

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	6 February 2024
Title:	Driving Towards Economic Strength
Report From:	Director of Hampshire 2050

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Purpose of this Report

1. The purpose of this report is to provide a timely update on the state of Hampshire's economy and to highlight latest developments on sub-national economic policy making including current issues affecting skills, economic development and strategic planning, 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. Notes that the recent resilience of Hampshire's economy appears to be fading as the drag from high inflation and interest rates constrain spending, investment and economic growth which places an emphasis on the County Council to continue to use its scale and influence to drive towards long term economic competitiveness of 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.
3. Notes a range of supply side reforms, tax cuts and spending decisions announced in the Autumn Statement including a £50 million investment from the Levelling-Up Fund into Hampshire and projected decrease in day-to-day spending in unprotected departments over the spending period.
4. Notes the update on the integration of Local Enterprise Partnership (LEP) functions following the recent Government announcement that Upper-tier Local Authorities will take on the responsibility for LEP functions from April 2024 and the government's decision to rapidly expand devolution to single council areas that do not have a neighbouring or island unitary.

Executive Summary

5. Under the combined weight of high inflation and high interest rates the economy has flatlined in the third quarter of 2023 and at the start of the fourth quarter. Higher than expected inflation is projected in 2024 and beyond with little to no growth in the economy projected for 2024.
6. The labour market in Hampshire got even tighter over the summer months but forward-looking data points to some early signs of cooling demand for labour at the start of the fourth quarter of 2023.
7. The Autumn Statement introduced a series of well-targeted specific policies aimed at increasing labour supply, boosting business investment, competitiveness, and growth, including a £50 million investment from the Levelling-Up Fund into Hampshire but unprotected departments face significant reductions in their real spending between 2022/23 and 2027/28.
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.
9. The announcement by Government in August 2023 that the functions of Local Enterprise Partnerships will be transferred to Upper Tier Local Authorities from 1 April 2024 plays a critical role in driving economic strength in the County. This new approach will enable a strategic approach to economic development across Hampshire, based on a recognised functional economic area. This report provides an update on the integration work being carried out to ensure a smooth transition to the new way of working.

The Current Economic Challenge

10. In the first half of 2023 the UK economy proved more resilient to the combined impact of high inflation and rising interest rates than the Office for Budget Responsibility (OBR) thought back in March 2023. Hampshire and Isle of Wight economy also weathered the cost-of-living crisis better than expected but our preliminary estimate suggests that economic growth was sluggish and broadly in line with the UK economy.
11. The latest official and survey data suggest that high interest rates have started to weigh more heavily on consumer spending, investment, business activity and economic growth. Our preliminary estimate suggests that economic growth in Hampshire and Isle of Wight stalled in the third quarter of 2023 in line with the UK average. The start to the fourth quarter of 2023 was equally subdued according to a range of official and survey data.
12. Retail sales volumes unexpectedly decreased in October and over the previous three months with sales volumes at their lowest level since February 2021. Consumer confidence fell sharply leaving retailers concerned that consumers may cut spending in the run-up to Christmas. Business activity (output) and the volume of new orders (a leading indicator of economic growth) contracted for a fourth consecutive month in the region in October. The fall in business activity in the region was greater than in the previous

month and at a level that has historically been consistent with a contraction in economic output.

13. However, over the past six months surveys of purchasing managers have been under-reporting the strength of economic activity in the UK. Despite subdued demand, private sector companies in the South East remain upbeat for output growth over the next 12 months. The overall level of positive sentiment in October was the second strongest in England but the weakest in eight months.
14. With only a quarter of the impact from the Bank of England's 14 consecutive increases in interest rates feeding through, Hampshire's economy remains exposed to a further slowdown in demand which could trigger a mild recession in early 2024.
15. The latest independent forecasts from Experian (September 2023) suggest that the Hampshire and Isle of Wight economy is expected to remain flat in 2024 with the County economy forecast to expand by just 0.1% followed by 1% growth in 2025. Economic growth in Hampshire over the next three years is projected to be considerably slower than the 2.1% p.a. growth rate observed in the pre-pandemic decade.
16. The OBR forecast that accompanied the Autumn Statement suggests that the UK economy will expand by 0.7% in 2024, considerably slower than the 1.8% forecast in the Spring Budget. The latest OBR forecast is much more in line with a range of published forecasts, although this is still much stronger than the Bank of England which in November 2023 cut its growth forecast from 0.5% in 2024 to zero with the 2025 forecast unchanged at 0.25%.
17. Better than expected performance of the economy in the first half of 2023 has also translated into a stronger labour market in Hampshire. Economic activity and employment increased strongly in the year to June 2023 compared to the previous year. Employment growth was driven by the increase in employee numbers. Self-employment continued to bear the brunt of the cost-of-living crisis, but Hampshire saw a small increase in self-employment. There were significant disparities within Hampshire with the County area generally performing better than the South East average while Hampshire and Isle of Wight on average performed better than the national average.
18. The strong performance of the labour market in the year to June 2023 and growth in PAYE employment over the summer months means that an already tight labour market in Hampshire got even tighter. However, the more recent forward-looking data points to some early signs of cooling demand in Hampshire.
19. The number of online job postings in Hampshire and Isle of Wight in the three months to October was broadly unchanged but October alone saw growth in seasonal pre-Christmas demand in lower intermediate and low-skilled occupations. Labour demand for higher and upper intermediate skilled occupations that command higher wages decreased slightly in October.
20. The OBR expects the UK labour market to continue softening with employment growth forecast to stall in 2024. Under the weight of high interest rates and slower economic growth the unemployment rate is expected to peak

at 4.6% in the second quarter of 2025. This is more optimistic than the latest Bank of England November forecast which expects unemployment to reach 5% in 2025.

21. If the OBR 2025 peak rate of 4.6% came to pass this could (all else being equal) potentially equate to around 5,500 additional unemployed residents in the county area and close to 8,000 additional unemployed residents in Hampshire and the Isle of Wight. However, in tight labour markets employers are often reluctant to reduce headcount as they experience difficulties recruiting suitably skilled labour.
22. The tight labour market meant that median PAYE pay growth in Hampshire and Isle of Wight eased slightly in October, with wage growth remaining elevated and above the South-East average. Survey evidence suggests that wage pressures are past their peak, but it is not clear how quickly wage growth will slow. The tight labour market alongside the gradual loosening in labour demand suggest that Hampshire's wage growth will ease but possibly more slowly than anticipated.
23. From April 2024 the National Living Wage will increase by almost 10% and the age threshold will be lowered, from 23 to 21 years olds. Nominal wage growth across the country has been robust but according to the OBR real average weekly earnings in the UK are expected to remain below their 2008 level until 2028.
24. The living standards, as measured by real household disposable income per person, are forecast to be 3.5% lower in 2024/5 than their pre-pandemic level. This represents a considerable improvement on the March forecast, but still represents the largest reduction in real living standards since ONS records began in the 1950s.
25. Consumer price inflation (CPI) in the UK eased to 4.6% in October 2023, faster than expected. This was the slowest increase in inflation in two years as energy costs eased from last year's high. Core inflation (excluding food and energy) also decreased but services inflation was uncomfortably high at 6.3%.
26. Forward looking data from business surveys suggests that business costs in the region eased to a 33-month low in October which suggests that inflation will continue to ease throughout 2024 but constrained labour supply in Hampshire and Isle of Wight and across much of the country and sticky inflation expectations could mean that core and services inflation ease more slowly than anticipated.
27. Sluggish easing in wage growth and the near-term boost to the economy from the new tax cuts announced in the Autumn Statement imply that the headline CPI inflation is projected to be higher in 2024 and according to the OBR 7% higher in 2027/28 than expected in March 2023. The Bank of England also hiked its inflation forecast to 3.25% and 2% respectively for 2024 and 2025. Interest rates have peaked but higher inflation expectations and the new upside risk to inflation associated with the events in the Middle East suggest that the Bank of England is likely to keep the rates unchanged until the second half of 2024.

28. July saw some growth in house prices in Hampshire, but house prices are still expected to decrease across much of the country in 2024. A tight labour market, relatively strong growth in wages and a trend towards longer mortgage terms means that house prices in Hampshire may not fall as far as previously thought.
29. The weakness in the housing market has reduced residential investment across the country, and there are signs that higher interest rates are gradually starting to weigh more heavily not just on residential investment but also on business investment and business survival. Business investment in the UK fell in the third quarter of 2023 with forward-looking data suggesting that business investment could come under further strain in 2024.
30. Hampshire and Isle of Wight had about 1,575 fewer businesses in the year to March 2023 compared to the previous year, but the good news is found in the increase in the number of small (about 85 additional businesses), medium (about 65 additional businesses) and large businesses (about 15 additional businesses) in Hampshire and Isle of Wight. Subdued demand and insolvency levels in the UK increasing by 18% in October 2023 compared to October 2022 point to a further decline in the number of businesses in Hampshire in 2024.
31. Total commercial take-up in Hampshire and Isle of Wight in October stood at 119,879 sq. ft, with industry accounting for about two thirds of total demand, followed by offices. The share of offices in total demand was higher than the quarterly average but demand for hotels and leisure remains subdued with no new take-up in the third quarter and October.
32. Alongside the take up of commercial space, a number of recent investments and new project awards have been made over the past quarter including:
 - the UK Space Agency through its Enabling Technologies Programme (ETP) has announced 23 ground-breaking space technology projects worth £4 million. Two projects at the University of Southampton will receive £303,000
 - Newmedica opened a multimillion-pound sight-saving clinic for people in Whiteley, Hampshire
 - Aldi is looking to create new stores in Hampshire as it looks to invest £1.4billion over the next two years, with two sites of interest in Aldershot and Winchester
 - Skelton Group Investments has leased 21,000sqft of office space at Midpoint building in Basingstoke to BNP Paribas Leasing Solutions
33. The acquisition market remains relatively quiet with a handful of takeovers including Antelope Retail Park (138,000 sq ft) based in Thornhill (Southampton) bought by M Core for £35million.
34. The latest Economic Intelligence Dashboard (Annex 1) produced in late-November contains additional information on the current economic and labour market trends in Hampshire.

The Sub-National Economic Policy and Our Response

The Autumn Statement

35. A better-than-expected performance of the economy in 2023, and higher prices and wages mean that tax receipts are projected to be much higher than expected between 2023/24 and 2027/28, which has led to the biggest single package of tax cuts since 1988 totalling £20billion announced in the Autumn Statement.
36. The Chancellor announced 16 measures under the broad *Cutting Taxes and Rewarding Hard Work* theme that will have both tax and spend impacts. The main headline measures were:
- The main employee National Insurance rate is to be cut by 2 percentage points to 10% from January rather than April 2024. A worker on an average salary of £35,000 will save over £450 a year. There are around 648,000 PAYE employees in Hampshire County Council area and rising to 914,000 across Hampshire & Isle of Wight who potentially benefit from the cut.
 - The self-employed will also gain from a 1p cut to the main rate of Class 4 self-employed NICs and from the abolishment of the compulsory Class 2 self-employed NICs liability from April 2024. There are an estimated 66,000 working age self-employed people in the County area, just under one in ten of the workforce and rising to 100,000 for Hampshire & the Isle of Wight that on average stand to benefit by about £350 a year.
 - A cornerstone of the Autumn Statement is reducing economic inactivity and getting people back to work. The Back to Work Plan that see £2.5 billion of investment to 2028 (including over £300m of additional investment in 2024). This builds on the £7 billion package announced at this year's Spring Budget. Universal Support aims to match 100,000 people per year with existing vacancies and supporting them in their new role. In the year to June 2023 the County area had 32,000 working age residents reporting inactivity due to long-term sickness, close to one in four of total working age economically inactive population. This population increases to 57,300 for Hampshire & the Isle Wight (also one in four inactive residents).
 - To get people back into work the government plans on expand the NHS Talking Therapies program and Individual Placement and Support for people with mental health conditions. The government is also reforming the Work Capability Assessment (WCA). According to DWP benefit data Hampshire (County area) had nearly 48,000 residents claiming Personal Independence Payment (PIP) in July 2023, of which nearly half (23,000) are on the enhanced mobility award (requiring more assistance). This rises to 79,000 across Hampshire & the Isle of Wight, with 37,000 on the enhanced mobility award.
 - There are plans for stages in getting people back to work with the first stage geared to support from more work coaches and wider roll out of Additional Jobcentre Support (currently live in 90 Jobcentres, including

Aldershot, Gosport, Havant, and Newport (IoW)). If no work is found after six months claimants will be progressed to stage 2 and referred to Restart, a scheme providing 12 months of intensive tailored support to tackle barriers and if unsuccessful to stage 3 - a claimant review and a time-limited mandatory work placement or take part in other intensive activity. This model will be rolled out gradually from 2024.

37. The Chancellor announced eight new measures aimed at *Backing British Businesses*. The main headline measures were:

- A business rates support package worth £4.3 billion over the next 5 years will help high streets and protect those small businesses that are the backbones of communities. This includes a rollover of 75% business rates relief for Retail, Hospitality and Leisure sectors for another year, up to a maximum of £110,000. This could benefit up to 3,360 hospitality businesses in the County area that directly employ around 49,000 workers and rising to 5,940 businesses in Hampshire & the Isle of Wight with 73,000 employees. These estimates do not include any self-employed workers in hospitality, so the number of people working in the hospitality sector in Hampshire is likely to be higher.
- Small businesses tend to be less resilient to economic downturns than larger businesses. For businesses that do not qualify for small business rate relief the government announced freezing of the small business multiplier in 2024-25. R&D reliefs will be simplified, and the system improved from April 2024. Tens of thousands of Hampshire businesses potentially stand to benefit from either the freezing of the multiplier or from small business rate relief.
- Made Smarter Adoption Programme, a programme helping SME manufacturers access technology and digital skills, is to be rolled out to all nine English regions in 2025-26. This programme could support a large number of SME businesses in Hampshire and especially in several manufacturing clusters found in the south and north of the County area and Portsmouth and the Isle of Wight.
- The Government will support plans to catalyse the growth sectors by committing £50 million to deliver a two-year apprenticeships pilot to explore ways to stimulate training in engineering and key growth sectors (Advanced Manufacturing, Green Industries, Digital Technology and AI, Life Sciences and Creative Industries) where there are shortages.
- Permanent full expensing for capital allowances has been announced from 2026-27. This should allow businesses to commit to more significant investments into plant and machinery thus boosting overall investment and productivity growth. The scheme enables businesses to reclaim 100% of the capital allowances in year one.
- The Climate Change Agreement Scheme will be extended, giving energy intensive businesses like steel, ceramics and breweries around £300 million of tax relief every year until 2033 to encourage investment in energy efficiency and support the Net Zero transition.

38. In the Autumn Statement the Chancellor announced 11 new *Devolution, Public Spending, and Housing* measures. The main headline measures were:

- The Investment Zones programme and freeport tax reliefs will be extended from 5 years to 10 years, and a new £150 million Investment Opportunity Fund will support Investment Zones and Freeports to secure specific business investment opportunities. The Solent freeport stands to benefit from the new measure.
- The chancellor announced the West Midlands, East Midlands and Greater Manchester as the sites of the next three investment zones, focused on advanced manufacturing and green industries.
- Some £4.5 billion of funding has been allocated for British manufacturers in the high-growth industries of the future, including £960 million earmarked for the Green Industries Growth Accelerator to support clean energy.
- In a bid to position the UK as an 'AI powerhouse', the Autumn Statement also allocated £500 million over the next two years to establish additional 'innovation centres'. The life sciences will also be supported as one of the key-growth sectors, with £20 million to speed up the development of new dementia treatments coming as part of the government's full response to the O'Shaughnessy Review of commercial clinical trials in the UK. There are over 200 life sciences (biopharmaceuticals and medical technology) sites across Hampshire and Isle of Wight.
- To support the growth in University Spin Offs, the government will provide £20 million for a new cross-disciplinary proof-of-concept research funding scheme, to help prospective founders in the UK's universities demonstrate the commercial potential of their research. There is provision for £121 million for the UK's Space sector, supporting new space clusters and infrastructure. Hampshire has two growing space clusters, one in the north of the County and another in South Hampshire.
- To speed up planning, the government wants to bring in a system where businesses can pay extra for an assured timeline for their application. Should the local authority not meet these timeline schedules, the company will get its money back and its application will be processed free of charge.
- £450million has been allocated for the Local Authority Housing Fund to help deliver 2,400 homes which will be for the most vulnerable. The government also wants to introduce a permitted development right to convert a house into two flats provided there are no exterior changes.
- After months of advocacy by the County Councils Network (CCN), the Autumn Statement confirmed that the government is to rapidly expand level 2 devolution agreements, which are deals without an elected mayor to more eligible councils that cover a functional economic or whole county area, and meet relevant criteria as set out in the Levelling Up White Paper, where there is local consent to such arrangements. The first of these will be Lancashire, Cornwall and Surrey. Taken with previous announcements, this will increase the proportion of people in England benefiting from devolved powers to over two-thirds.

- The government has agreed with local partners a Memorandum of Understanding outlining the approach to the single funding settlements which will be implemented at the next Spending Review for the West Midlands and Greater Manchester Combined Authorities.
 - The government also publishing a new 'Level 4' of the devolution framework for extending deeper devolution to existing Level 3 Mayoral Combined Authorities (MCAs). The Level 4 framework provides new powers for MCAs to draw down on, based on the trailblazer deals negotiated with the Greater Manchester and West Midlands Combined Authorities, including powers over adult skills, local transport, and housing.
39. The £20billion cost of tax cuts announced in the Autumn Statement in 2027/28 almost exactly matches the real-terms reduction in public service spending (£19billion) in that year relative to what OBR expected in March 2023.
40. The OBR estimates that day-to-day spending in departments which are not protected like health and care, education, defence, and international development would need to fall by 2.3% a year in real terms from 2025/6 after the end of the current Spending Review to meet current forecasts. The analysis by the Resolution Foundation suggests that unprotected departments face reductions of 14 per cent in their real per-person day-to-day spending between 2022/23 and 2027/28 which will leave many public services facing implausible spending cuts in the future.
41. The OBR analysis further suggests that the fall in spending in unprotected departmental spending would 'present challenges' and mentions the 11 S114 notices issued by councils as an example of 'signs of strain.' The OBR analysis showed that use by councils of current reserves for current spending increased by £2.3bn in 2022/23 for the first time since 2019/20 and it predicts that 'there will be further drawdowns during the current Spending Review period, of £1.5bn in 2023/24 and £0.8bn in 2024/25 'compared to an assumption of no drawdown in both years in its March 2023 forecast.'
42. The County Council Network (CCN) analysis shows that well managed local authorities face overspending by over £600m in 2023 and a total budget shortfall over £4bn over the next three years, even with council tax rises as uncontrollable spending pressures drive up the cost of delivering services.

The Levelling-Up Fund

43. Ahead of The Autumn Statement the government released a list of successful bids for the Levelling Up Fund (LUF) Round 3. Three projects from Hampshire and Isle of Wight worth £50.07 million have been successful among 55 projects worth £1,105 million across Great Britain:
- Gosport - *Reconnecting Historic Gosport Waterfront*, worth £18,117,915 to create better connections and walking routes between Gosport town

centre and the historic waterfront and to support the restoration and development of the former naval Rum Store at Royal Clarence Yard.

- Test Valley - *Andover Revealed* worth £18,316,968 for new theatre, cultural hub, and accelerated town centre redevelopment.
- Isle of Wight - *Island Green Link* worth £13,634,420 to enhance travel between Ryde and Yarmouth by improving cycling, walking and bus routes while also making accessibility improvements.

LEP Integration

44. 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.
45. 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.
46. 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.
47. Work is in progress on integrating the current LEP arrangements in order to achieve integration of the functions, including financial and contractual arrangements and staffing.
48. Further guidance on post LEP integration was received just before Christmas. This guidance reconfirmed the Government's intention that LEP functions will transfer to Upper Tier Authorities from the 1 April 2024 and that new governance arrangements must be put in place in the form of an Economic Growth Board, that should be business led, and will be responsible for developing and delivering an economic strategy for the area.
49. The guidance also confirmed core funding of up to £240,000 for each Upper Tier Local Authority accountable body managing previous LEP functions. At the time of writing the report confirmation of specific funding streams, such as for Careers Hubs and Growth Hubs is still outstanding.

Post LEP Governance

50. Work on the new governance arrangements is underway.
51. Engagement sessions with business, education and local authority stakeholders were held in December 2023 to understand the priorities of partners and what has worked well from the existing governance arrangements. This information has been used in the development of the governance proposals.
52. A shadow Economic Growth Board was put in place in January 2024, made up of representatives from businesses, education and Local Government. The purpose of the Shadow Board is to lead the set-up of, and recruitment to, the main Economic Growth Board which will be in place from 1 April 2024. The Shadow Economic Growth Board will also oversee the implementation of the governance structure that will sit under the main Economic Growth Board. It is intended where possible that the supporting governance will also be in place in a shadow form before 1 April to ensure key stakeholders are fully engaged in the preparation of priorities for the Economic Growth Board to consider. A shadow Local Authorities Leaders Board has been set up and met for the first time in January, and a shadow Business Forum and shadow Hampshire Skills Partnership will meet later in February.
53. The work of the Economic Growth Board will be framed by the Hampshire Economic Strategy and based around themes such as Town Centre Regeneration, Housing Growth, Rural Economy, and Skills Retention and Development. These themes will be identified by the sub-groups (Local Authority, Business and Education) and agreed by the new Board.
54. The terms of reference for the Economic Growth Board will be agreed at the first formal meeting of the Board and it is expected that it is likely to include the following:
 - be accountable for the Hampshire Economic Strategy
 - support the significant ambition for inclusive economic growth in Hampshire and its Sub-Region
 - maximise the benefits of the designated Freeport, Enterprise Zones and any emerging Government opportunities as part of the wider region
 - 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 critical infrastructure improvements and national and regional connectivity
 - ensure a focus on effective placemaking

- encourage sustainability and minimise the carbon footprint of future developments as a whole
- ensure input from relevant experts and organisations to ensure that outputs meet the requirements of a successful economy, including stakeholders from business and education

55. It is the County Council's intention to engage proactively with neighbouring governance arrangements such as Surrey County Council and the cities of Southampton and Portsmouth. At the current time the focus is on agreeing the governance structure for the Hampshire County area. Once the new Economic Growth Board is operational, arrangements for collaboration at a more regional level will be developed.

Next Steps

56. As we approach 1 April 2024 work continues to progress on the transfer of LEP functions to the Council. The immediate priorities for LEP integration are;
- a. Set up the Economic Growth Board, including the recruitment of Board members,
 - b. Disaggregate current LEP contracts and agreements and ensure new arrangements are in place where required from 1 April 2024,
 - c. Confirm the assets and funding to move across from the existing LEPs to enable to continued delivery of programmes and functions,
 - d. Ensure the right resources are in place to deliver LEP functions from 1 April 2024, including staffing.

Conclusion

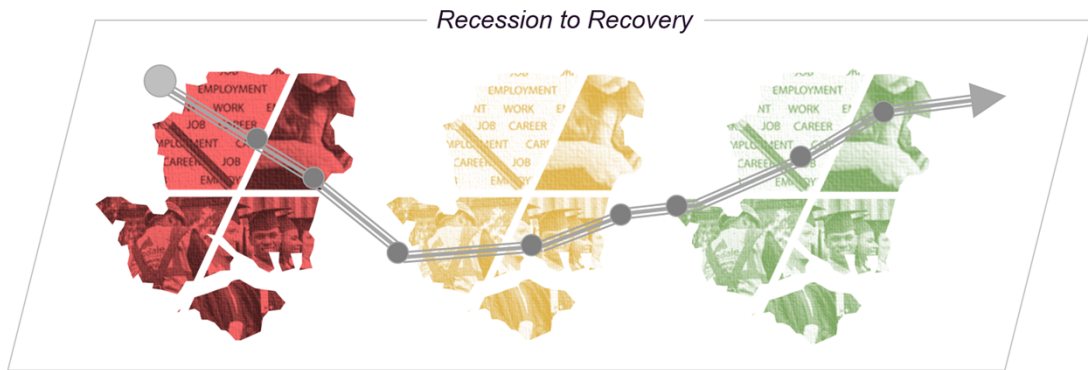
57. Despite continued economic challenges Hampshire performed better than expected in first half of 2023 but growth has now stalled with the economic outlook for 2024 materially weaker than previously thought. The outlook over the medium term is equally uncertain and presents significant challenges particularly in regard to business activity and growth and possibly the labour market.

58. The Autumn Statement introduced a range of business support and supply side reforms aimed at increasing the productive capacity of the economy and labour supply that should boost economic growth in Hampshire and across the country but greater investment is needed to ensure sustainable rates of economic growth that would lead to increases in wages, living standards and economic prosperity over the medium-to-long term.

59. 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 Economic Growth 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.

ANNEX 1



Hampshire Monthly Intelligence Dashboard

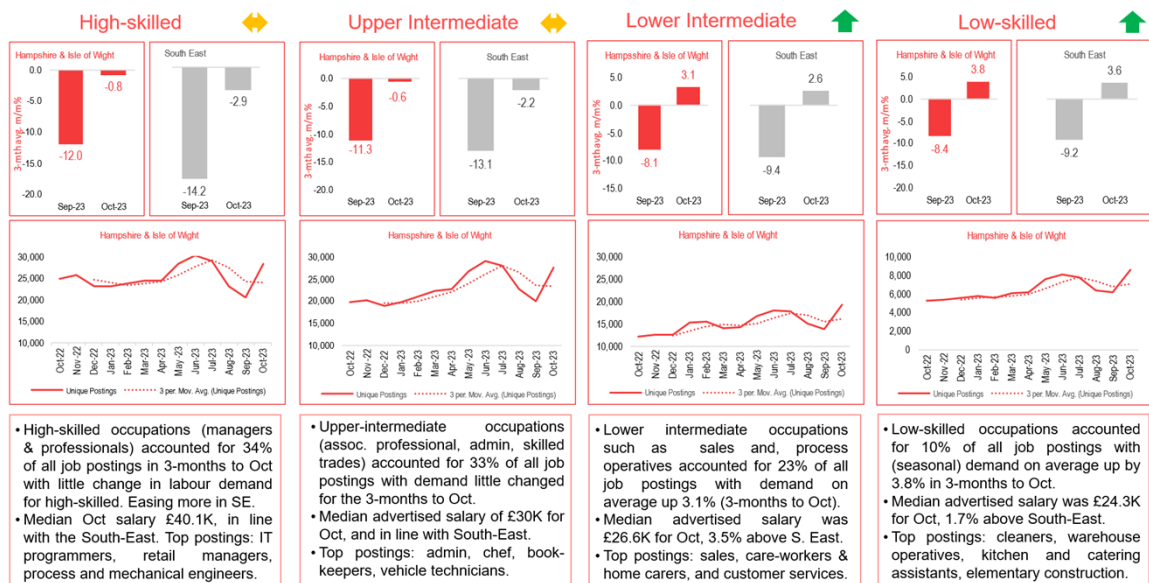
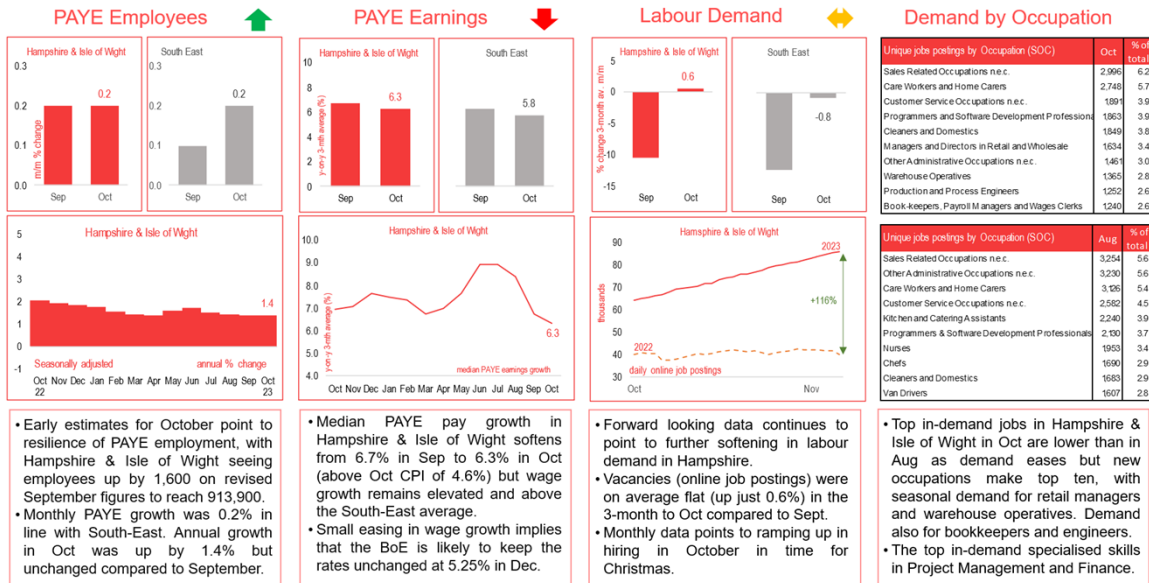
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Hampshire County Council
Hampshire 2050



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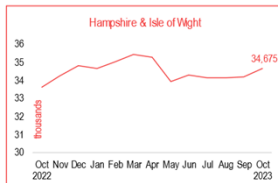
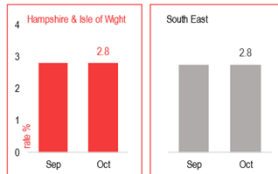
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Unemployment

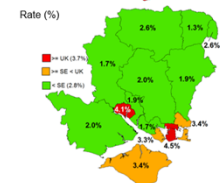
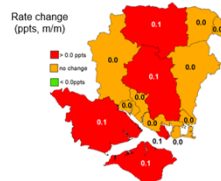
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Claimant Unemployment



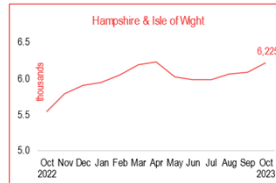
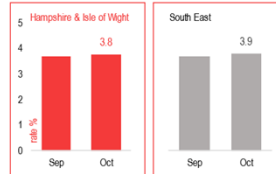
- The number of working age unemployed claimants (not adjusted for seasonal factors) in Hampshire & Isle of Wight rose for 4th consecutive month to reach 34,675 in Oct, driven mostly by those aged 18-24 years.
- However, the unemployed claimant count rate was unchanged at 2.8%, but 35% above pre-pandemic levels.

Local Claimants



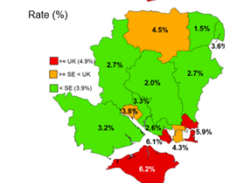
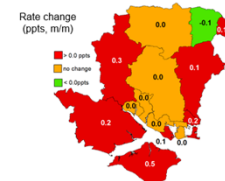
- Just over half of the 14 Hampshire & Isle of Wight authorities saw no change in their working age unemployment rates, while five saw an increase on the previous month.
- Most Hampshire & Isle of Wight authorities are below the two benchmark areas. Only the two cities are above the UK rate.

Youth Unemployment



- The number of young unemployed claimants aged 18-24-year-olds in Hampshire & Isle of Wight increased by 135 claimants in Oct to stand at 6,225 and was higher on a year ago.
- However, the youth claimant unemployment rate was unchanged at 3.8% in Oct, and lower than South-East (3.9%) the UK (4.9%) averages.

Local Young Claimants

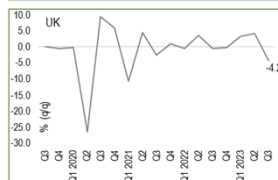
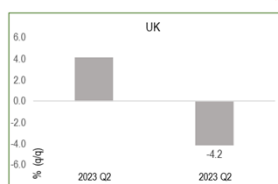


- A mixed picture for Hampshire & Isle of Wight local authorities, with seven seeing youth unemployment rates increase on the month, six saw no change, while Hart saw a decrease.
- Most Hampshire & Isle of Wight districts had rates below the SE and UK rates, while Havant, Gosport and IoW remain above the UK rate.

Sentiment and Investment

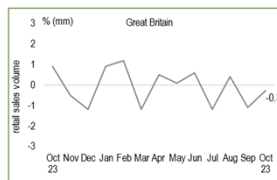
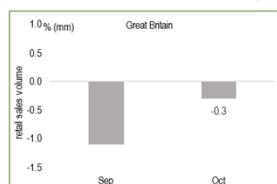
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Business Investment



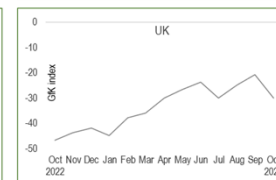
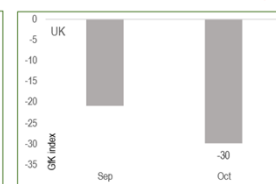
- UK business investment fell 4.2% in Quarter 3 2023 (Jul to Sep) but is 2.8% higher than a year ago.
- British Chambers of Commerce survey points to businesses being averse to large investments while many BoE contacts reported that pressure on cash flow and margins acted as deterrents to investment.

Retail Sales



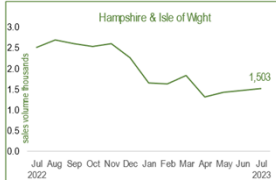
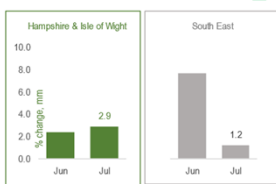
- Retail sales volumes unexpectedly decreased by 0.3% in Oct 2023, although slower than Sep's revised 1.1% fall. Compared to the previous 3-months sales are down 1.1%.
- Sales volumes are at lowest level since Feb 2021 which suggests that higher interest rates are taking a bigger toll on consumer spending.

Consumer Confidence



- UK Consumer confidence falls nine points in October to -30 and back to July levels, driven by cost-of-living pressures and headwinds from high costs of heating homes, fuel prices and higher mortgage and rental rates.
- Fall in the major purchase of concern to retailers as consumers may cut spending in the run-up to Christmas.

House Sales



- July saw seasonal uptick in house sales in Hampshire with the rate outpacing the South-East. Prices increased in County area, IoW & Portsmouth, but down for Soton.
- Timelier survey data saw UK prices rise in October which in part reflects fewer transactions, longer mortgage terms and a tight labour market.

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>

This publication is produced by the Economic and Business Intelligence Team, Hampshire County Council



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REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

No equality impacts have been identified arising from this Report.