GVA over the long run.

- Over the long run (1998-2022) output growth in digital expanded by 11% p.a. compared to 10% in the UK.
- Since 2010 growth has slowed to below the UK average but it has nevertheless remained robust at 6.4% p.a.

Almost 90% of economic output (GVA) in this sector is accounted for by computer programming & consultancy and telecommunications.

- Output growth in computer programming & consultancy expanded by 7% p.a. over the long run but since the end of the global financial crisis it has slowed to just 0.3% p.a., compared to 4.7% in the UK.
- Telecommunications saw exceptionally strong growth in GVA over the long run with the long run rate of growth sustained since 2010. GVA growth has been faster than the UK average.

**Real GVA growth in Digital (ICT)
2010 to 2022, % p.a.**



Computer programming & consultancy, % p.a.



High demand but constrained//falling supply of digital skills.

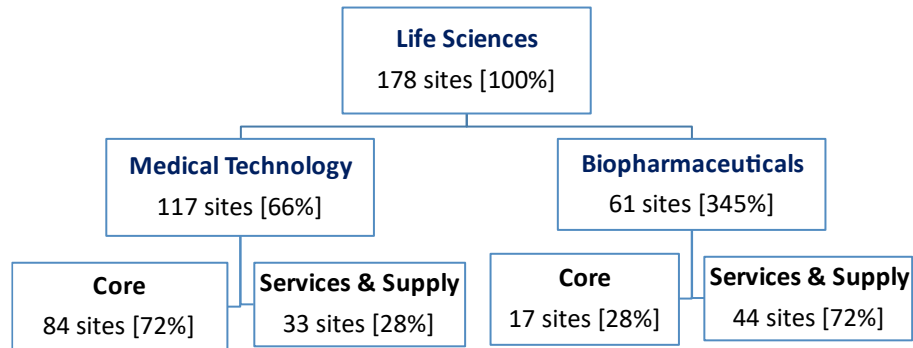
- Programmers and digital software development skills are in high demand in Hampshire according to job postings (vacancy) data.
- The number of young people taking IT subjects at GCSE in the UK has fallen by 40% since 2015, with the number taking A Levels, further education courses and apprenticeships all declining

ANNEX – SECTORAL CLUSTERS

Life Sciences

Life Sciences is a smaller emerging knowledge intensive sector but with relative concentrations of businesses and/or employment found across much of Hampshire and especially in rural areas.

- At least 100 Life Sciences businesses on 178 sites employing some 4,000 workers in Hampshire.
- An estimated 44% of life science businesses in Hampshire located in rural areas, double the all-industry average.
- Medical technology sub-sector accounts for about two thirds of all life-sciences sites followed by biopharmaceuticals (1/3).
- Medical technology concentrated in core activities with biopharmaceuticals concentrated in services and supply



Employment concentration well above the national average.

- Life sciences employment concentration in Hampshire stood at 1.3 times the national average.
- At local level there are significant concentrations of employment in several districts in North, Central and South Hampshire.
- There are high concentration of businesses in Eastleigh, Gosport and Test Valley.
- Businesses in the South tend to be on average smaller than businesses in North Hampshire.

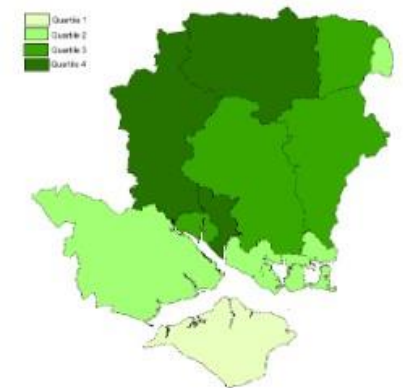
Hampshire has seen robust business growth pre-pandemic but slower than nationally. Employment decreased pre-pandemic in stark contrast to growth in England.

- Between 2015 and 2019 business growth was strong but it lagged the national and regional average.
- Employment increased in England, and it decreased in Hampshire faster than in the South East.

**Life Sciences
Relative concentrations**



**Life Sciences
Absolute concentrations**



Employment growth post-pandemic lags the regional and national average.

- Business numbers have effectively returned to pre-pandemic levels, but employment in Hampshire has yet to fully recover, which is in stark contrast to the regional and national average.

Research points to a lack of suitable high quality and available space for both start-up and scale-up businesses.

- Collaboration with Hampshire's universities could be key to future development and growth.

ANNEX – SECTORAL CLUSTERS

Aerospace, Space & Defence

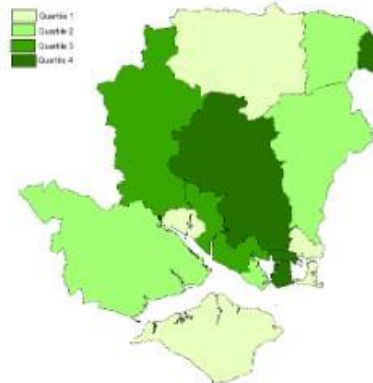
Concentrations of Aerospace, Space & Defence activities (many of which are also classified under advanced manufacturing) in Hampshire are well above the national average.

- At least 310 businesses directly employing some 17,000 workers in Hampshire.
- Business and employment concentrations of aerospace, space and defence in Hampshire stand at double the national average.
- Relative to the national average high densities (at least 20% above the national average) of businesses and/or employment are found in all but two local authorities.

**Aerospace, Space & Defence
Relative concentrations**



**Aerospace, Space & Defence
Absolute concentrations**



Aerospace and defence are well established and large sub-sectors. Space is a relatively small, emerging and high growth sub-sector.

- Space activities are concentrated in both the north (Rushmoor and Surrey cluster) and South Hampshire.

- According to the National Space Strategy Hampshire sits within Space South Central, the largest regional space cluster in the UK
- Figures from 2022 showed that Surrey and Hampshire alone account for around £3 billion of national space industry turnover, with the region's space sector employing 5,600 people across the two counties.

Cyber security is another sub-sector that is of strategic importance to competitiveness and growth.

- This sub-sector matters because it protects all categories of sensitive data from theft and damage.
- Hampshire is part of the recently formed South Central Regional Defence & Security Cluster.
- University of Southampton and University of Surrey are Academic Centres of Excellence in Cyber Security Research in the UK.

Business growth across the broad aerospace, space and defence sector lagged the national average while employment growth was flat pre-pandemic but with significant sub-area disparities.

- Business growth in Solent faster than both the regional and national average, but with flat employment growth.
- Significant impact of pandemic on business growth but employment is now above pre-pandemic levels.

Emerging space sector more resilient than larger sub-sectors.

- Space has benefited from growth in investment by the sector and UK government over the past decade.
- Growing political uncertainty in Europe and the Middle East is having a greater direct impact on aerospace, space and defence than on any other industrial sector in the country.

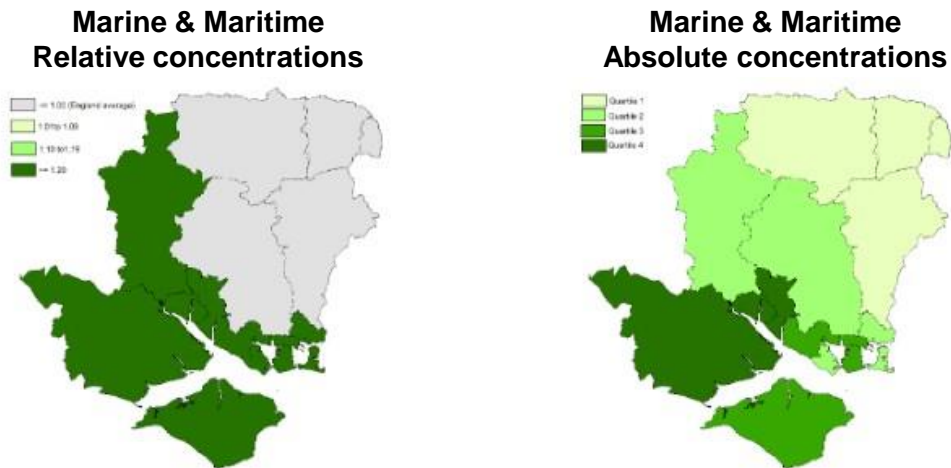
ANNEX – SECTORAL CLUSTERS

Marine & Maritime

Foundational sectors are cross-cutting industrial sectors that are enablers of growth for the wider national economy.

Marine and Maritime is a major trade and growth enabling sector in Hampshire and the UK that is heavily concentrated in Solent but with jobs flows that stretch well into the rest of Hampshire.

- There are an estimated 575 marine & maritime businesses employing directly some 10,000 workers on the narrower sector definition in Hampshire.
- Using a wider sector definition there are 40,000 jobs locally in the Solent supporting more than 3,000 businesses.



- Business concentration on a narrower sector definition in Hampshire stands at 1.7 times the national average with employment concentrations at 2.5 times the national average.
- In Solent business and employment concentrations are some 2.3 and 4.3 times above the national average, respectively.
- Marine & maritime sector accounts for about 20.5% of Solent's economic output (GVA).

Sluggish business growth pre-pandemic but better than the South East average.

- Business growth in this sector in Hampshire on average lagged the national average between 2015 and 2019, but growth was faster than the South East average.
- Growth in the County area outperformed both the regional and national average pre-pandemic.

Employment decreased pre-pandemic but Hampshire was more resilient than the South East or England.

- The fall in employment was smaller but with some sub-area disparities. However, the fall in employment in the County area was greater than in the region and England.

Strong recovery following the end of the pandemic.

- Business numbers and employment in Hampshire have recovered to pre-pandemic levels but growth slower than nationally or in the South East.

Maritime UK Solent is one of seven regional clusters supported by Maritime UK.

- Recent research that looked to assess the strength of Solent's marine & maritime industry relative to other nationally significant clusters has ranked Solent first on an overall composite rank.

Hampshire is also home to the Solent Freeport

- The freeport seeks to strengthen its trading position and develop new trading relationships, whilst potentially creating 30,000 jobs and £3.57bn GVA uplift.