

# Commission of Inquiry - Vision for Hampshire 2050

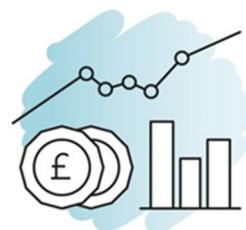
## Hearing Summary Report

### Economy

14 September 2018

---

**HAMPSHIRE 2050**  
VISION FOR THE FUTURE



Economy

## Contents

1. Glossary of Terms.....	2
2. Agenda & Attendance List.....	3
3. Introduction.....	5
4. Hearing Summary.....	5
5. Conclusions.....	11
6. Actions.....	12

### 1. Glossary of Terms

Gross Value Added (GVA) - is the measure of the value of [goods](#) and [services](#) produced in an area, industry or sector of an [economy](#). Gross [value added](#) is used for measuring [gross regional domestic product](#) and other measures of the output of entities smaller than a whole economy. On a simplified level, GVA is the grand total of all revenues, from final sales and (net) subsidies, which are incomes into businesses. Those incomes are then used to cover expenses (wages & salaries, dividends), savings (profits, depreciation), and (indirect) taxes.

Foreign Direct Investment (FDI) - an investment made by a firm or individual in one country into business interests located in another country. Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interest in a foreign company. Foreign direct [investments](#) are distinguished from portfolio investments in which an investor merely purchases [equities](#) of foreign-based companies.

## 2. Agenda & Attendance List

<b>Agenda</b>		
<b>Item</b>	<b>Timing</b>	<b>Lead</b>
Arrival, coffee and pastries	9.30-10.00	
Welcome & Introductions	10.00-10.10	Cllr Perry
Housekeeping	10.10-10.15	Stuart Jarvis
Public opinion	10.15-10.20	Stuart Jarvis
Theme 2 introduction	10.20-10.40	David Fletcher
Theme 2 discussion	10.40-10.50	All
Expert Presentation 1	10.50-11.10	Nick Coote
Q&A / Discussion	11.10-11.30	All
Refreshments and group photo	11.30-11.50	
Expert Presentation 2	11.50-12.10	Don Spalinger
Discussion	12.10-12.30	All
Expert Presentation 3	12.30-12.50	John Till
Discussion	12.50-13.10	All
Theme 2 summary and hearing close	13.10-13.20	Frances Martin
Lunch, served outside Ashburton Hall	13.20-14.00	

<b>Attendance List</b>	
<b>Apologies</b>	
John Coughlan	Chief Executive, Hampshire County Council
Cllr David Clifford	Leader, Rushmoor Borough Council
Mr Tim Colman	FSB National Procurement Spokesman
<b>Commissioners</b>	
Cllr Roy Perry (Chair)	Leader Hampshire County Council
Mr Tali Atvars	Winchester Student Union President

Professor Graham Baldwin	Vice Chancellor Southampton Solent University
Ms Lorraine Brown	Former Chair of the Southern Region Flood and Coastal Erosion Committee
Cllr Mark Cooper	County Councillor for Romsey
Mr Stewart Dunn	Previous Chief Exec Hampshire Chamber of Commerce
Ms Dee Haas	Chairman Hampshire CPRE
Mr Ranil Jayawardena MP	MP for North East Hampshire
Very Rev'd Catherine Ogle	Dean of Winchester
Ms Elizabeth Padmore	Chairman Hampshire Hospitals NHS Foundation Trust
Sir Jonathan Portal	JP Directors
Mr Peer-Jada Qureshi	Founder of Court & Tribunal Solutions
Lord Wakeham	Previous Leader of the House of Commons and House of Lords
The Rt Rev D Williams	Bishop of Basingstoke
<b>External Speakers</b>	
Nick Coote	Head of Thames Valley, Lambert Smith Hampton
Don Spalinger	Director of Research & Innovation Services, University of Southampton
John Till	Director, Thinking Place
<b>Officers</b>	
Stuart Jarvis	Director Economy, Transport and Environment
Frances Martin	Assistant Director, Planning and Environment
Chitra Nadarajah	Environment Strategy Manager (and Commission of Inquiry)
Mike Culver	Commission of Inquiry Project Delivery Manager
Amie Heath	Commission of Inquiry Project Support Officer
David Fletcher	Assistant Director Economic Development, Theme 2 Lead

Chris Bennett	Theme 2 scribe
Michelle Morley	Project Manager (Theme 2)
Philip Walker	Head of Service Hampshire Futures (Theme 3 Lead)
Kirsty Morrison	Team co-ordinator (Business operations) (Theme 3)
Jude Robinson	Head of Service (Strategy Performance) (Theme 3)
Alison Taylor	Communications Manager

### 3. Introduction

Hampshire has one of the most successful economies in the UK. With a GVA (Gross Added Value) of around £50bn, it represents the largest sub regional economy in the South East of England.

However, a number of macro national and international influences mean that we cannot assume that continued success. These external factors include:

- Ever greater globalisation of markets for goods, services, technology and talent;
- The challenges associated with the UK's post recession productivity 'gap';
- The digital revolution which will continue to impact on all aspects of our lives and our economy;
- The UK's imminent exit from the EU and its impact on both investor and consumer confidence, and on the UK's relative competitiveness.

The Economy theme of the Vision for Hampshire 2050 Commission of Inquiry focuses on how we might best prepare and respond to both the challenges and opportunities which the above macro factors might bring into play.

### 4. Hearing Summary

The second hearing primarily consisted of 4 presentations:

- Theme 2 Introduction – presented by David Fletcher, Assistant Director – Economic Development
- Hampshire Office Market – A corporate office occupier's perspective – presented by Nick Coote, Head of Thames Valley Offices, Lambert Smith Hampton
- Vision for Hampshire 2050 – The UK Silicon Valley? – presented by Don Spalinger, Director of Innovation and Entrepreneurship, University of Southampton
- Vision for Hampshire 2050 – A place perspective – presented by John Till, Director of Thinking Place

## **Cllr Roy Perry – Welcome and introduction**

Cllr Perry opened the hearing by thanking the Commissioners for their valuable contribution to Inquiry. He asked the Commissioners who had been unable to take part in the first hearing – Tali Atvars, Professor Graham Baldwin, Cllr Mark Cooper and the Very Reverend Catherine Ogle - to introduce themselves.

## **Public Opinion - Stuart Jarvis, Director of Economy, Transport and Environment, Hampshire County Council**

Commission of Inquiry hearings were open to the public and they were also invited to submit evidence on-line. This had been used to generate a WordCloud, with the most common themes being funding (investment and customer spending), pressure and uncertainty (related to Brexit and the economy), transport, and the increasing divide between our communities in relation to wealth and opportunities.

Stuart Jarvis then introduced a short video giving snapshots of what Hampshire residents and business people think about Hampshire as a place to work and live now and in 2050.

This video and presentations from the hearing can be found at:  
[www.hants.gov.uk/visionforhampshire2050](http://www.hants.gov.uk/visionforhampshire2050)

## **Theme 2 Introduction – David Fletcher, Assistant Director of Economic Development**

The presentation consisted of 3 key sections:

- Overview of Hampshire's economy and its performance relative to other regions and the UK as a whole.
- Some key sectors of the local economy and their future prospects.
- Future priorities for Hampshire based on key principles derived from established best practice.

Hampshire's economy:

- Hampshire is a relatively prosperous economy but is now competing against locations across the world, not just within the UK.
- Production as a share of the local economy has declined from 20% (1998) to 13% (2016).
- Growth in significant service sectors such as ICT and professional and business services (8% and 12% respectively) from 1998-2016.
- Economic performance varies across Hampshire, with North and Central Hampshire performing well above the national average (GVA per head), and South Hampshire performing below the national average (note that Portsmouth is similar to and Southampton below the national average)
- Hampshire is the most export intensive county in England.

Key sectors:

- Aerospace – future growth market – driven by increasing demand for new passenger aircraft - \$6 trillion value from now until 2036. Hampshire is home to many high growth businesses in the sector, with 87% of aerospace

businesses in the Farnborough area having some degree of innovation related activity.

- Marine – another growing global market – key Hampshire strengths include autonomy – a market set to be worth \$136bn over next 15 years – leading businesses in Hampshire include ASV Global and Saab Seaeye.
- Digital – UK is a global digital tech leader – and Hampshire is home to some key digital clusters. Digital and banking/finance are seen by investors as the two key growth sectors for the UK.

#### Key Priorities:

- We need to position Hampshire as an adaptable, knowledge intensive economy. Innovation South's Science and Innovation Audit demonstrated that the South of England, including Hampshire, has the highest level of corporate R&D expenditure in the UK, and our strength is in enabling digital technologies. 5G is a very significant opportunity for the UK and especially for Hampshire. Even in this digital age, the value of flagship facilities and spaces in which innovators can collaborate is still valued.
- We need our urban centres to be vibrant, magnetic places. Knowledge intensive businesses are attracted to strong pools of talented workers, so we need Hampshire to be able to act as a magnet to retain and attract talent. Urban lifestyles are increasingly popular for younger people. High quality public realm, lively cultural activity and co-working spaces all contribute to this agenda. In successful cities, over 50% of commercial space is offices – both Southampton and Portsmouth are well below these levels.
- We need to further develop Hampshire's credentials as an international gateway economy. Connectivity to London and Heathrow need to be critical priorities in the future. We need to ensure that Southampton retains its status as the UK's leading export port. We should overtly support our key tradable sectors.
- We need to ensure that all communities in Hampshire can benefit from economic growth. Local communities need to be equipped with the skills demanded by the digital revolution, and we need to better anticipate the need to reskill those whose jobs have suffered from drives for greater productivity. Our education system needs to be more collaborative and businesses should play a more active role in the governance of our education and training system.

#### Key post presentation discussion points:

- Prioritisation of Southampton Port's need to develop its capacity, especially to support UK exports.
- Other examples of vibrant urban centres in the UK.
- How might we best compete for inward investment, particularly in light of leaving the European Union (for example through the potential loosening of state aid constraints).

## **Presentation 2 – Nick Coote, Head of Thames Valley Offices, Lambert Smith Hampton**

This presentation focused on the key drivers behind location decisions made by key corporate occupiers, particularly in the context of the wider South of England – including Thames Valley, Hampshire etc.

Key headlines included:

- Access to skilled labour pools is a primary driver (usually within 1 hour travelling time) - aspects of the workforce considered include age profile, skills profile and cost.
- Other key factors considered include availability and cost of suitable property and transport connectivity – particularly access to Heathrow and London.
- Urbanisation – a key trend globally – young, talented people wanting to live in vibrant, urban centres and are much more mobile than their predecessors.
- The opening of the new Elizabeth Line will increase the Reading labour pool within 1 hour by 30%.
- Using a current property requirement as an example, Nick set out how various locations under consideration benchmark against each other:
  - Southampton and Basingstoke seen as contender locations, but they benchmark poorly against Reading for the required skills (programmers, business analysts, IT engineers).
  - Grade A office supply – again the Hampshire locations compare poorly to Reading.
- Average transaction size is falling (smaller office requirements and need for more innovation spaces).
- Key considerations for Hampshire:
  - Need our urban centres to be more vibrant and need a healthy supply of good quality office space, including co-working spaces.
  - Developing a stronger skills profile is critical – especially tech skills.
  - North Hampshire should have stronger links to Thames Valley region – future growth capacity for Thames Valley?
  - Office development should be planned around key transport nodes.

Key post presentation discussion points:

- Improved rail connectivity needed between Basingstoke and Reading.
- Opportunity for Basingstoke to retain locally its talent pool.
- Key factors to increase the vibrancy of our urban centres – encompassing the music, design and social aspirations of diverse groups and genders.
- How do we best retain the graduates emerging from our universities – partially by making our places more people friendly to live and work – more co-working and innovation spaces.
- Need for a combination of big spaces for big occupiers alongside smaller co-working spaces.
- Promotion of regional airports to complement the London airports.
- Need to understand and promote our key sectoral strengths – brands like Northern Powerhouse are starting to attract attention.
- Housing affordability a key issue in the South East – Shoreditch a good example of cheap housing attracting talent which now attracts businesses.

### **Presentation 3 – Don Spalinger, Director of Innovation and Entrepreneurship, University of Southampton**

This presentation focused on the key ingredients to create an effective environment to encourage and support innovation.

Key headlines from the presentation:

- Key ingredients for high tech growth
  - Global access – airports, ports, etc
  - Cluster of dynamic businesses
  - Great education institutions
  - Great place to live
  - Can do attitude and acceptance of failure
- Comparison of Silicon Valley with Hampshire
- University of Southampton
  - No 1 for electrical engineering and general engineering in UK
  - Top UK university for working with SMEs
  - Founding member of Setsquared – no 1 business incubator globally.
- Innovation South – opportunity to build the brand and the association of the South with digital innovation
- Key specialisms include
  - Autonomous systems
  - Big data analytics
  - Photonics
  - Composite structures

Key post presentation discussion points:

- What role public sector can play in fostering high tech innovation? (including having technology parks specifically for high tech companies to create clusters and foster collaboration).
- Even in this digital age innovators need spaces in which to interact and collaborate.
- How can higher education do more to engage with school education.
- Likely impact of artificial intelligence on jobs market (likely to be more knowledge based jobs but fewer service sector jobs – greater polarisation of jobs market).
- What role can local authorities play in ensuring we have the right skills here in Hampshire (Graduate retention is a critical issue which needs greater links between Higher Education and local employers).

## Presentation 4 – John Till, Director, Thinking Place

This presentation focused on key principles of place making and place promotion and the outcomes of Thinking Place's initial assessment of Hampshire including the outputs of a workshop facilitated by John with around 35 local key stakeholders.

Key headlines from the presentation:

- Incredibly competitive market between 'places' – e.g. Northern Powerhouse
- Coventry and Warwickshire case study:
  - Lots of assets but not being leveraged
  - Had to develop a new story for the region – which had to be made and owned by the stakeholders
  - Celebrated brands like Jaguar LandRover and the city's peace related heritage
  - Coventry has now gained UK city of culture status for 2021
- Outputs of workshop included:
  - Personality of Hampshire – traditional, insular, middle aged, confused
  - Assets – many – both natural and corporate
  - Opportunities – e.g. two hub cities on coast – could be attractive to young people
  - Challenges – talent drain, ageing population, high house prices
  - Language – gateway, prosperous, global, innovative
- Hampshire's competitive story needs to focus on:
  - Serious R&D assets/activity
  - Lifestyle – a great place to grow your life
  - Coast – ocean economy
  - Well connected – to London, Europe etc
  - Well heeled – home to some great brands
  - Working well – strong economy with more potential/
- What's needed:
  - A place and stakeholder led Hampshire story
  - Leverage our assets – people, places, products
  - Mechanisms to engage and enthuse stakeholders
  - Create a 'stakeholder salesforce'
  - Product, profile, place marketing
  - Develop a 'purposeful place'

Key post presentation discussion points:

- How best to engage city and county (e.g. Coventry/Warwickshire) – place led and not council led.
- Place hierarchy – not a barrier but needs to be recognised – Lancashire example at MIPIM (the major annual international regeneration and property conference in Cannes) – town and city brands sat together under the county brand.
- The economy does not respect or acknowledge local authority boundaries – need to step away from politics and focus on place.

## **Summary – Frances Martin, Assistant Director – Planning & Environment, Hampshire County Council**

A brief summary was provided of the key issues, opportunities and challenges raised by the 4 different presentations.

- We need to create an adaptable, knowledge-intensive economy with vibrant urban centres and develop Hampshire's credentials as a well connected place.
- We need to ensure that all parts and communities of Hampshire can benefit from our economy.
- We need our major urban centres to make a more positive contribution to our overall productivity.
- Corporates considering moving to Hampshire look at access to skills, connectivity to Heathrow and London and the availability of Grade A offices.
- We need vibrant urban centres and a healthy supply of good quality office space and co-working spaces (especially around key transport nodes).
- Developing a strong talent and skills base is critical – businesses follow talent.
- Hampshire is home to universities and companies conducting pioneering research and development.
- We are not leveraging the opportunities presented by our two regional airports enough.
- Tech clusters are a magnet for growth, innovation and investment. We need to keep talent and innovation in our region – 'stickiness'.
- Artificial Intelligence will create more high tech jobs.
- To develop its sense of place, Hampshire needs to create a story and brand. The Council can lead, but must facilitate other key, invested stakeholders, including the views of millennials who will shape our future.
- Hampshire is seen as traditional, conservative and comfortable it has good connectivity, cities, culture, heritage and quality of life however also has an ageing population, high house prices and an outward flow of talent.
- Hampshire is seen as a prosperous and innovative gateway and is globally significant in a number of different fields. Air, Land and Sea are particular significant.

## **5. Conclusions**

To consider and articulate the potential opportunities and challenges for the Hampshire economy from now to 2050 is a complex and multi-faceted agenda.

However, several key themes have emerged from the evidence gathered and from the presentations delivered at the hearing.

Below are the key themes which should be at the heart of developing the Vision for Hampshire 2050.

- a) Build on our strengths and assets as an **adaptable, knowledge intensive economy** – which will require further growth of our specialisms in developing enabling digital technologies, supported through leading digital infrastructure and investment in digital skills. Developing a stronger skills profile in Hampshire will be critical.
- b) Ensure that Hampshire is home to a **highly effective innovation ecosystem**, to enable the commercialisation locally of emerging technologies - leveraging our leading universities and other research assets, our outstanding quality of life, international connectivity and clusters of innovative businesses.
- c) We must further **enhance our competitiveness as an international gateway and globally connected economy** – making Hampshire more attractive to foreign direct investment, especially in key knowledge intensive sectors, and to sustain our status as a key conduit for UK exports. Support for our key tradable sectors, such as aerospace and marine, should be prioritised. Connectivity to both London and Heathrow will be critical to Hampshire's future success.
- d) To ensure that our **key urban centres**, and especially Southampton and Portsmouth, fulfil their roles as key economic drivers, as hubs of commercial and innovation activity, and as magnets for talented individuals and knowledge intensive businesses. This includes provision of high quality grade A office space (including co-working space) and great public realm to encourage interaction and collaboration.
- e) A key priority is to **foster a positive, 'can do' ethos** – towards private investment, innovation and developing diverse and inclusion communities. A clear place orientated vision for Hampshire, with a narrative co-developed and owned by all key stakeholders, needs to be established.
- f) We need to ensure that **all communities in Hampshire can benefit** from economic growth. Local communities need to be equipped with the skills demanded by the digital revolution, and we need to better anticipate the need to reskill those whose jobs have suffered from drives for greater productivity. Our education system needs to be more collaborative and businesses should play a more active role in the governance of our education and training system.

## 6. Actions

### **Suggested actions from Hearing 2. To be considered by the Project Team and Theme Leads of future hearings to help inform future work:**

- Explore the potential to host a Place Competitiveness / Place Making Workshop, facilitated by John Till of Thinking Place, with participants including the political leaders of Hampshire County Council, District and Borough Councils, Southampton City Council, Portsmouth City Council and Isle of Wight Council;
- Undertake a detailed analysis of the Hampshire based digital tech sector, including the businesses and specialisms within it, to assist in determining the likely future needs of the sector, in terms of space, support and talent. This exercise would include direct engagement with key businesses in the sector and other relevant stakeholders.

- Explore opportunities to accelerate investment in 5G digital infrastructure across Hampshire, which will be a critical element in our future competitiveness as a business location and as an innovation ecosystem. This could also have key benefits for the efficiency of the public sector in Hampshire. *To be explored in more detail in the Mobility, Connectivity and Energy theme.*
- Identify key development opportunities across Hampshire in relation to new grade A office development, especially in well connected urban locations – and evaluate any barriers to progressing such development opportunities.
- Undertake analysis of Hampshire’s relative competitiveness in key areas of skills to better understand (1) where we are currently a competitive location for businesses and (2) where we have gaps in skills provision which corporate occupiers are seeking when making decisions around mobile investment projects. *To be explored in more detail in the Work, Skills and Lifestyle theme.*
- To clarify future interventions required to improve future rail connectivity to London and Heathrow. *To be explored in more detail in the Mobility, Connectivity and Energy theme.*