

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Cabinet Advisory Sub-Committee for Economic Growth and Recovery
Date:	24 February 2021
Title:	Economic Development Annual Report – 2020/21
Report From:	Director of Economy, Transport and Environment

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Introduction

1. 2020 was a year of economic uncertainty, with the UK due to leave the EU on 31 January, followed by an unprecedented economic recession induced by the outbreak of the global COVID19 health pandemic. The year ended with another UK wide lockdown which has increased a risk of a double-dip recession in the first quarter of 2021.
2. This report sets out the impact of the pandemic on Hampshire and some of the key sectors of the economy, and how the support for businesses and individuals has manifested itself locally. It also highlights key successes and achievements, despite the challenging conditions, and looks forwards beyond 2020 and to how Hampshire can best adapt and prosper into the future as we move out of response to the pandemic and into economic recovery.

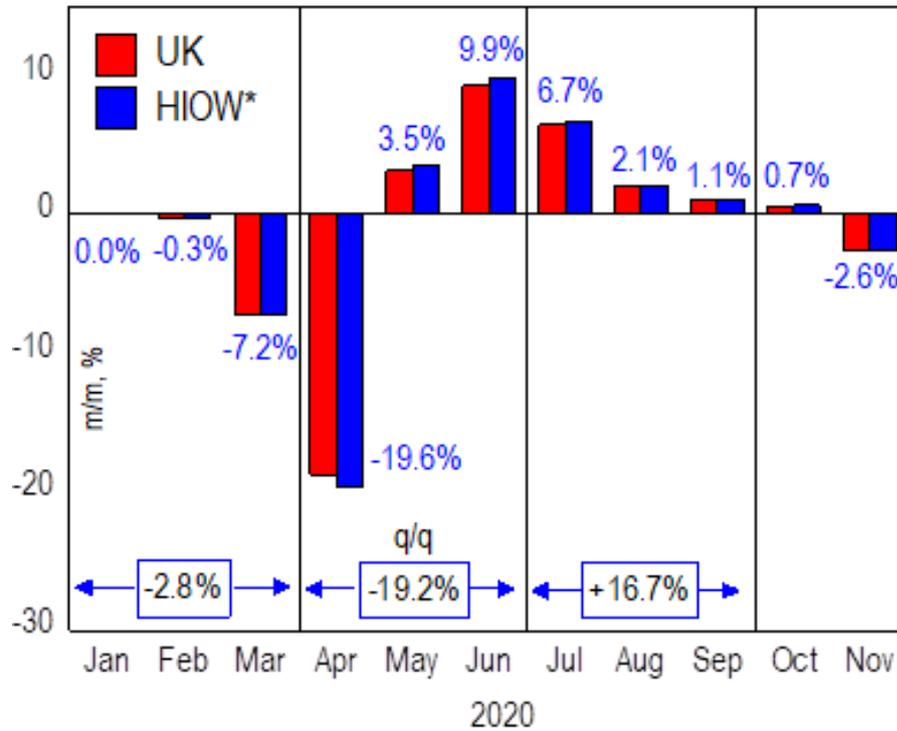
Recommendation

3. That the Cabinet Advisory Sub-Committee for Economic Growth and Recovery notes the contents of the report.

Economic Performance in 2020

4. At the time of writing, Hampshire's economy has, in parallel with the UK, experienced a rollercoaster ride of an unprecedented economic downturn followed by initially rapid and then moderate recovery and another lockdown-driven downturn. By November 2020, the Hampshire & Isle of Wight's GDP was 8.4% down on the pre-lockdown peak of February (see below).

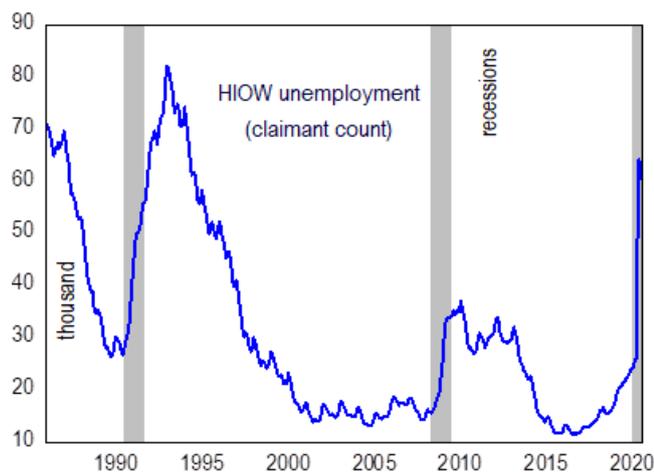
Economic growth in Hampshire in 2020



Source: ONS (January 2021) and HCC estimate (January 2021)

- Another key headline indicator of the performance of the local economy and the labour market is unemployment. Unemployment on the administrative (claimant count) measure not adjusted for seasonal factors, stood at 2.0% in January 2020 but by May it had reached 5.3% before decreasing to 5% by December. In absolute numerical terms, across the Hampshire and Isle of Wight area, unemployment increased from 24,500 in January 2020 to around 64,500 by May, before decreasing to 60,900 by December 2020.

Hampshire's labour market – unemployment, 1986-2020



Source: ONS (2020)

Source ONS (January 2021)

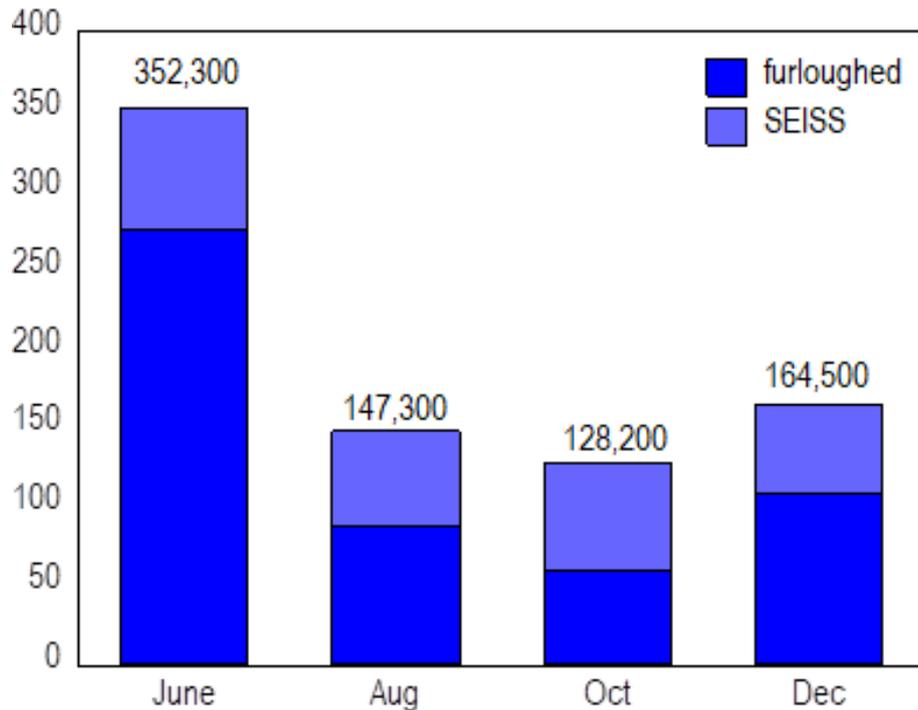
COVID19 - Local Economic Impact

6. The sectors hardest hit by the initial national lockdown from late March included Accommodation & Food (-32% in March and -86% in April), Education, Transport, Leisure/Entertainment, Retail (non-food) and Construction (-40.7% in April). However, some sectors/subsectors recovered relatively quickly including construction (many main contractors adapting quickly to the new operating conditions) and the ports (once their importing and exporting volumes started to recover – for example imports from China and Cowley assembled MINI cars being exported).
7. Hampshire has a high proportion of employment in tourism and leisure (around 11.2% of employment vs 10.7% nationally), so social distancing and lockdown measures meant the initial impact on our economy was even greater than on the UK economy but the initial recovery was faster than in the UK as a whole. A specific sub-sector is of course the cruise industry, for which the Port of Southampton is a major hub – soon after lockdown, Southampton-based cruise operator Carnival announced significant job losses in their attempt to mitigate financial losses.
8. Symbolically for Hampshire, the 2020 Farnborough International Airshow was cancelled, a massive blow for the new conference and exhibition centre, which must now set its sights on the airshow in 2022.
9. The aviation sector is another part of the economy to suffer an overnight drop in demand, with Southampton Airport being particularly hard hit as a result of the Flybe collapse just weeks before lockdown. Although some UK domestic flights did start to return to operation, the pending planning application for the runway extension is critical in the context of the long-term viability of the airport.

COVID19 – Economic Recovery Support

10. The support for economic recovery across Hampshire (and the Isle of Wight) manifested itself as both national and local strands including:
 - business grants distributed directly by local authorities – with the allocation across the HIOW area amounting to £410M – focused on small businesses and businesses across the retail, hospitality and leisure sectors and linked to rateable values of business premises – and in combination with various other rate reliefs and loans (as of 30 September, there were 32,777 beneficiaries in HIOW and the total value was £377.8M, based on actual grants paid):
 - and the self-employed income support scheme – at its peak around 352,000 residents across HIOW were supported by these schemes (see below). By December 2020 the number of resident jobs supported by the two Government schemes stood at 164, 500 or 36,300 higher than in October.

Hampshire's residents on job support schemes in 2020



Source: HMRC (January 2021)

- **Getting Building Fund** – prioritised and distributed via the LEPs, this capital project focused fund has enabled progress on some key projects across Hampshire, including the new cruise terminal at the Port of Southampton and investment in an ultrafast broadband fibre spine to serve the Fawley Waterside development;
- **Stay Local campaign** – launched by Hampshire Fare and supported financially by Hampshire County Council and Enterprise M3 LEP, this campaign was focused on encouraging residents to continue to buy from local producers and outlets. The overall objectives of the campaign is to maintain demand for local suppliers who have adapted their business models to secure new routes to market;
- **‘Unlock Hampshire’ domestic tourism campaign** - in conjunction with other local tourism partners, the Visit Hampshire team at Hampshire County Council successfully led a competitive bid for £300,000 of media funding from Cabinet Office to promote day visits and short stays in Hampshire, to sustain demand for our local visitor economy sector – linked to the Government’s own national Enjoy Summer Safely promotion; and
- **Town Centres/High Streets** – multiple funding streams to support the adaptation of town centres to provide businesses, residents and visitors with a safe environment and rebuild confidence in local high streets and centres.

- **Invest in Hampshire Fund** - provided financial support to the University of Southampton Science Park (Chilworth) Catalyst Programme aimed at supporting technology start-ups in Hampshire. In the last six years the catalyst programme has created 65 new companies and secured £25m investment. This Fund has also supported the Jane Austen House Museum, Chawton to enable critical 'heritage at risk' structural works to take place to the building. This unique cultural asset for the county is one of the nation's most important literary heritage sites generating international interest and visits from all over the world.

Successes and Achievements

11. Beyond the successes highlighted above, and despite the unprecedented economic conditions, the Economic Development function continued to support some key positive developments across the county, including:

- **Fawley Waterside** – £1billion+ new smart town development, incorporating 1,500 new homes, secured outline planning consent in July 2020, with significant support provided by the County Council, across a number of agendas including economic development, highways, strategic transport and new school provision. We are continuing to develop with Fawley Waterside proposals for a marine and maritime focused innovation hub in conjunction with the Satellite Applications Catapult, which offers a real opportunity to drive more knowledge intensive economic activity and employment on the Waterside;
- **Gulfstream** – the new £45million facility at Farnborough Airport was completed and became operational in the summer of 2020 – Hampshire County Council secured the Institute of Economic Development Best Implementation Award for this investment project;
- **Loddon & Test LEADER programme** – this programme, focused on support for rural businesses, has become, through the supreme efforts of Project Officer Emily Preston, the most successful LEADER programme of 80 such programmes in England, securing a total of £2.7million of funding and leveraging £5million of additional investment across over 64 projects;
- **business investment** – with our support, key technology orientated businesses have continued to invest in Hampshire, including:
 - Ocean Infinity's Armada, a state-of-the-art autonomous marine vessel company. Ocean Infinity is in the process of setting up its technology and control centre at Centenary Quay, Southampton which will control a fleet of robotic ships ranging in size from 21-37m in length. The investment of circa £4.5million in the facility will create around 100 jobs;
 - Blue Ocean Seismic Services, an autonomous ocean base surveillance company, selected Farnborough for its UK headquarters; 25 high value jobs have so far been created;

- Iceye, a Finnish microsatellite manufacturer, established a team at Base Borden at an investment of £2M.
- **economic & business intelligence** – our in-house economic analysts have played a crucial role in the context of planning for economic recovery across the Hampshire & Isle of Wight area. During 2020, key commissions (for internal and external clients) have included the development of the monthly economic dashboards to support the activities of HIOW Local Resilience Forum, Solent and Enterprise M3 Local Enterprise Partnerships and Portsmouth City Council, creating a labour market and skills evidence base for the Solent LEP Skills Advisory Panel, a work in progress ‘Solent Economic Profile 2020’ and detailed reports of the state of the economy and society for the Hampshire 2050 Commission of Inquiry.
- **Everywhere International SMEs (EIS) Project** - a €1.6million Hampshire County Council-led Interreg project is coming to its end after 4 years and held its final (virtual) conference in September 2020. As lead partner, Hampshire County Council has taken responsibility for managing the other 6 European regions on this journey, the other partners being regions in Italy, Denmark, Poland, Ireland, Croatia and Portugal. A key outcome has been the development of the Global EIS tool which is a strategic approach to international business support targeted at SMEs seeking to export and to the business support organisations that need to work together in a more joined-up manner; and
- **partnership tourism marketing campaign** – our Visit Hampshire team have successfully secured funding contributions from several key attractions across the county including Beaulieu, Bombay Sapphire, Gunwharf Quays, Marwell Zoo, Mary Rose Museum, Paultons Park, Portsmouth Historic Dockyard and Emirates Spinnaker Tower. This campaign, which has leveraged around £115,000 of media value, will support deployment of the ‘Hampshire waiting to be discovered’ campaign in Spring 2021, primarily aimed at the London market. The creative input for the campaign is by The Escape, a Hampshire based agency, who also helped roll out the Unlock Summer/Cabinet Office funded campaign.

Looking Forward – Beyond 2020

12. Hampshire has a track record of bouncing back from previous recessions more rapidly than the UK as a whole, but subdued economic performance in the final quarter of 2020 and the introduction of another national lockdown imply that the odds of a double-dip recession have increased and the recovery will be slower than initially anticipated.
13. Whilst the emergence of vaccines for the coronavirus provides some reason for optimism looking forward to the medium and long term, there remain significant risks, for example of unemployment rising still further, especially once the Government employment-related support schemes come to an end in May 2021.

14. In this context, the County Council is embarking on developing a longer-term economic recovery framework which will encompass several key dimensions:

- a robust evidence base, derived from the Hampshire 2050 commission findings, our climate change strategy, the recovery plans developed by Solent and Enterprise M3 LEAs and our emerging LTP4 (local transport plan) work, as well as other sources;
- assessing a number of alternative 'philosophies' being developed globally around economic recovery, including green recovery, anchor institutions, circular economies and inclusive growth, all of which in some way may have relevant contributions to make to the Hampshire recovery;
- The outcome and recommendations of work commissioned from the New Economics Foundation on a post pandemic 'Green Recovery Framework for Hampshire'; and
- exploring how a number of trends including more remote working, less travel and more flexible use of office space can be harnessed as positive factors in mitigating climate change, increasing productivity and enhancing the quality of life of Hampshire residents.

15. There are some key opportunities to be pursued, and the County Council will continue to play its part, working with key partners and stakeholders, to ensure that we fully capitalise on these:

- developing more robust and inclusive place leadership, engaging key players such as the universities, businesses and others;
- progressing and supporting flagship regeneration projects such as the Waterside, which offer the potential to leverage significant private sector investment, create better quality jobs and enhance our credentials as a centre of technological innovation;
- Government backed initiatives such as Freeports, which aligns well with Hampshire's economic role as a key international trading gateway; and
- the opportunity to reinvent our town centres, with exciting regeneration plans emerging in Andover, Havant, Farnborough and Aldershot
- building on expectations around further support and reform to the sub national economic system arising from Central Government decisions that will flow from the Comprehensive Spending Review announcements, the Levelling Up Fund, the Shared Prosperity Fund, the Green Industrial Revolution and the prospects for further devolution.

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:	yes
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:

This report does not require any decisions so its impact will be neutral.