



# Focus on Prosperity

Economic Strategy Update | September 2024

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<b>Committee:</b>	Hampshire Prosperity Partnership Board
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<b>Title:</b>	Economic Strategy - Refresh
<b>Report From:</b>	Head of Economic Development (Interim)

**Contact name:** Teresa Hogsbjerg

**Email** Teresa.hogsbjerg@hants.gov.uk

## Purpose of this report

The purpose of this report is to provide background information and outline the principles adopted to update the current Economic Strategy for Hampshire, following the integration of LEP functions.

## Recommendations

1. Acknowledge the Report
2. Agree with the principles for the Strategy update
3. Agree that the update will be a short-term (2-year) strategy
4. Agree that the Strategy be published once HCC Cabinet have signed off in November.

## Executive Summary

The current economic development strategy for Hampshire was published in January 2023.

Due to the integration of the former LEP functions into HCC in April, there is a requirement to undertake a review of the strategy and publish an update in line with the new opportunities integration allows.

The current strategy was commissioned and developed externally and was subject to public, and internal consultation prior to publication, which included consultation with Local Authority partners.

As with the original strategy, Local Authority Economic Development officers (including Freeport) and Business Support organisations will be/have already been contacted to discuss the approach and general content of the updated strategy, confirming that it will essentially commit to the same things including; Partnership working, Focus on growth

beyond GDP as the sole measure, strategic alignment acknowledging a holistic approach to economic growth.

A full literature review has also been undertaken reviewing all the Economic Strategies across Hampshire, Portsmouth, Southampton and the Isle of Wight. Where Strategies are in the process of being updated, conversations have also been held with their officers or the external organisation undertaking the development of the strategy to confirm alignment.

As with all strategies, they are relevant to a specific point in time. The requirement for an update provides an opportunity to address changes in direction.

## Contextual Information

### Current Economic Strategy for Hampshire

The strategy addresses immediate and long-term drivers of change, including labour market recovery, commercial property market challenges, inflation, Brexit impacts, an aging population, and climate change.

The current Strategy references Covid-19, the EM3 LEP, the Devolution prospectus, and other elements specific to that time. These areas are being reviewed and updated accordingly.

The update therefore aims to be a more strategic, high-level statement of intent, rather than a strategy which fixes on particular areas and interventions and potentially constraining opportunity for flexibility and ability to move with the needs of the economies of Hampshire.

### Principles for update

#### Strategic Alignment

There are priorities and themes running through HCC's other key strategies that support the Economic Strategy. Ensuring alignment with these strategies is important. They include

- Local Transport Plan 4
- Public Health
- Hampshire 2050 Vision
- Skills Strategy
- Climate Change Framework

These strategies collectively emphasise the importance of key themes in the development of Hampshire.

- Sustainable growth
- Health and wellbeing

- Innovation
- Skills development
- Environment

The literature review of Economic Development strategies also reflected similar consistencies in themes or priorities:

- Skills and Employability
- Connectivity and Infrastructure
- Environment & Green Business
- Partnerships
- Inward Investment

These will all be reflected in the update.

## Capital Framework

The strategy outlines a comprehensive approach to economic development in Hampshire, focusing on sustainable outcomes beyond traditional metrics like GDP and jobs. The Capitals framework will remain, ensuring that growth is considered as part of economic development but not the sole factor for success.

### Physical Capital

Physical capital includes business-owned assets such as factories, machinery, and offices, as well as shared assets like roads, rail, digital, and energy infrastructure.

#### *What it means for Hampshire*

- The importance of improved transport connectivity and infrastructure as part of economic recovery and growth.
- Emphasis on the need for regeneration and business competitiveness to enhance physical capital.

### Natural Capital

Natural capital refers to the quality and existence of natural assets, indicating the health of the environment and biodiversity, including land, air, water, and living organisms.

#### *What it means for Hampshire*

- Focus on environmental indicators such as pollution, renewable energy production, and land sustainability.
- Highlight the importance of reducing emissions, improving household waste management, and increasing renewable energy use.
- Address the need for green jobs and the transition to a green economy.

### Human Capital

Human capital encompasses the health and skills of the population, enabling personal, social, and economic wellbeing and determining labour productivity.

### *What it means for Hampshire*

- Emphasis on the importance of education and skills, health and well-being, and employment and income.
- Highlights indicators such as life expectancy, school attainment, and personal well-being.
- Addresses issues like obesity, inactivity, and cancer mortality rates.

### Knowledge Capital

Knowledge capital is the intangible value derived from knowledge, relationships, techniques, procedures, and innovations. It enables innovation in management and business processes and strengthens strategic links between businesses and universities.

### *What it means for Hampshire*

- Cements the role of education and skills in fostering innovation and economic prosperity.
- Highlight the importance of higher education and school attainment in building knowledge capital.
- Emphasis on the need for business competitiveness supporting economic growth.

### Social Capital

Social capital is defined by interpersonal trust, shared social norms, neighbourhood belonging, and community cohesiveness, enabling collective action.

### *What it means for Hampshire*

- Focus on societal indicators such as housing, digital infrastructure, deprivation, and social mobility.
- Highlight the importance of creating cohesive communities and reducing social inequalities.
- Emphasis on the role of civic engagement and personal well-being in strengthening social capital.

### Institutional Capital

Institutional capital refers to the quality and reliability of governance and relationships between institutions and organisations in a local area.

### *What it means for Hampshire*

- The importance of the role of local authorities and anchor institutions in driving sustainable development.
- Highlight the importance of collaboration between different sectors, including government, businesses, and educational institutions.

- Emphasis on the need for reliable governance and effective institutional frameworks to support economic and social goals.

## Delivery through Partnerships

One constant area within the strategy is delivery through partnerships.

The Local Authority Economic Development Officers network across Hampshire, Portsmouth, Southampton and the Isle of Wight is very active and supportive. This includes geographies such as the Enterprise Zones and the Solent Freeport. All recognise the interconnectedness of places, sectors and opportunities cross boundaries, and seek to work collectively to ensure strategies and programmes suit the needs of businesses and the wider economy.

HCC supports the development of any new Economic Development Strategies for Local Authorities across Hampshire, (currently supporting Winchester City Council, Hart, and the Solent Freeport) helping to ensure clear alignment on key themes, which generally align with the 5 indicated above.

Regeneration and Growth Partnerships are a further way in which economic development can be delivered through partnership working

Businesses and Business representative organisations are also an important part of the delivery network.

## Data – Think Pieces

Instead of a complete refresh of the supporting database for the current strategy, the Business Intelligence team has created multiple Think Pieces. These provide a deep dive and analysis of four topic areas supporting the updated strategy.

The think pieces will be published alongside the strategy update.

## Enterprise & Sectors

The focus of the Think Piece on Enterprise and Sectors is on gaining insight of Hampshire businesses (enterprise), their concentration and sectoral spatial distribution, and their contribution that enterprise makes to the Hampshire economy.

Enterprise is a key driver of regional and local economic performance. Hampshire businesses are the main source of employment opportunities to Hampshire residents and people that commute to work from outside Hampshire. Empirical evidence suggests that new firms and plants entering the market account for a significant part of total productivity growth. Enterprise is therefore an important driver of productivity since it leads to higher levels of competition, innovation and investment in both physical capital and human capital (skills)

## Employment & Skills

The focus of the Think Piece on Employment and Skills is on gaining insight of Pan-Hampshire's<sup>1</sup> labour market and skills base, how they operate within self-contained functional economic areas (FEAs), explore the convergence in labour market outcomes over time, and the contribution that skills, especially advanced skills (top two occupations) plays in long-term economic growth and prosperity through well paid, good quality jobs, and also wider factors that can impact on employment.

In economic terms, higher employment leads to an increase in income, translating to more disposable income opportunities for higher consumption and a rise in demand for various goods and services, thereby stimulating the production of goods and services and driving forward economic growth, although that growth needs to be increasingly sustainable to adapt to climate and ecological challenges. In fiscal terms, more people in employment means higher tax revenues and lower government borrowing, allowing central and local government to invest and improve public services and infrastructure. Conversely, high and prolonged periods of unemployment can see workers drop out of the labour market entirely and failing to return for numerous reasons (e.g., inactivity due to ill-health or caring responsibilities), thereby reducing the size of the potential labour pool and an economy's long run productive capacity. In human capital terms, skills are critical for good jobs and as a key driver in boosting innovation and productivity and economic growth; the more skilled workers there are, the more productive they are likely to be. A lack of skills, characterised by skills shortages (external) and skills gaps (internal), can hamper business growth and more widely hinder key government objectives, such as the transition to net zero or remaining economically competitive in a technologically reliant society.

## Productivity & Growth

The focus of this Think Piece on Productivity and Growth is to reinforce the importance of achieving and maintaining high levels of economic productivity within Hampshire (and how these can be attained), as well as investigating the current spatial distribution of productivity levels and development of productivity growth over time in the county.

Productivity is defined as “the efficiency with which production inputs are used to produce a given level of economic output”.<sup>2</sup> Consequently, improving it is a necessary component for stimulating sustained economic growth and elevating living standards.

## Innovation & Investment

Investment lies at the root of economic growth and prosperity. When an economy channels funds into physical and human capital, it creates the building blocks for higher levels of productivity. Investment also fosters greater diffusion of the ideas and

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<sup>1</sup> Geography covering the four upper tier authorities of Hampshire (CC), Isle of Wight (UA), Portsmouth (UA) and Southampton (UA)

<sup>2</sup> [lis-literature-review.pdf \(london.gov.uk\)](#) , 2

innovation that underpin technological progress, higher wages and higher levels of economic prosperity.

Investment in transport infrastructure for example increases accessibility and reduces costs to both businesses and people. The positive effect that transport has on businesses and people can be achieved by expanding or improving transport infrastructure, enhancing services or improving service efficiency. Economic theory and empirical evidence suggest that increased connectivity facilitates concentration of business activity and agglomeration effects which in turn leads to increases in local productivity.

Future economic growth and economic prosperity across Hampshire is likely to be driven by high-growth indigenous firms as well as domestic and foreign investment, which not only creates employment opportunities but also contributes to productivity growth through the inflow of new technologies and knowledge.

## Rural Hampshire

Approximately 75% of Hampshire is classified as rural and these areas are home to 300,000 people, 21.8% of the County's total population.

A piece of work is being undertaken to review, consolidate and update the information produced in 2016 on rural Hampshire. [Socio-economic profile of rural Hampshire | Hampshire County Council \(hants.gov.uk\)](#)

Just as the wider economy has been through significant changes since 2016, we need to review specifically the changes impacting on the rural economy, and delivery of services to rural Hampshire.

## Hampshire as a Functional Economic Area (FEA)

**Functional Economic Areas (FEAs)** are defined by using data from multiple market areas such as labour market self-containment, industry supply chains, sector concentrations, housing and commercial markets, administrative boundaries, and Hampshire's common identity.

- **Labour Market Self-Containment:** 86% of Hampshire residents live and work within the Hampshire FEA.
- **Housing Market Areas:** House prices have moved in tandem within the county over the past 25 years, indicating an inter-linked housing market.
- **Supply Chains:** Hampshire sources close to 40% of sectoral inputs from within the FEA, ranking 5th out of 33 local economies.
- **Administrative Areas:** The importance of aligning FEA boundaries with local authority administrative areas.

## Hampshire

- **Labour Market Flows:**

- 86% of Hampshire residents live and work in Hampshire FEA.
- Smaller TTWAs exist within the larger Hampshire-wide FEA.
- Commuting patterns show significant out-commuting from Southampton and Portsmouth to surrounding areas.
- **Supply Chains and Industry Clusters:**
  - Hampshire sources a significant portion of sectoral inputs locally.
  - Shared economic compositions and sectoral concentrations in areas like aerospace, defence, and space.
  - There are multiple clusters across the geography which also spill out across boundaries
- **Housing and Commercial Property Markets:**
  - Inter-linked housing market with house prices moving in tandem.
  - Strong correlations in commercial property and rental rates across Hampshire.
- **Service Markets and Administrative Areas:**
  - Service markets like shopping centres and hospitals help define FEAs.
  - Administrative boundaries are important for applying services and strategies.
- **Common Hampshire Identity:**
  - Local authorities share a common identity and are more affiliated with Hampshire than other sub-areas in the Southeast.

## Opportunities and Influences

### New Governance, New Focus

The formation of the Hampshire Prosperity Partnership Board allows Economic Development at HCC to take stock and ensure that the role it plays within supporting the Economy of Hampshire is targeted and proportionate to what is needed and where.

It is for the HPPB to identify the priorities

The HPPB also needs to identify what success looks like, so that delivery can be focused on those objectives.

### New Government

The new Labour Governments Manifesto and subsequent actions highlight some of the areas which will need to be considered as part of the delivery plan for the Strategy.

Alignment of the plan with National and regional policies, alongside the local focus on need, means that we will be in the best place to ensure support for programmes going forward.

### **Kick Starting Economic Growth**

- Create a new **Industrial Strategy** with a sectoral focus based on UK strengths, but also aligned to procurement and trade (drive innovation and social value)
- Statutory requirement for local leaders to create **Local Growth Plans**
- The development of a ten-year infrastructure strategy and creation of a new **National Infrastructure and Service Transformation Authority**
- **Update the planning system (NPPF)** to support a modern economy and to support ambitious housing targets
- Fulfil ambitions for both **5G and gigabit coverage by 2030**
- Set up a **National Wealth Fund**, with initial capitalisation of £7.3 billion and a target of attracting three pounds of private investment for every one pound of public investment. The focus is for a *Green Prosperity Plan* which aims to create 650,000 jobs by 2030. The initial plan is to allocate these funds to support:
  - £1.8 billion to upgrade ports and build supply chains across the UK
  - £1.5 billion to new gigafactories so our **automotive** industry leads the world
  - £2.5 billion to rebuild our **steel industry**
  - £1 billion to accelerate the deployment of **carbon capture**
  - £500 million to support the manufacturing of **green hydrogen**.
  - act to increase **investment from pension funds in UK markets**.

### **Local Growth Plans**

All combined authorities and counties with devolution deals will have a statutory obligation to develop **10-year Local Growth Plans**.

These plans will identify economic clusters and outline strategies to build on local advantages through devolved powers.

Local leaders will collaborate with major employers, universities, colleges, and industry bodies to develop long-term plans that align with the national industrial strategy, focusing on place-based economic development.

Therefore, it is important to align with national policy indicators to put Hampshire in the best position should a devolution agreement be reached, or there is a requirement for those outside of the devolved landscape to also put these plans in place.

## Short to medium term

The current strategy is open ended, which does not allow for prioritisation or focus, therefore considering the time frame in which the update is set to cover would be useful in creating objectives.

Timeframe considerations:

- The current strategy is 2 years old (from date of data capture and analysis).
- New Government in place for a 5-year term
- Yet to have a Budget from the new Government
- Renewed devolution discussions
- New industrial strategy development
- Timing required to deliver a new economic development strategy – up to 10 months

Taking those elements into account, it is recommended that the strategy update run to March 2027, so just over 2 years. This will allow for work to be undertaken under the current strategy, but the time to take necessary steps in line with policy changes both nationally and locally.

## Next Steps

### Timetable for delivery

#### Stakeholder Engagement

**Local Authority Partners** - On-going and will be complete by 13 September

**Review all Economic Development Strategies Across Hampshire and Unitary areas** - Complete

- Literature review of all strategies
- Cross cutting themes Identified

**One to one meetings** – Completion date 13 September

- Key principles
- Themes

**Business Representative Organisations** - Completion date 13 September

- Key principles
- Themes

#### Governance Timetable

##### HPPB

- Strategy Approach - 3 September

- Strategy Draft – 11 October

### **Cabinet**

- Initial officers draft - 6 September
- Drafts - 3 October
- Final Strategy - 15 November

### **Marketing Timetable**

- Drafts - 3 October
- Website finalisation - 25 October
- Publication – 15 November

### **Delivery Format**

The strategy will be delivered as a website for accessibility reasons; however, it can be downloaded as a PDF if required.

### **Priority Setting**

Following the delivery of the strategy update, the next step is to formalise the HPPB focus and the timetable around this to allow for the development of an Action Plan/ Programme Plan

### **Sector assessment framework**

Following the development of the Think Pieces, a framework is being developed for assessing the various sectors, and the level of intervention they may need, from these options can be developed for sectors, themes and associated interventions. The framework will consider HCC, Central, regional and Local Government priorities, and will incorporate those defined by the HPPB.

### **Action Plan/ Programme Plan**

Development of an action plan to enable delivery of a programme of work for HPPB from April 2025.

### **Monitoring and Evaluation**

A new monitoring and evaluation framework will be created alongside the development of the Action Plan.

Through the priority setting exercise for the HPPB, asking the question “what does success look like” will be factored in so that a base line and subsequent changes can be established for monitoring and evaluation purposes.

Other considerations will be the capital framework and social value:

## Physical Capital

### *Indicators:*

- **Transport Connectivity:** Measure improvements in road and rail infrastructure, public transport usage, and travel times.
- **Infrastructure Quality:** Assess the condition and capacity of digital and energy infrastructure.
- **Business Competitiveness:** Track the number of new businesses, business survival rates, and investment in physical assets.

## Natural Capital

### *Indicators:*

- **Environmental Health:** Monitor air and water quality, biodiversity indices, and land use changes.
- **Renewable Energy:** Measure the production and consumption of renewable energy.
- **Sustainability Practices:** Track emissions reductions, waste management efficiency, and green job creation.

## Human Capital

### *Indicators:*

- **Education and Skills:** Evaluate school attainment levels, higher education enrolment, and vocational training participation.
- **Health and Well-being:** Measure life expectancy, rates of chronic diseases, and mental health statistics.
- **Employment and Income:** Track employment rates, average income levels, and job satisfaction.

## Knowledge Capital

### *Indicators:*

- **Innovation:** Measure the number of patents filed, R&D expenditure and investment, and innovation outputs.
- **Education Quality:** Assess Higher and Further education performance and school attainment.
- **Business-University Collaboration:** Track partnerships and joint projects between businesses and educational institutions.

## Social Capital

### *Indicators:*

- **Community Cohesion:** Measure levels of interpersonal trust, social norms adherence, and community engagement.
- **Housing and Infrastructure:** Assess housing quality, digital infrastructure access, and social mobility.
- **Civic Engagement:** Track participation in local governance, volunteerism, and community activities.

## Institutional Capital

### *Indicators:*

- **Governance Quality:** Evaluate the effectiveness and transparency of local authorities.
- **Collaboration:** Measure the extent and success of partnerships between government, businesses, and educational institutions.
- **Institutional Reliability:** Assess the stability and reliability of institutional frameworks and policies

## Social Value Measurement Framework (TOMs)

The Themes, Outcomes, and Measures (TOMs) framework is widely used to quantify social value. It includes:

- **Themes:** Broad areas of impact (e.g., jobs, growth, social).
- **Outcomes:** Specific changes or benefits (e.g., increased employment).
- **Measures:** Indicators to quantify outcomes (e.g., number of jobs created).