

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	10 October 2023
<b>Title:</b>	Driving Towards Economic Strength
<b>Report From:</b>	Director of 2050 and Assistant Chief Executive

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### Purpose of this Report

1. The economy weathered the cost-of-living crisis much better than most expected but the full force of inflationary pressures and associated increases in interest rates has yet to be felt. Therefore, the economic outlook continues to be challenging for both businesses and residents across Hampshire. The focus for this and future reports is the required actions for working towards retaining the economic strength for Hampshire, recognising the importance of a strong and prosperous economy as a critical enabler of wider long-term outcomes across the County.

### Recommendations

It is recommended that Cabinet:

2. Continues to note the potential impacts of the prolonged economic slowdown and confirm that supporting the Hampshire Economy remains a priority for the County Council, including continuing to invest in infrastructure and support businesses, during an extremely challenging time increasingly characterised by rising unemployment, increasing number of business failures, a prolonged period of flatlining growth with the economy possibly entering a mild recession later this year.
3. Note the analysis of the economic impact and issues highlighted which emphasises that the County Council continues to use its scale and influence to drive towards long term economic strength in Hampshire, through shaping and influencing the key priorities set out in the Economic Strategy approved by Cabinet in December 2022. This also includes the County Council's role in promoting place-based Regeneration and Growth Partnerships.

4. Agrees the proposals for a County-wide approach to governance and former LEP services and programmes post 31 March 2024 following the recent Government announcement that Upper-tier Local Authorities will take on the responsibility for LEP functions from April 2024.

## **Executive Summary**

5. The economic picture towards the end of the summer continues to mirror the national economic outlook reflecting on-going economic challenges, fuelled by the strength of domestic inflation, rising interest rates, flatlining business activity and increasing evidence of the labour market softening.
6. The Hampshire and Isle of Wight economy remained resilient in the first half of this year despite the challenges posed by rising interest rates, high inflation, and the cost-of-living crisis which has raised hopes that the economy will escape recession this year. However, the latest evidence from regional business surveys and official sources suggests that the start to the third quarter was somewhat disappointing and that there is a possibility that the economy might find itself in recession in the second half of the year. Independent forecasts suggest that any economic contraction in Hampshire is likely to be very mild with economic growth returning in 2024.
7. The report does make reference to a number of positive examples of inward investment, major contracts and mergers and acquisitions, which continue to demonstrate that despite the challenging economic picture, Hampshire continues to be an attractive place for inward investment and business growth.
8. As has been noted previously, the County Council has continued its ambition to increase Hampshire's competitiveness and ensure sustainable rates of economic growth that would lead to increases in wages, living standards and economic prosperity over the medium-to-long term. This is mirrored in relatively strong employment and labour market figures in comparison to national averages, and particularly workforce productivity measures.
9. This report provides the most recent overview of the impact of the slowdown on Hampshire's economy and outlines those issues where the County Council can use its scale and influence to contribute to economic recovery going forward.

## **The current economic challenge and our response**

10. Our preliminary estimate suggests that the Hampshire and Isle of Wight economy expanded by 0.2% in the second quarter and in line with the UK average. Output growth was driven by tourism-related activities, manufacturing, and information and communication. Faster growth in the second quarter was

held-back by falling output in professional, scientific, and technical services, and transport & storage.

11. The Hampshire & Isle of Wight economy has remained resilient in the first half of this year despite the challenges posed by rising interest rates, high inflation, and industrial action. Estimated output growth in June (0.5% compared to the previous month) was better than expected but the start to the third quarter was somewhat disappointing.
12. The latest evidence from a regional survey of purchasing managers (PMI survey) suggests that the number of UK regions that reported growth in business activity falling to its lowest level in six months in July amid a broadening decline in demand. Only half of the 12 UK regions and nations recorded growth in business activity in July.
13. PMI data suggests that business activity in the region contracted in July for the first time in six months. Poor sales, strikes and elevated interest rates reportedly constrained output growth. Volume of new orders (a leading indicator of economic growth over the short-term) also fell with rising rates constraining demand and delaying investment decisions.
14. Consumer sentiment in the UK fell in July under the strain of high inflation and rising interest rates. Consumers are increasingly concerned about personal finances and wider economy over next the 12-months and there are some early signs that consumers might be pulling back on spending.
15. Retail sales volumes have held up well in the second quarter but sales volumes in July fell for the first time since March. The fall was worse than expected but poor weather was one of the contributing factors that constrained growth in sales in July.
16. Business investment in the UK increased in the second quarter and it stood almost 7% higher than a year ago but forward-looking data suggests that business investment could come under strain later this year. Survey evidence from the Bank of England points to subdued investment intentions, corporate credit conditions and activity in the commercial property sector.
17. Total demand for commercial floorspace (commercial take-up) in Hampshire and Isle of Wight stood at 320,000 sq. ft in the two months to 21 August with general industry continuing to remain the largest market and accounting for 91% of total new demand in Hampshire, followed by offices at 5.4% and retail at 3.2%. There was again no take-up by the leisure sector which perhaps points to a negative effect of cuts to discretionary spending on demand for leisure-related investment.
18. A slowdown in business activity and demand is expected to hit occupancy rates across all property sectors. Given that the industrial market has historically been less cyclical it should be more resilient to any downturn than the other

markets that are more exposed to cuts in discretionary spending and changing work practices.

19. Business intelligence from Hampshire's Economic Development team suggests that Hampshire continues to receive a steady flow of inward investment enquiries from the Department for Business and Trade, but private investment was relatively subdued in the first half of this year.

20. Alongside the take up of commercial space, a number of recent investments and new contract awards have been made over the past quarter including:

- AiLab (Artificial Intelligence Laboratory) take-up of office space in Southampton's Ocean Village Innovation Centre (OVIC), to further expand AI education and workshops.
- Aerospace firm Britten Norman confirmed plans to bring aircraft manufacturing back to the Isle of Wight by building a zero-emissions Islander aircraft at a site in Bembridge, with plans to launch in 2026.
- Hampshire will benefit from the Ministry of Defence awarding BAE Systems a 10-year contract worth £270 million to support the Royal Navy's three main radar systems. The support contract and joint investment secures around 400 highly skilled British jobs and underpins BAE Systems' radar business in Cowes on the Isle of Wight, and Portsmouth in Hampshire.

21. The acquisition market was relatively quiet over the summer months, with notable takeovers in two higher value-added sectors (aerospace and information and communication):

- Farnborough-based aircraft services company Up and Away has been acquired by global group Unifi Aviation.
- Web application agency Steadfast Collective, based in The Old Corn Exchange, Romsey has acquired Lobo Creative based in Wimborne, Dorset.

22. Between mid-March and early April Visit Hampshire in collaboration with six of Hampshire's leading attractions (Beaulieu, Bombay Sapphire, Gunwharf Quays, Paultons Park, Portsmouth Historic Dockyard and Spinnaker Tower) ran a marketing campaign (using out of home and digital platforms) aimed at boosting visitor numbers from London to Hampshire. The campaign reached 3.9 million people with the latest data from ONS suggesting that tourism and related activities were the main driver of economic growth in the second quarter.

23. Intelligence from Visit England suggests that the cost-of-living crisis is expected to affect discretionary spending on tourism-related activities with people looking to make savings on accommodation, activities and eating out. They are likely to visit and undertake free activities in more outdoors areas and take fewer spa, beauty and wellness breaks over the next 12 months which will in turn weigh on turnover and growth.

24. Anecdotal intelligence from Hampshire's tourism team suggests that self-catering providers are reporting that bookings continue to be last-minute and for shorter periods, with more swapping week-long for long weekend stays. The wet summer has meant that indoor attractions have fared better than outdoor in Hampshire and across the rest of the nation.
25. Hampshire's important cruise sector has rebounded strongly post pandemic. Seven new cruise ships will make their first visits to Southampton in 2023 amongst an estimated 2 million passengers on nearly 500 vessels. Portsmouth is looking to triple the number of passengers welcomed on cruise calls from 35,000 in 2022 to 97,000 on 83 ships in 2023. Southampton port estimates that on average each cruise call is worth £2.7m to the local economy.
26. Government policy is focusing on regulating short term holiday lets, particularly in parts of the country where locals are finding it increasingly difficult to find residential accommodation. This isn't a major issue across most of Hampshire with its well-developed stock of serviced and non-serviced accommodation.
27. House prices in the UK increased in June according to HM Land Registry data and prices in June were 1.7% higher than at the same time last year. According to Halifax house prices fell in July and prices were 2.4% lower than at the same time last year. The alternative index from Nationwide that is arguably slightly more representative of southern England suggests that house prices in the UK fell by 0.2% in July and that prices were -3.8% lower than at the same time last year.
28. HM Land Registry data suggests that house sales in Hampshire & Isle of Wight fell by about 30% in April compared to March. Timelier data on sub-national house prices suggests that the County area saw a small monthly fall in house prices in June following growth in May but on annual basis house prices in the County Area were 1.6% higher than at the same time last year. House prices in Portsmouth, Southampton and Isle of Wight increased in June and remain higher than last year.
29. With the average house price at £379,777 in June or about a third above the national average, housing affordability in the County area continues to be stretched by historic standards. High mortgages are expected to price many people out of the market in low affordability areas like Hampshire and this is expected to lead to a further fall in housing transactions. A further decrease in house prices across Hampshire look likely but a trend towards longer mortgage terms and relatively strong growth in wages means that house prices may not fall as far as previously thought.
30. Consumer price inflation in the UK eased to a 17-month low of 6.8% in July. The fall in the headline rate was in line with the Bank of England expectations and largely explained in terms of the lower utility price cap. Core inflation (excluding food and energy) was unchanged at 6.9% and services inflation

increased to a 32-year high of 7.4%. The outcome for core inflation and services inflation was worse than expected.

31. Survey evidence from PMI survey suggests that business selling prices (output price inflation) in the region were still elevated in July, but prices charged increased at slowest pace in 23 months. Business costs edged higher in July but the pace of the increase was the second slowest over the past 28 months. Anecdotal evidence from the region suggests that cost pressures were coming from wages, food, insurance, and some raw materials.
32. HMRC data suggests that PAYE wage growth in Hampshire & Isle of Wight increased by 9.1% in the three months to July compared to the same period last year and that pay in Hampshire increased faster than in the Southeast. Thus, for the first time since inflation started to increase, growth in PAYE pay is running ahead of price increases.
33. With CPI inflation falling below PAYE wage growth, the cost-of-living crisis appears to be coming to an end. The weakness in the labour market usually precedes a slower growth in wages but several national survey indicators suggest that earnings growth may well have peaked.
34. The performance of Hampshire & Isle of Wight labour market has been mixed. Early estimates suggest that PAYE employment in Hampshire and the Isle of Wight increased by 3,100 to a record high of 913,400 in July. Monthly growth was comparable to the Southeast average and annual growth was relatively strong at 1.8%.
35. Self-employment continues to bear the brunt of both the impact of the pandemic and the cost-of-living crisis. Official data from ONS suggests that self-employment in Hampshire and Isle of Wight decreased by about 5,800 in the year to March 2023 compared to the previous year.
36. Unemployment in Hampshire and Isle of Wight on the broader headline (survey-based) measure stood at 3.2% in the year to March 2023 compared to the previous year, up 0.2 percentage points on the year.
37. Unemployment and youth unemployment on the narrower (claimant count) measure of unemployment remained broadly unchanged last month but the number of vacancies (online job postings) fell by 4.6% in July, a slightly smaller decrease than in the Southeast.
38. On most headline labour market outcomes Hampshire and Isle of Wight compares favourably with the national average. Economic activity stands at 80.7% and the employment rate at 77.5%, both above the national average but unemployment on the survey-based headline measure is now above the national average. The County area headlines are better than the South-East average, but unemployment is now also above the regional and national average.

39. The latest national data from ONS points to some clear signs of weakness in the labour market. Employment and job vacancies decreased while redundancies and unemployment increased. Thus, it is likely that a prolonged period of flatlining business activity will eventually catch up with the labour market in Hampshire and Isle of Wight.
40. Sticky core and services inflation and strong growth in wages suggest that there is probably enough inflationary pressure for another 0.25% increase in interest rates to 5.5% in September but falling business activity alongside some early signs of weakness in the labour market could prevent further rises in interest rates.
41. Interest rates are thus expected to peak soon and are likely to stay unchanged until late 2024 or even early 2025. This will in turn mean that mortgage rates are likely to stay higher for longer which will affect consumer spending and with that business investment and growth will equally be adversely affected.
42. According to the Bank of England some 70% of medium-sized businesses, those with a turnover of between £10m and £500m may struggle to meet repayments on their debts by the end of 2023. There are 1,190 medium-sized businesses in Hampshire (940 of which have turnover of at least £10m) or 1.5% of all businesses. Medium-sized businesses provide around one in every eight jobs but according to Nesta they tend to be more resilient to economic downturns.
43. July's public finances figures were better than expected as they revealed an undershoot of the OBR's forecast for public borrowing. So far, this financial year, the Government has borrowed £56.6bn or £13.7bn more than the same period in 2022 but this is £11.3bn less than the Office for Budget Responsibility (OBR) predicted at the time of the March 2023 budget.
44. A survey by the BBC's Shared Data Unit of 190 upper tier authorities found that council chiefs expect to be £5.2bn short of balancing the books by April 2026, even after making £2.5bn of planned cuts. A number of economic headwinds such as inflation, National Living Wage, high energy costs and increasing demand for services were adding to pressures faced by local authorities. The average council now faces a £33m predicted deficit by 2025-26 with councils increasingly falling back on reserves.
45. The implications from falling business activity and the full effect of higher interest rates are yet to feed through the economy which may result in the UK entering into a recession later this year according to several economic consultancies and banks. The latest sub-national forecasts from Experian (June 2023) suggest that Hampshire and Isle of Wight economy is expected to contract by just 0.1% in 2023 as a whole but growth in the first half of the year points to a larger contraction in the second half of this year.
46. Experian forecasts suggest that Hampshire's economy is expected to expand by 0.9% in 2024 and by 1.5% on average between 2024 and 2027. Economic

growth over the next three years is expected to be slower than the average rate of growth observed in the pre-pandemic decade (2.1% per annum). The latest *Economic Intelligence Dashboard* (Annex 1) produced in late-August contains additional information on the current economic trends and business intelligence.

## **LEP Disaggregation**

47. Local Enterprise Partnerships have played an important role in supporting local economic growth since 2011. They have brought together businesses, education and local government with a clear strategy for economic success and have targeted funding to the areas that will benefit most at a local level, releasing economic capital.
48. The Levelling up White Paper set out the Government's commitment to extending devolution across England, empowering local leaders and integrating LEP functions into local democratic institutions. In August 2023 Government confirmed their expectation that those LEP functions carried out under current core funding agreements (business representation, strategic economic planning, and responsibility for delivery of specific government programmes where directed, including Growth Hubs, and Careers Hubs) to now be exercised by upper tier local authorities where they are not already delivered by a Combined Authority, or in areas where a devolution deal is not yet agreed.
49. The County Council will therefore have accountability, funding and responsibility for these functions from the 1 April 2024, and any future governance or partnership arrangement would need to reflect this.
50. Government also expects that any reserves and assets built up using public funds will remain within the public domain and be transferred to the relevant local authority. Where there have been funding arrangements in place such as the Growing Places Fund, use of financial reserves established through the fund should be determined in line with the decision of the relevant Section 151 officer. Decisions on the transfer of assets should be agreed by the LEP, its Accountable Body, and respective local authorities by March 2024.
51. The County Council will therefore ensure, through agreement with respective Accountable Bodies, that any funding or assets transferred as part of new accountabilities and responsibilities would be ring-fenced for future uses supporting economic development and relevant infrastructure across the County area.
52. Some LEPs may choose to continue operations without core funding, either until a devolution deal is agreed for their area or in perpetuity. Government however will not provide any further core funding to LEPs in their existing form and whether to enable the LEP to continue to deliver previous LEP core services is the decision of the Upper-Tier Authority.



53. The Government has committed to providing Local Authority funding for 2024/25, but funding after this time will be subject to future Spending Review decisions.

## **A Functional Economic Market Area**

54. Hampshire and the Isle of Wight is covered by two separate Local Enterprise Partnerships (LEPs) areas, Enterprise M3 which covers the North and Central parts of Hampshire and West Surrey, and Solent LEP which covers South Hampshire including the Isle of Wight and the cities of Southampton and Portsmouth.

55. Moving the LEP functions to upper-tier authorities provides an opportunity for economic strategy and delivery to take place across a more significant geographic and economic scale (a Functional Economic Market Area), recognising that to attract significant investment and infrastructure into the area there needs to be a larger critical mass than the one that can be provided through the two separate LEPs.

56. Much of evidence for a regional functioning economic area has already been presented to Cabinet through the Pan-Hampshire County Deal Prospectus submitted to the Secretary of State in 2022. This recognised a distinct regional sector mix, a highly integrated regional supply chain and well evidenced labour market flows. Ministers have also been very clear that a deal working at this strategic geography and scale offers significant economic opportunities and would bring substantial benefits for communities and businesses across the whole area.

57. The table below demonstrates the relative size of the economy across the wider Pan-Hampshire economic area, utilising Gross Value Added (GVA) and Business Rate Receipts as indicators of the economic value and productivity of the Pan-Hampshire region. This demonstrates the significant economic potential and scale of Hampshire as a single economic area as a national asset to the UK economy, as well as the relative size and significance of the various sub-geographies that exist across the region.

	Local Authorities	Population	GDP, 2021 £m	GVA, 2021 £m	GVA growth
			2021 (current prices)	2021 (constant 2019 prices)	% p.a. (2009-2019)
Hampshire County Area	B'stoke & Deane	177,800	£6,881	£6,478	5.4
	Hart	97,600	£3,166	£2,965	2.1
	Rushmoor	94,400	£6,199	£5,895	7.2
	Test Valley	127,200	£3,621	£3,430	2.1
	Winchester	125,900	£5,425	£5,157	4.8
	East Hampshire	123,800	£2,705	£2,582	4.6
	New Forest	179,600	£4,931	£4,657	1.5
	Eastleigh	135,500	£4,484	£4,385	2.0
	Fareham	116,300	£3,191	£3,040	2.1
	Gosport	84,700	£1,140	£1,067	1.0
	Havant	126,300	£2,610	£2,508	0.0
	<b>Total</b>	<b>1.4m</b>	<b>£44,353</b>	<b>£42,164</b>	<b>2.7</b>
Unitary Local Authorities in Pan- Hampshire	Isle of Wight	142,300	£2,589	£2,478	1.3
	Portsmouth	214,700	£6,718	£6,285	1.9
	Southampton	252,900	£6,768	£6,163	1.2
	<b>Total</b>	<b>0.6m</b>	<b>£16,075</b>	<b>£14,926</b>	<b>1.5</b>

58. The most widely used approach to define FEMAs is by reference to Travel to Work Areas (TTWAs). Travel to Work Areas (TTWAs), are relatively self-contained labour market areas where at least 75% of the resident economically active population work in the area. In defining FEMAs attention is frequently paid to the importance of administrative boundaries.

59. Data confirms that 86% of Pan-Hampshire residents live and work in Hampshire and Isle of Wight which is well above the ONS TTWA threshold rate of 75% that is used to define FEMAs. The self-containment rate among people that work in Hampshire is even higher at 89% suggesting that 89% of all jobs in Hampshire are taken by the Hampshire residents. Growth in remote and hybrid working will likely see even higher self-containment in future. Within this large FEMA there are several smaller areas that can be defined in terms of major economic, business or labour market outcomes.

60. A high labour market self-containment in Hampshire has been underpinned by a large number of businesses (92,000 local business units) that provide over 1 million job opportunities to Hampshire residents. Hampshire and Isle of Wight is on average 10% more productive than the UK average, all thanks to a concentration of both higher value-added services and advanced manufacturing businesses in both the northern and southern parts of Hampshire (see table below).

	Local authorities	Productivity 2021 % relative to UK	Businesses 2022	Jobs 2021	Job density, 2021 per work.age pop.
<b>Hampshire County Area</b>	B'stoke & Deane	31.2	8,645	99,000	0.84
	Hart	54.2	5,065	41,000	0.66
	Rushmoor	103.3	3,970	56,000	0.85
	Test Valley	-7.3	6,920	74,000	0.93
	Winchester	4.6	8,915	100,000	1.28
	East Hampshire	-3.4	7,200	49,000	0.66
	New Forest	12.1	9,115	79,000	0.81
	Eastleigh	9.3	6,430	71,000	0.85
	Fareham	1.8	5,270	58,000	0.85
	Gosport	-8.2	2,350	25,000	0.49
	Havant	-0.5	5,110	47,000	0.64
	<b>Total</b>	n/a	<b>69,000</b>	<b>698,000</b>	<b>0.82</b>
<b>Unitary Local Authorities in Pan Hampshire</b>	Isle of Wight	-17.0	5,635	61,000	0.77
	Portsmouth	1.1	7,810	125,000	0.90
	Southampton	-6.5	9,675	132,000	0.78
	<b>Total</b>	n/a	<b>23,120</b>	<b>317,000</b>	<b>0.82</b>

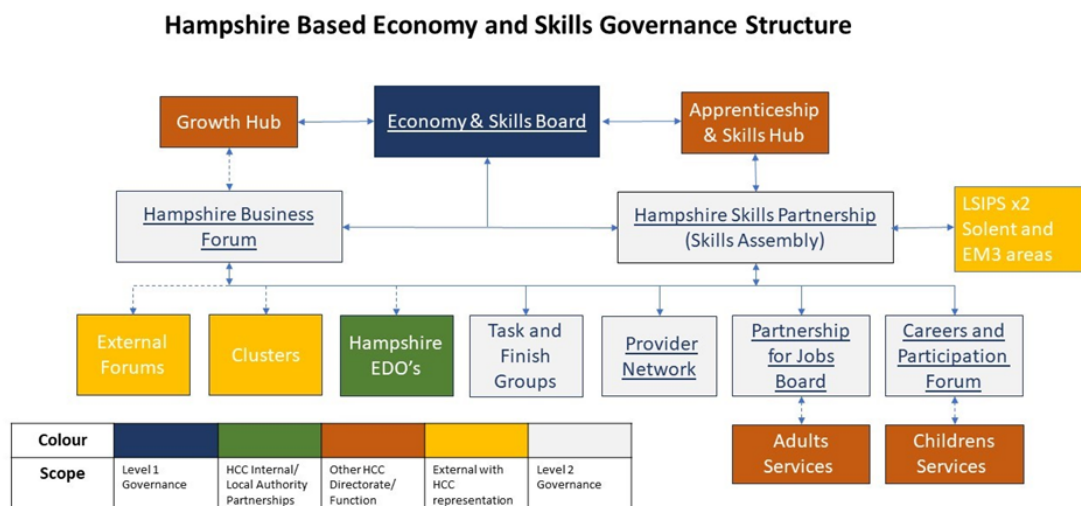
61. Hampshire is also home to a critical national and regional infrastructure that includes 13 major business parks including Cody Technology Park, Farnborough Business Park and Chineham Business Park in north Hampshire and Southampton Science Park and Solent Business Park in central and south Hampshire/Solent. There are above the national average concentrations of professional and business services, advanced engineering (1.4 times the national average) and aerospace & defence (1.6 times the national average). All of these activities are concentrated in both the northern and southern of parts Hampshire.
62. Economic sub-areas within Hampshire also face common challenges that relate to labour supply, skills and economic competitiveness. For example, the latest official population projections suggest that by 2031 Hampshire and Isle of Wight working age population is expected to decrease with a further decrease in Hampshire's workforce by 2041. The outlook for Hampshire and Isle of Wight over the next two decades is weaker than for the South East and UK both of which are projected growth in working age population to 2041.
63. Alongside the challenges associated with future labour supply there is a substantial mismatch between the demand and supply of skills among for example several occupations such as nursing and care professionals or skilled manufacturing trades where nearly half of workers are aged 50 years or older. The labour supply and skills, FDI and other challenges that relate to international competitiveness such as exports (Hampshire is the largest exporting region in South East and the County Area is the most export intensive county in the Country) are best addressed at a larger geographical scale recognising that there are significant positive spillovers across the whole Functional Economic Market Area (FEMA).

64. Despite clear socio-economic evidence and Ministerial agreement to the basis of a Pan-Hampshire socio-economy, local agreement has not been achieved with neighbouring Unitary Authority Leaders on this being the most appropriate geographical footprint.

65. The County Council has therefore taken a position to be respectful of neighbouring authority sovereignty and has publicly stated a position to continue to work in partnership with all neighbouring authorities for the interests of Hampshire residents. This position is also cognisant that 1.4 million Hampshire residents cannot be held back from future investment, new powers and economic opportunity as a consequence of Leaders of the neighbouring Unitary Authorities not wanting to progress with Government's offer of a Deal.

### Post LEP Governance

66. Government guidance encourages upper tier local authorities to create or continue to engage with an Economic Growth Board (or similar) made up of local business leaders and relevant representative bodies to (a) provide the view of local businesses as part of regional decision making and (b) work with local leaders to create a broad economic strategy for the area. For the County Council to discharge this function across both its functional economic area and local authority boundary, it is proposed to create a new governance structure to replace the two separate structures that exist under the current local LEP arrangements.



67. The strategic context for a County-wide approach to Economy and Skills is provided by the work of the Hampshire 2050 Commission of Inquiry that took place in 2019 (<https://documents.hants.gov.uk/hampshire2050/2050-summaryreport2019.pdf>). This identified the key elements needed to secure Hampshire's future as one of the most successful Counties in the Country, and to enable people from all backgrounds the opportunity to benefit from that success. One of the key elements of the Hampshire 2050 vision is how to

respond to a changing economy to ensure Hampshire is able to continue to compete both nationally and internationally.

68. The Council published a new Economic Strategy for Hampshire in January 2023 which is a key component in the delivery of the Hampshire 2050 Vision. (<https://documents.hants.gov.uk/business/hampshire-economic-strategy.pdf>). The Strategy is based on six capitals that all underpin economic growth which will directly relate to the focus of the Economy and Skills Board;
- a. Physical Capital
  - b. Natural Capital
  - c. Human Capital
  - d. Knowledge Capital
  - e. Social Capital
  - f. Institutional Capital

The Economy and Skills Board will own the Economic Strategy and be accountable for its delivery.

69. In developing this thinking, the County Council has written to the Leaders of neighbouring local authorities to understand the appetite for jointly developing a solution for the Pan-Hampshire economic area. The Leaders of Southampton City Council, Portsmouth City Council and Isle of Wight Council, have responded clearly stating their position to develop a solution for the Solent geography only. Alongside this, Surrey County Council are clear on a single solution for the Surrey County Council area, leveraging on the current Surrey Skills and Growth Board.

70. A Hampshire-wide Economy and Skills Board will therefore become the conduit for strategic discussion and decision making for the whole County area around the wider economic agenda, working with neighbouring local authorities on a wider pan-regional scale where appropriate. This will include relationships with Surrey to the North East as well as Southampton, Portsmouth and Isle of Wight to the South, but also strengthening strategically important economic relationships with Dorset, Wiltshire, West Sussex and West Berkshire.

71. The high-level board will ensure representation from business, education and local government which will identify key priorities and oversee delivery through a supporting structure of both strategic forums and delivery groups.

72. Business engagement is critical to determining priorities and it is proposed that a County-wide Business Forum will sit below the Economy and Skills Board to engage the County's key employers and to gain critical intelligence about the local economic conditions. Representatives from the Business Forum will sit on the Economy and Skills Board to provide business input at the most strategic level as per the Government Guidance.

73. It is also proposed that a Hampshire-wide skills partnership sits below the Economy and Skills Board to facilitate the delivery of the skills infrastructure needed to deliver economic growth, aligning the Local Skills Improvement Plans, supporting post 16 education, and identifying strategic programmes to

meet skills gaps. It is intended that this Board would oversee future government programmes within the accountable local authority areas such as Skills Bootcamps and future delivery of Careers Hubs.

74. The work of the Economy and Skills Board will be framed by the Hampshire Economic Strategy and based around themes such as Town Centre Regeneration, Housing Growth, Maritime, and Skills Retention and Development. These themes will be identified by the new Board in discussion with partners and based on evidence of the issues affecting economic success in the area.

75. The proposed strategic objectives for the Economy and Skills board are:

- Be accountable for the Hampshire Economic Strategy
- Support the significant ambition for inclusive economic growth in Hampshire and its Sub-Region, including the creation, support and enhancement of landmark business destinations and the attraction of national and international businesses around Hampshire's growing industrial strengths.
- Maximise the benefits of the designated Freeport, Enterprise Zones and any emerging Government opportunities as part of the wider region; whilst acting as a hub and catalyst for creativity and innovation.
- Drive the ambition for housing growth in sustainable and well-planned locations, including new affordable homes to meet identified housing needs
- Ensure effective connectivity between the existing and planned major conurbations, surrounding neighbourhoods, market towns and key business locations.
- Support the critical infrastructure improvements and national and regional connectivity through the further development of the highways, railway, port and digital networks.
- Ensure a focus on effective placemaking and achieve a high quality of spaces and buildings, whilst complementing the excellent built and environmental heritage.
- Encourage sustainability and minimise the carbon footprint of future developments as a whole.
- Encourage sustained collaboration between business and education to support current and future demands for skills within the labour market.
- Continue to engage with the resident and business communities to ensure the sustainable economic growth delivers broader social benefits to the people of Hampshire and creates a tangible sense of community.

76. To enable the Economy and Skills Board to act in a strategic capacity it needs to be small and agile. Whilst there will be some core membership, other members will be nominated from within their own sectors based on alignment to the agreed strategic priorities. Membership may change over time as priorities change and work is completed, but the proportion of membership per sector will remain constant. It is anticipated that Local Authority representation on the

Board will come from the Chairs of Task and Finish Groups delivering against agreed themes.

## **Next Steps**

77. In accordance with the recent Government Announcement, the functions of the Local Enterprise Partnerships need to be integrated into Upper Tier Local Authorities accountability from 1 April 2024.

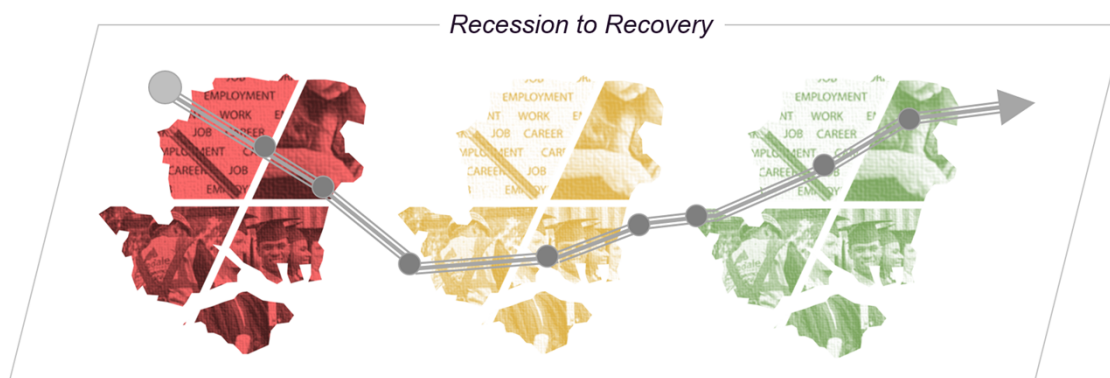
78. Work is already under way to fully understand the LEP functions and which will move over to the County Council. Both LEPs have been written to requesting relevant information, and work will now continue with Accountable Bodies to agree the relevant transfers of assets and resources in accordance with the current and future responsibilities transferring from the LEP to the Upper Tier Local Authorities.

79. To ensure that the new governance arrangements are fit for purpose and ready from 1 April 2024 it is proposed that a Shadow Board will be set up to run from 01 January to 31 March 2024.

80. This report sets out the proposed overarching governance principles that will deliver continued economic success across Hampshire in the post-LEP environment. There is still considerable work to be done to understand the detail around programmes and funding and therefore a more comprehensive strategy for the future of economic support is not possible at this time. However, the County Council is committed to working with District Councils, businesses, education providers and other partners to understand the most appropriate and effective solutions for Hampshire, through open dialogue and use of a strong evidence base identifying needs and opportunities for the future.

## **81. Conclusion**

82. Despite continued economic challenges Hampshire performs well against Southeast and National averages, but unemployment continues to rise. The work the Council is doing in the employment and skills arena is a key part of overcoming these challenges and the disaggregation of the LEPs and the moving of functions to Upper-Tier authorities provides an opportunity to consolidate this work and deliver the services in the most efficient way. An Economy and Skills Board for the County area will provide a structure to identify the actions needed to maintain Hampshire's economic advantage and to monitor outcomes and impacts to ensure that Hampshire is a place where all can benefit from its economic success.



## Hampshire Monthly Intelligence Dashboard

August 2023

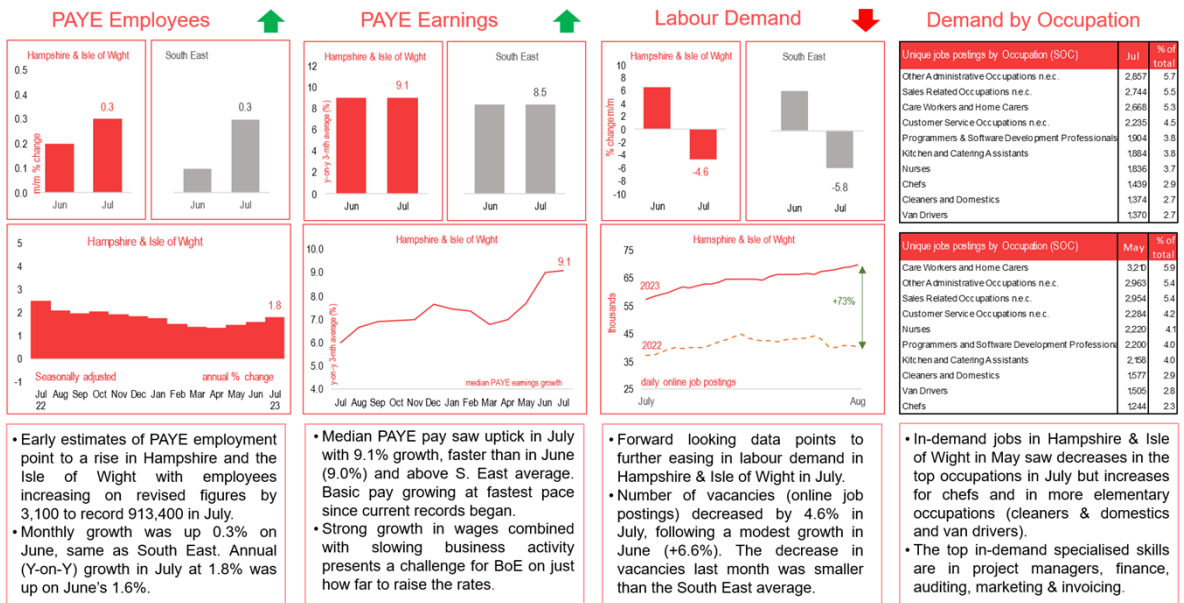
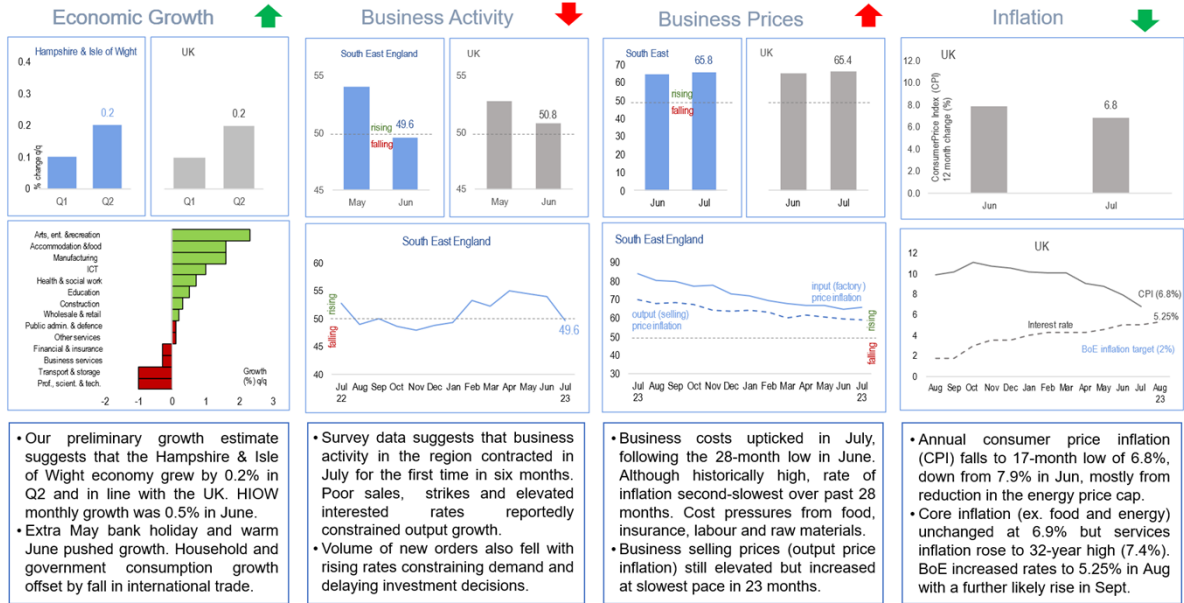
Hampshire County Council  
Hampshire 2050

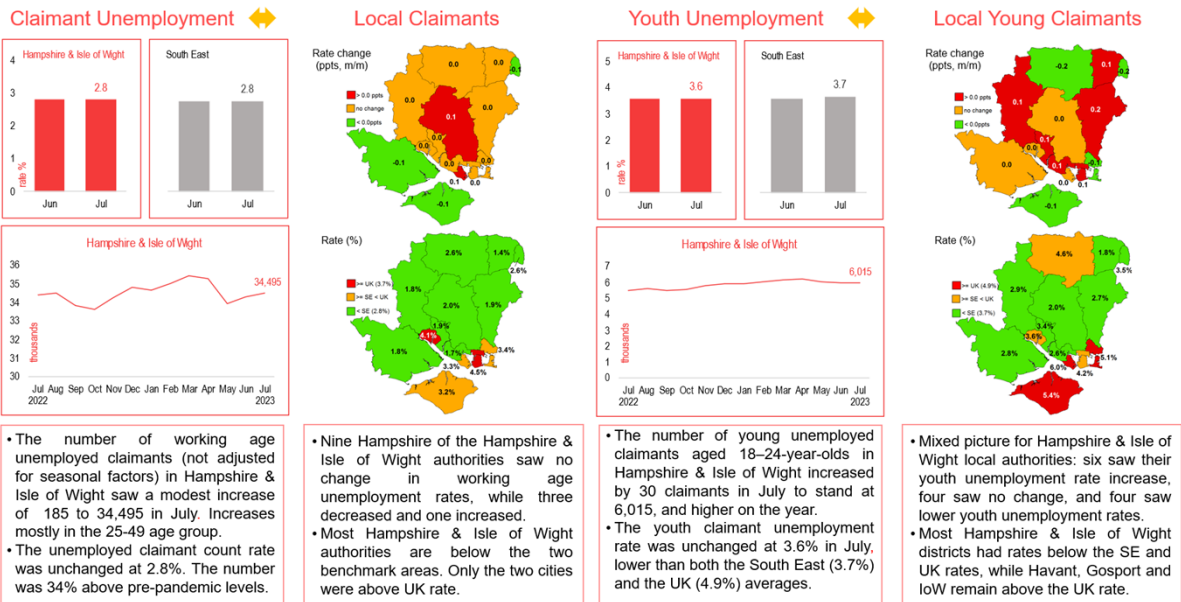
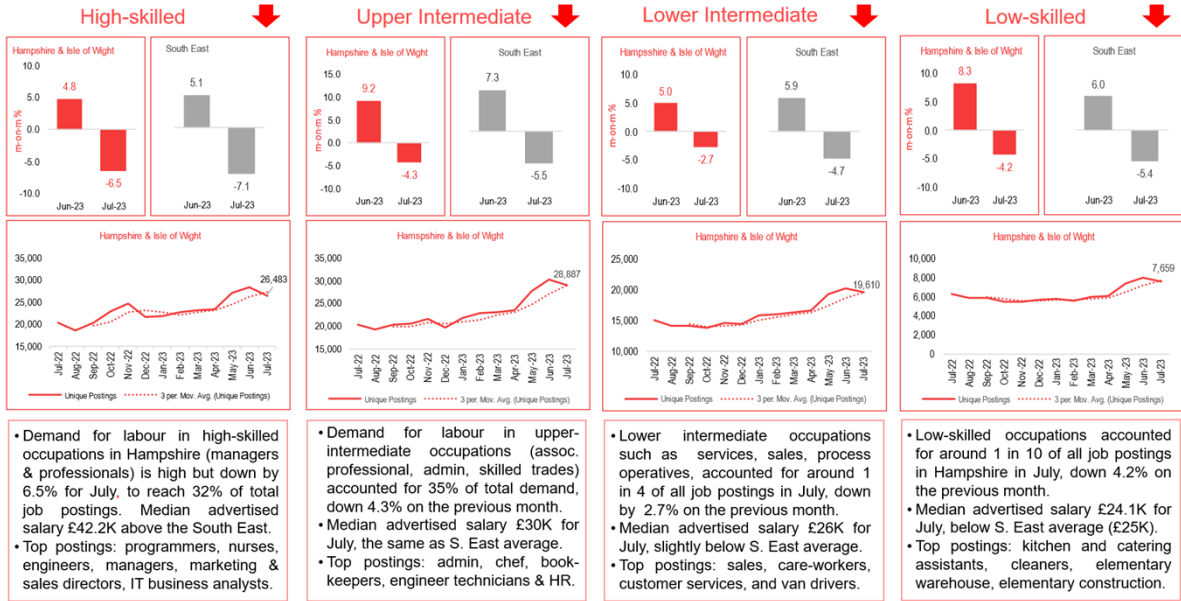


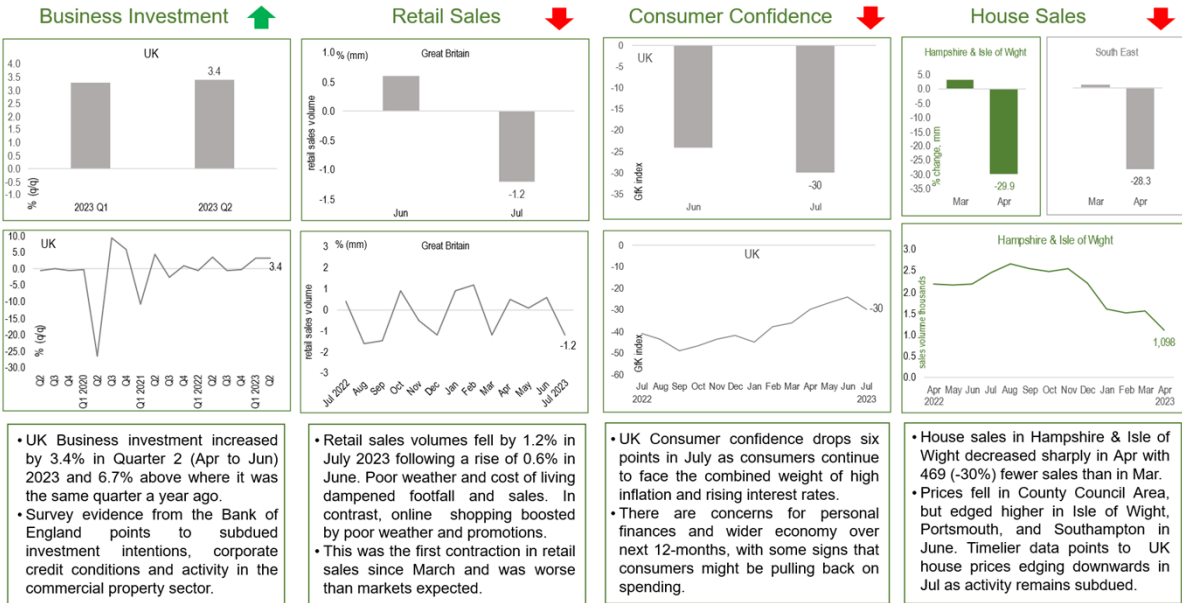
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How to read 'traffic lights':



Refers to decline or growth relative to the previous period (GVA, PMI business activity and business prices indicators, job postings, business investment, retail and house sales).

In the case of inflation, PAYE employment & earnings and consumer sentiment it refers to the direction of travel relative to the previous period.

For claimant count unemployment indicators the change refers to the rate not the level. For example, a decrease in youth unemployment would see a downward green arrow.



Little or no change on previous period.

\* The local estimate is preliminary and it needs to be treated with a high degree of caution since it is based on the sectoral mix of Hampshire and the Isle of Wight and the national sectoral impacts.

Sources:

The primary data sources are the Office for National Statistics (ONS) and HMRC, while additional data comes from several commercial sources such as S&P Global, Lightcast, CBI, BCC, HM Land Registry and the Bank of England.

Monthly/Quarterly data for Business Activity, Jobs & Earnings, Unemployment and Sentiment & Investment.

In the case of several monthly indicators, the South East is used as a proxy geography for Hampshire.

Estimates of payrolled employees and their pay from HMRC Pay As You Earn (PAYE) Real Time Information are preliminary but seasonally adjusted. Employment figures differ from the ONS Labour Force Survey (LFS) data. Median pay figures differ from the ONS estimates and are based on gross PAYE earnings which do not cover other sources of income, such as self-employment.

For further information on Hampshire's labour market see Quarterly Labour Market Updates and Monthly Ward Claimant Count Reports available at:

<https://www.hants.gov.uk/business/ebis/reports>

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