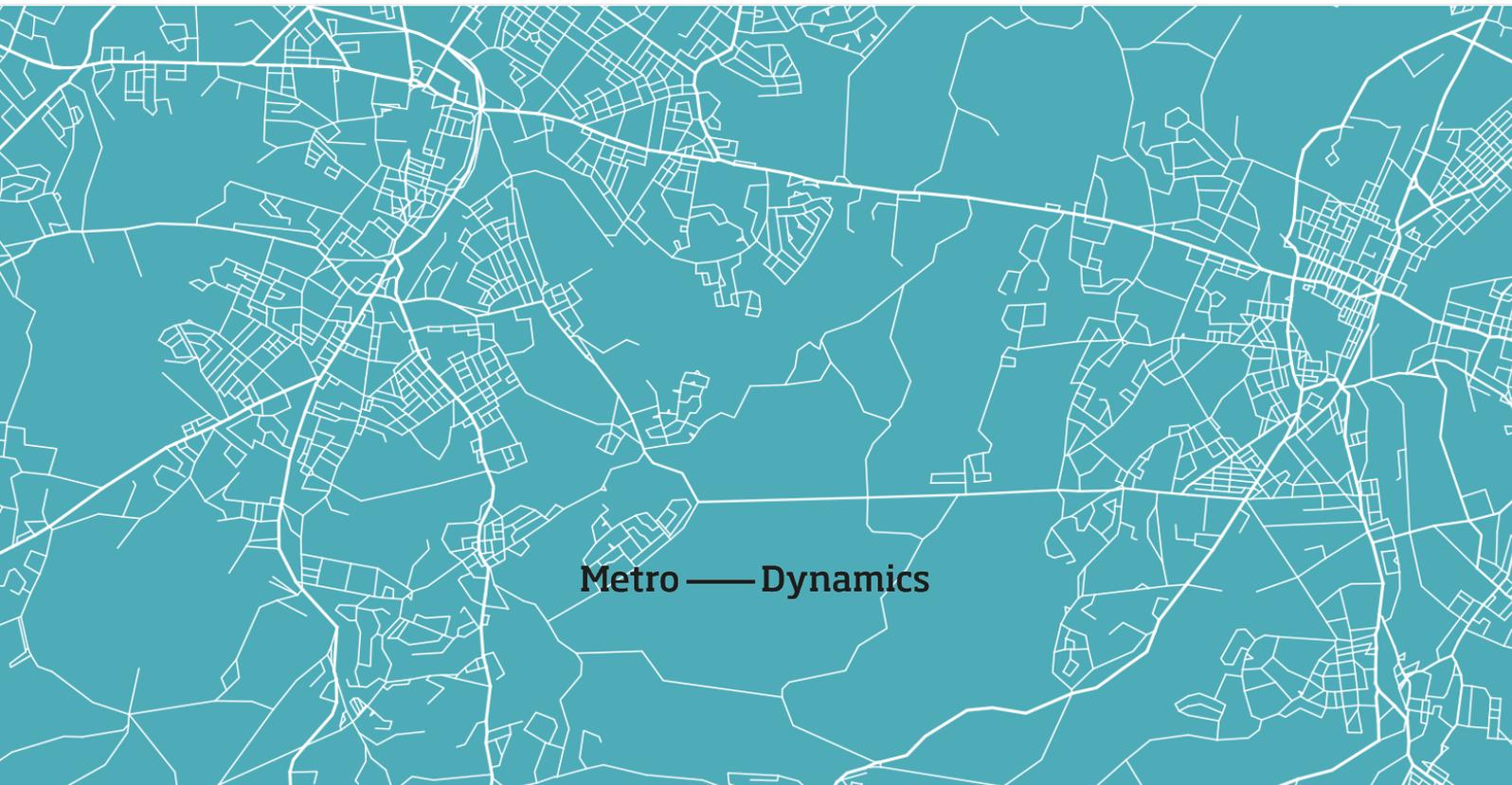


Hampshire Economic Strategy

June 2022



Metro — Dynamics

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Foreword

[Placeholder for foreword from the Leader]

Executive summary

This Strategy

This strategy sets out an overarching approach to economic development for Hampshire at a time of growing uncertainty, in which the County with its partners will need to assume greater responsibility for economic leadership. It draws from detailed analysis of the major drivers of change in the local economy, and scenario testing for the coming years, and proposes a range of interventions that deploy levers that are either currently available to the County Council or which could be soon as a result of further devolution. The strategy goes beyond traditional and limited approaches that only focus on GVA and jobs, to a broader set of sustainable development outcomes linked to a six capital model. It provides a framework for a range of important initiatives including a County Deal for Pan-Hampshire.

This Strategy covers the Hampshire County Council area, though recognises the important links elsewhere, particularly with Pan-Hampshire partners. It has been written as the process of developing a County Deal has been underway and informs the development of the strategic objectives for that important process, providing a guide for the objectives for any new devolution deal.

This work follows and complements strategic initiatives including the Hampshire 2050 Commission's work to guide future prosperity. Implementation of this Strategy will be done in collaboration with other important strategies in development including the outcome of Hampshire's Asset Review and a new Culture Strategy.

The Strategy has been developed in the context of changing but uncertain governance and delivery structures, not least in relation to Local Economic Partnerships (LEPs). But it builds on local economic development projects, analysis and strategy of recent years including development of Local Industrial Strategies led by Enterprise M3 and Solent LEPs.

A framework for Hampshire's development

The complexity and interconnectedness of the modern economy has become increasingly apparent over the last five years. A series of events, including the vote to leave the European Union, the Covid-19 pandemic, and the Russian war on Ukraine have each revealed connections between commodity markets, population patterns, trade movements, and the prices faced by consumers. And increasingly, environmental crises around the world are a reminder of how much economic damage natural disasters can cause.

Designing an economic strategy for Hampshire needs to respond to this complexity. A strategic approach that only looks at maximising GDP growth will fall far short, with a one dimensional vision blinding to the connections and sources of value across the county. Instead, we are adopting a six capitals approach. This is a broad-based approach to

recognising how many different sources of value there are – physical capital, natural capital, human capital, knowledge capital, social capital and institutional capital.

Economic context

The first step to our Strategy is understanding how to develop these capitals is to recognise our current standpoint. There are both immediate and long-term drivers of change in Hampshire.

- The **immediate drivers** are: a labour market that is rapidly recovering from Covid, and is struggling to fill jobs, with particular demand in Hampshire for professional roles; lagging commercial property markets, particularly for offices which are being less used; high and growing inflation, raising costs for both consumers facing cost of living challenges and business struggling to maintain margins; and a changing export pattern, which has at least in the short-term been negatively affected by the departure from the EU.
- The **longer-term drivers** are: an ageing population, where the proportion of the population who work is falling and will continue to fall in the absence of in-migration from the UK or abroad; the actual and projected growth of the IT and construction sectors; and the changing climate, which may well lead to increased flooding and damage to natural and physical capital.

Hampshire is a closely interconnected economic geography as a County and with its neighbouring areas. Across Pan-Hampshire, boundaries for residents are porous, and in order to deliver economic growth at scale, and deliver better services, it is essential that Hampshire County Council works closely with its neighbours and partners. This Strategy sets out a framework within which Hampshire County Council can collaborate with neighbours and supports the development of a County Deal for Pan-Hampshire.

A scenario-based Strategy

We use a scenario framework in this Strategy to develop more thorough thinking about the future. Considering a range of alternative futures, an approach was settled on called '**challenging terrain**'. This anticipates a world in which many nations turn inwards, with the UK taking a less proactive role in world affairs and tackling climate change, driven by cost of living challenges putting a focus on the domestic agenda, and colder diplomatic relationships with neighbours. It is further anticipated that national productivity is unlikely to get out of its productivity malaise, and social mobility – already low by international standards – will worsen.

However, more positively, the devolution agenda builds momentum, with all major political parties committed to a version of Levelling Up, leading over the next ten years to a more decentralised state. Economic geography is also likely to reflect this decentralisation, with movement patterns less oriented around commuting to major cities and more localised

work. Finally, the Government is likely to push on with innovation investment creating a supportive environment for tech entrepreneurs.

Agency and levers

There is a direction of travel towards greater economic decision making at a local level, with devolution and the integration of LEPs, and Pan-Hampshire's own plans for the creation of an Investment Fund as part of a County Deal.

Our Strategy aims to grow all of our capitals, using the levers at our disposal: our assets, our policies, our programmes and funding, and our partnerships. Through developing a County Deal proposition, Pan-Hampshire partners are forming proposals that would devolve further levers from Government to local institutions. The interventions proposed in this Strategy are centred on what Hampshire County Council can deliver now, but build foundations for increased local agency in the coming years through devolution.

Global, national and local shifts in economic circumstances mean that the County and its partners – covering an area in Pan-Hampshire of 2.4m people – need a Strategy on how to use their levers to secure growth and prosperity for residents. We focus interventions in the Strategy around four County Council levers – assets, policies, programmes and funding, and partnerships.

Strategic objectives

The Strategy sets out a series of objectives relating to these different features of the Challenging Terrain scenario. These are as follows:

International policy

In our central scenario, current Government policy and economic arrangements mean that international policy will remain more closed with barriers to trade with partners. With a recent drop in exporting and trade activity across Great Britain, it is ever more important that Hampshire's strong sectors drive **increasing exporting activity and raising the UK's international competitiveness.**

Environmental policy

Although Government recognises in current policy that transition in energy, transport, and our built environment is necessary to cut emissions and meet our net zero targets by 2050, we are seeing slow momentum in response to climate need. As well as the clear environmental imperative to reach net zero targets, there is economic opportunity in Hampshire in developing the technology we need to accelerate transition. **The objective for Hampshire is for partners to work with businesses to lead proactive action to achieve net zero.**

Economic geography

We haven't returned to pre-Covid levels of commuting, but, neither have we seen an end to those commuting patterns to employment centres. We have moved into a hybrid situation,

where workers spend some time in workplaces and commuting within Hampshire and into London, and more time at home and in local town centres than before. We can assume that this scenario will persist for some time. In Hampshire, there are therefore opportunities to benefit from increased activity in our high streets and town centres. **As an objective, the aim is to maximise the pull of high streets and town centres through regeneration, revitalising shared spaces, supporting leisure and hospitality activity, and opportunities for business and work spaces.**

Innovation environment

Hampshire has a strong base of innovation in globally competitive sectors and firms. Government's Innovation Strategy recognises the need to boost innovation by increasing R&D spend, commercialisation, and business access to finance. By connecting knowledge assets – universities and firms – with local startup and scaleup culture and the right finance and investment opportunities and talent, **we can boost growth through innovation and develop new assets. Hampshire's aim is to stay nationally competitive, and support growth across the UK.**

Social mobility

There are persisting pockets of deprivation in Hampshire, where earnings, educational attainment and skill levels are lower, and young people don't grow up with the same life chances as in more affluent communities. Covid has exacerbated inequalities, with slower recovery in employment levels. **Hampshire should offer a range of opportunities for young people to learn and pursue a fulfilling career, with the right placemaking initiatives, affordable housing, and access to skills provision and employment support for every community.**

UK economic performance

Despite a strong economy, productivity growth has slowed here since 2008. A focus on growth can reverse that trend and increase Hampshire's contribution to the Exchequer. **Returning productivity growth to pre-2008 trends would unlock economic growth – increasing output, a strong business rates base, and net contribution to the Exchequer.**

Location of political power

Across Hampshire, partners work collaboratively. The Government's Levelling Up White Paper however sets an ambition for every place in England that wants one to have a devolution deal, and working with Unitary Authority partners to negotiate a County Deal with Government would devolve down powers and funding, to strategically invest in communities, and take decisions closer to residents. **A County Deal would move Government functions and decisions down to Hampshire, and as part of this, partnership working with District Councils and communities on regeneration, can benefit every part of the County.**

Six capitals

We have applied a six capital framework to this Strategy, inspired by the model proposed by Benjamin Mitra-Kahn and Diane Coyle (Bennett Institute, Cambridge), and which has strong links to the six capital approach set out in White Paper on Levelling Up.. This model proposes a wider set of indicators than GDP for measuring wealth. Our framework incorporates physical, natural, human, knowledge, social, and institutional capital.

Hampshire has strengths in **physical capital** – it is a generally well connected county, particularly by the road network and good central rail connections into London, however there are some congestion issues. Hampshire has a large supply of quality office space, but, there has been recent decline, so understanding where and how the right space should be delivered for the future will be important. Key issues are securing an accelerated supply of new homes that are affordable for the growing population, and improving digital connectivity – low speeds across much of Hampshire, particularly in more rural areas, hinder growth opportunities.

Hampshire has relatively high levels of **natural capital**, with an abundance of protected areas including two national parks, high woodland coverage, relatively high biodiversity scores and significant areas for carbon sequestration. However, almost half of Hampshire's most notable species are in decline, flood risk is a major concern, and many of the watercourses are of poor quality, with inadequate future water supply in some areas. Hampshire County Council (HCC) can begin by focusing on decarbonising its own estate, and using County Farms to support biodiversity. The future Local Nature Recovery Strategy is a big opportunity to invest in nature, and should be developed alongside financing mechanisms such as offsetting around developments. Close partnerships with national parks, farmers, and universities will also be necessary.

Hampshire also has a good supply of **human capital**. Its training and education system is strong, schooling outcomes are good, and the population is in relatively good health – though this varies a lot across the area. Employment and wage levels are also relatively high, with fewer people off long-term sick. However, an ageing population threatens the long-term supply of human capital, and both young people and EU migrants have been less attracted to the county in recent years. And good schooling is not necessarily reflected in longer-term outcomes with lower skills levels in the adult population and state school pupils slightly less likely to go to higher education. We will support affordable housing developments across our estate to attract the young and integrate health and care assets to prevent people falling out of the labour market. A skills and training programme, delivered in partnership with providers can fill some of the gaps where there is high jobs demand.

The picture for **knowledge capital** is more mixed. Hampshire has only one university in the County Council area, though there are three more just over the border in Southampton and Portsmouth. There is a large number of digital technology businesses, though spend on innovation lags other areas in the South East – most notably Berkshire, Buckinghamshire, and Oxfordshire. There are major prime businesses – such as in the defence sector – who carry out a lot of research, but less of the collaborative research that defines successful

innovation ecosystems. There is provision of innovation and co-working space – though there is a need to develop this further in rural communities. The freeport is also an opportunity to attract innovative business, and we will explore a new start up investment fund to invest in promising local businesses.

Social capital in Hampshire is also generally better than the national average, with indicators such as voting behaviour and crime suggesting a sense of civic pride and attachment to society. The visitor economy also supports successful cultural and heritage assets in parts of Hampshire. However, many town centres, where much social capital is developed, are struggling. Retail vacancies have increased following the pandemic, creating a sense of decline, and damaging civic pride. HCC will use its town centre assets as part of a meanwhile use programme, and can encourage mixed use schemes that enable towns to move away from a dependency on shopping, to delivering experiences which can grow social capital. The Culture Strategy in development that intentionally looks to nurture cultural assets will also support social capital.

Finally, Hampshire’s **institutional capital** is particularly strong when it comes to the presence of major anchor businesses, the military (where all three branches have major bases) and major port infrastructure. However, governance in Hampshire is complex with a two-tier system, which at time can hinder progress. The importance of a new County Deal, which will give greater institutional heft to local governance and unlock new powers and funding, cannot be overstated.

Interventions

In each section of the Strategy that considers one of the six capitals a series of possible areas for intervention is set out looking at: how the Council can make better use of its assets to deliver change as well as policies levers which either can or should be used to achieve the strategic objectives. The Strategy identifies programmes and funding which will play an important role in relation to each capital and the partnerships important to delivering them.

The interventions proposed here are indicative and high level. They will be tested and developed further through consultation with partners and the development of a detailed action plan that prioritises, sequences and resources a set of specific interventions.

Next steps

As the immediate next steps, we suggest Hampshire now takes the Economic Strategy forward in the following ways:

- discuss the analysis and strategic framework across the Council and with partners
- ensure that the framework is then reflected in how Hampshire and partners take forward LEP integration and County Deal planning
- develop a detailed action plan and list of agreed interventions
- discuss and agree with partners and District Authorities who will be responsible for taking forward interventions.

1 This Strategy

This Economic Strategy for Hampshire draws on analysis of the major drivers of change in the local economy, outlines a core scenario for the coming years, and proposes interventions using levers of Hampshire County Council, based on evidence around a six capital model. This Strategy underpins Hampshire's economic development, providing a framework for important initiatives including a County Deal for Pan-Hampshire.

This Strategy covers the Hampshire County Council area, though recognises the important links elsewhere, particularly with Pan-Hampshire partners. It has been written as the process of developing a County Deal has been underway and informs the development of the strategic objectives for that important process, providing a guide the objectives for any new devolution deal for Hampshire.

We have held three officer workshops to develop the Strategy:

- In the first, we discussed the overall approach we should take. There was a clear consensus for using an approach that captured wider value in the economy. Following on from this we developed the six capitals approach to shape and frame the interventions
- In the second, we talked through the context for the Strategy, and the four scenarios for the future. This led to the development of a fifth, hybrid scenario (challenging terrain), which has been used to develop our strategic objectives.
- In the third, we talked through each of the six capitals in detail – splitting into two groups to work through the strengths, weaknesses, and interventions in more detail.

This work follows from and complements strategic initiatives including the Hampshire 2050 Commission's work to guide future prosperity. Implementation of this Strategy will be done in collaboration with other important strategies in development including the outcome of Hampshire's Asset Review and a new Culture Strategy.

The Strategy has been developed in the context of changing but uncertain governance and delivery structures, not least in relation to Local Economic Partnerships (LEPs). But it builds on local economic development projects, analysis and strategy of recent years including development of Local Industrial Strategies led by Enterprise M3 and Solent LEPs.

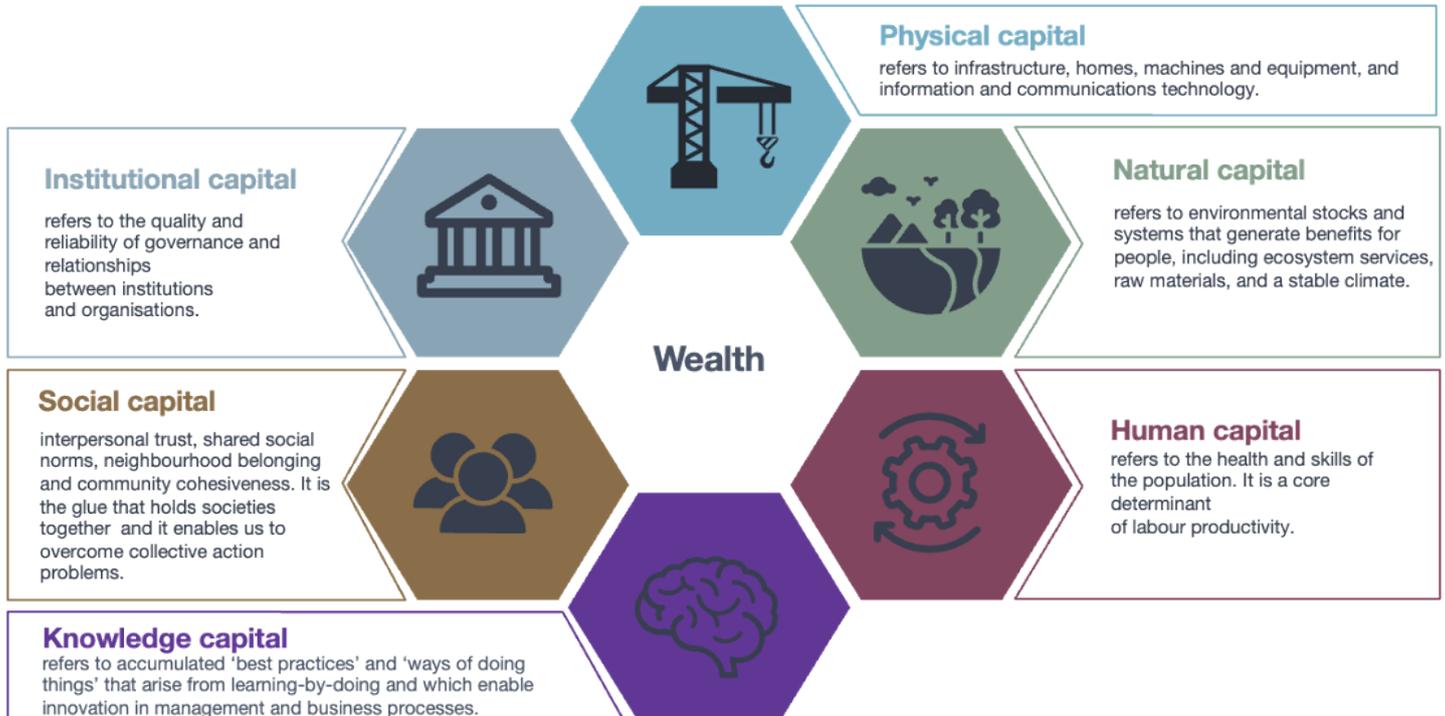
This Strategy is intended as a long term document to inform the Council and its partners. Once adopted, the intention is that there will be a detailed workplan for each element of the Strategy developed by the County Council and partners.

2 Six Capitals: A framework for Hampshire’s development

This framework is inspired by the six-capital model proposed by Benjamin Mitra-Kahn and Diane Coyle (Bennett Institute, Cambridge). This model is a post 2008 financial crisis response to measuring wealth that goes beyond traditional models focused on GDP as a key measure. The rationale that underpins the model is that policies which may be best for GDP may not always be best for people, and thus it proposes a wider set of indicators for measuring wealth that includes environmental, social capital and population health indices. It ultimately seeks to embed sustainability and fairness into the way we assess economic progress.

Other similar models exist, using different variations of the capitals including the Levelling Up White Paper which uses intangible and financial capitals instead of natural and knowledge. Here we have adapted the model slightly, disaggregating intangible capital into institutional and knowledge capital given the relevance of these categories to the County.

Figure 1. The six capitals framework



3 Bringing about change: four levers

The strategy reflects a direction of travel towards greater economic decision making at a local level, with devolution and the integration of LEPs, and Pan-Hampshire’s own plans for the creation of an Investment Fund as part of a County Deal.

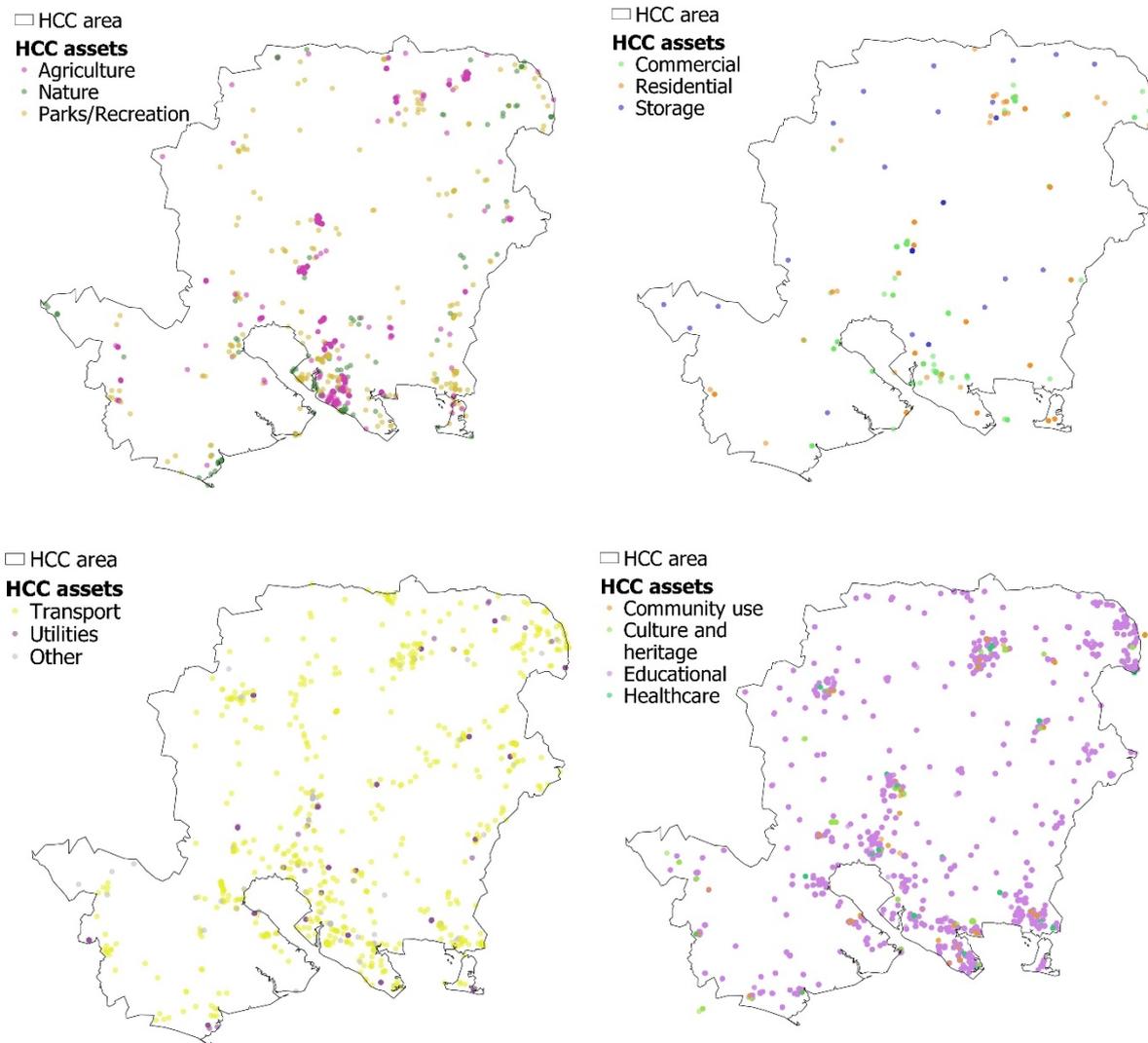
Our Strategy aims to grow all of our capitals, using the **levers at our disposal: our assets, our policies, our programmes and funding, and our partnerships**. Global, national and local shifts in economic circumstances mean that the County and its partners – covering an area in Pan-Hampshire of 2.4m people – need a Strategy on how to use their levers to secure growth and prosperity for residents. We focus interventions in the Strategy around four County Council levers – assets, policies, programmes and funding, and partnerships.

Through developing a County Deal proposition, Pan-Hampshire partners are forming proposals that would devolve further levers from Government to local institutions. The interventions proposed in this Strategy are ones that Hampshire County Council can deliver now, but they also build the foundations for increased local agency in the coming years through devolution. Some specific examples include:

Interventions in this Strategy can be taken further in future with a Pan-Hampshire County Deal with ...
<ul style="list-style-type: none"> • drive Business Hampshire’s Innovation Ecosystem approach • build on Freeport opportunity to attract innovative businesses • explore new start up investment fund 	<p>Pan-Hampshire Investment Fund with £1.2bn Government allocation, partner and private sector investment, and increased business rates retention for investment</p>
<ul style="list-style-type: none"> • tackle derelict sites • attract high quality office space • increase the number of affordable housing developments 	<p>An independent Land Commission to maximise assets for growth</p>
<ul style="list-style-type: none"> • create a Skills Assembly with employers • partner with providers to deliver technical training to support local sectors • review careers advice 	<p>Pan-Hampshire Skills Plan and Fund, with a Trade and Investment Agency linking productivity growth with skills development</p>
<ul style="list-style-type: none"> • A decarbonisation programme focused on Hampshire County Council’s estate. 	<p>Biodiversity gain targets and retention of fines on water companies.</p>

- | | |
|---|--|
| <ul style="list-style-type: none"> • Use of county farms and other agricultural assets to support biodiversity. • Use of Local Nature Recovery Strategy to fight back against biodiversity loss | |
|---|--|

Figure 2. Hampshire County Council’s assets by broad category



1) Assets

Hampshire County Council is a major owner of land and property in Hampshire. The Council owns 8,790 ha of land, 1,176 sites and 10,068 building units. The use of land and buildings

has a major impact on the ability of the six capitals to grow in Hampshire. A building on a high street can become a community space, growing social capital. A farm can be managed in a way that supports biodiversity, increasing natural capital. The creation of innovation spaces can increase the stock knowledge capital.

2) Policies

As an upper tier authority, HCC has direct control over major areas of local policy. Education policy and public health policy play a central role in supporting the creation and protection of human capital. HCC is the transport planning authority, and is bringing forward a new Local Transport Plan (LTP4), which will direct much of the new physical capital developed in Hampshire. A strategic asset management plan is being drafted. HCC will also be bringing forward a Local Nature Recovery Strategy in the next year, in partnership with Defra. Each of these is an opportunity to grow the six capitals in Hampshire.

3) Programmes and Funding

It is also in HCC's gift to create programmes with a focus on one or more of the six capitals, and to align funding streams to support these objectives. Existing funding mechanisms, such as Section 106 contributions, can be "tilted" to deliver better outcomes. And in a future devolved settlement, Hampshire partners may have additional investment and funding flexibilities to support local priorities.

4) Partnerships

Finally, HCC can seek to influence and support by working alongside other partners with a major stake in Hampshire's economy. Collaboration with universities can promote knowledge capital, working with the National Parks can develop natural capital, and working with community groups can increase social capital. HCC seeks not to act alone but to build a coalition that can deliver a flourishing economy for Hampshire.

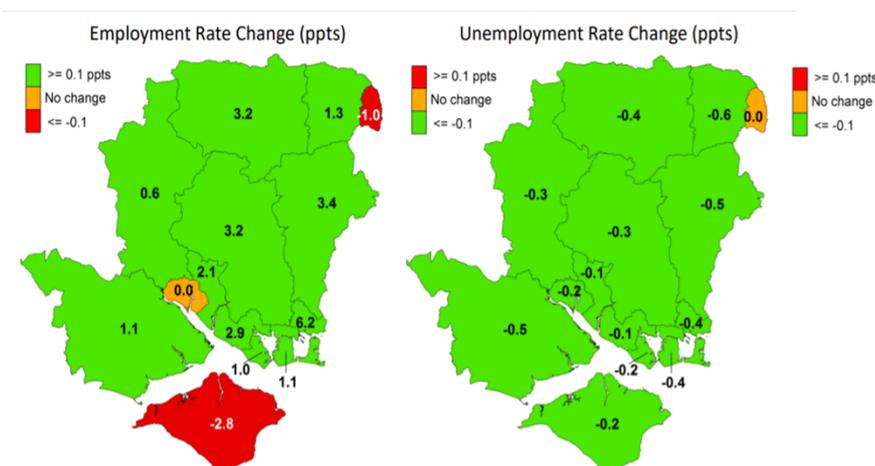
4 The Current Context 1: drivers of change

This Strategy is being delivered in a context of change in Hampshire – with both immediate, and longer-term drivers.

Immediate drivers

Labour markets are recovering from Covid, with growing demand for professional, care, and logistics roles

Figure 3. Quarterly change in employment, Q2-Q3 2021

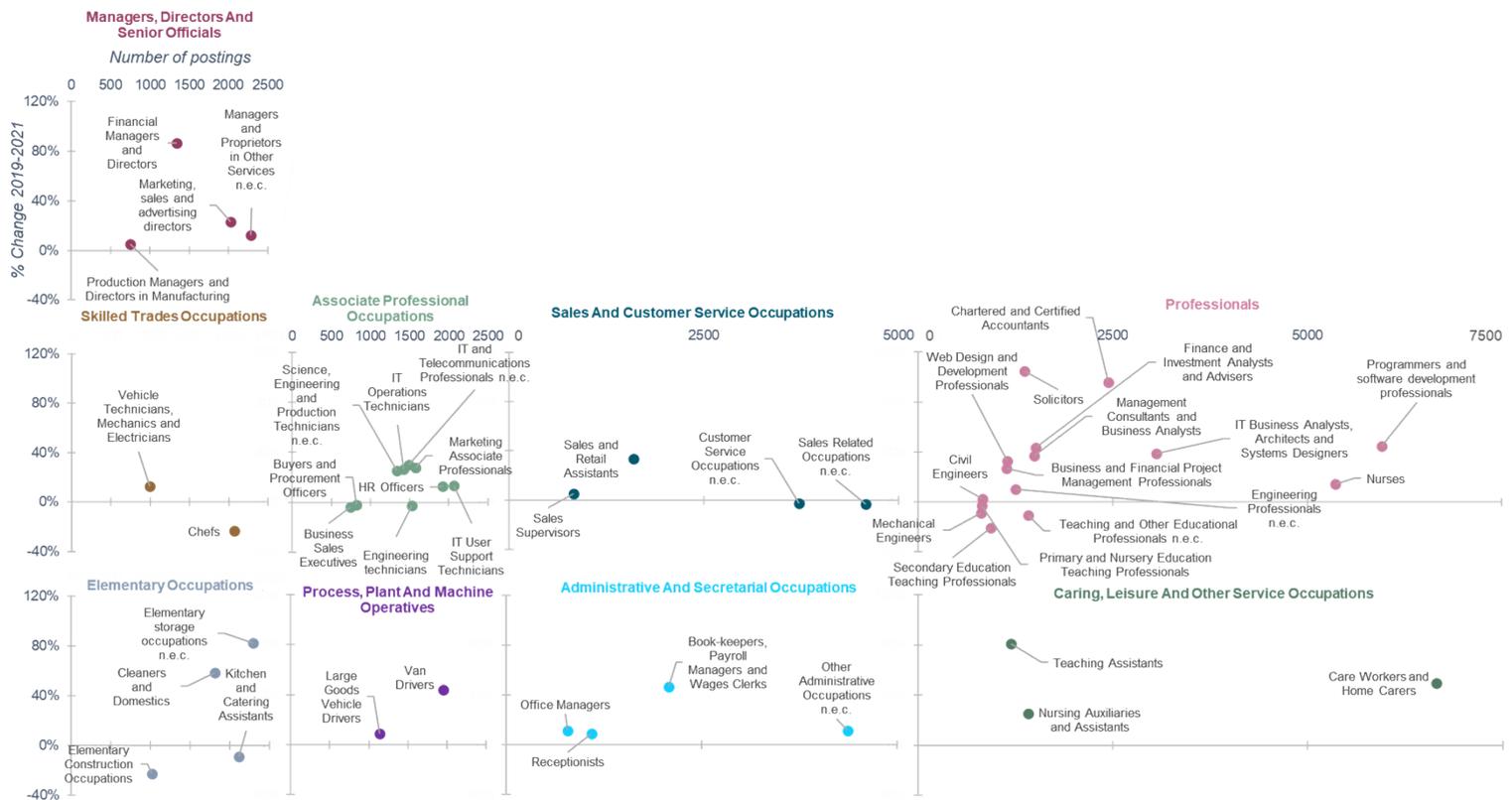


Source: Hampshire County Council

The most recent data indicates that the employment rate in most of Hampshire is increasing, while unemployment is falling, as the area recovers from Covid-19. The Isle of Wight, which may have seen a particular boost to local tourism during the pandemic is one notable exception.

Real-time labour market data based upon job postings adds further insight. Figure 4 below, shows the top 50 occupations for jobs postings in Hampshire in 2021, organised by major occupational group. Most jobs are “above the line” – meaning growth since 2019. The groups with the largest concentration of top postings are professional, and associate professional jobs. The most common jobs being advertised are care home workers, programmers, nurses, sales, and administrative occupations (in that order). The most fast growing jobs are solicitors, accountants, finance managers, elementary storage occupations, and teaching assistants (in that order). This reflects both more business and property activity, with the associated services needed, and more activity in logistics, reflecting the growth in online shopping.

Figure 4. Numbers of postings – top 50 occupations

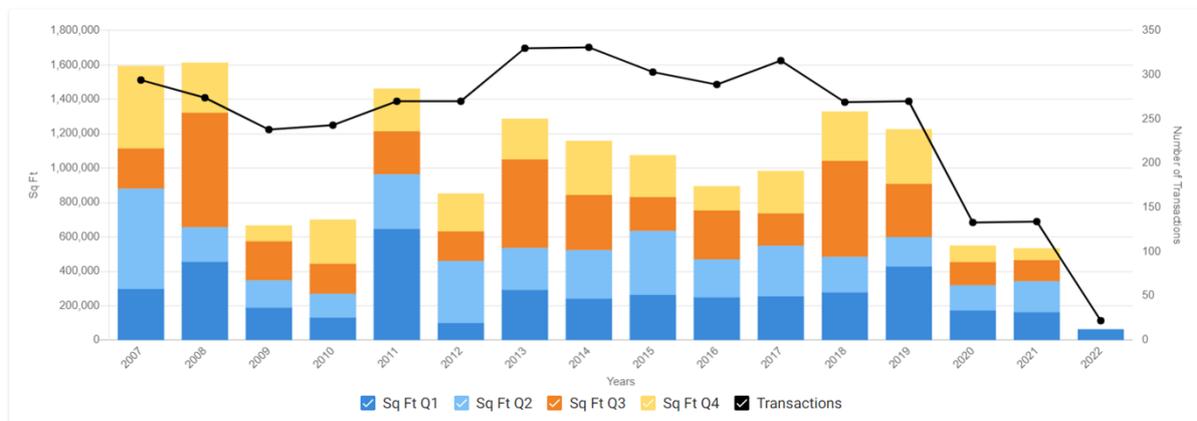


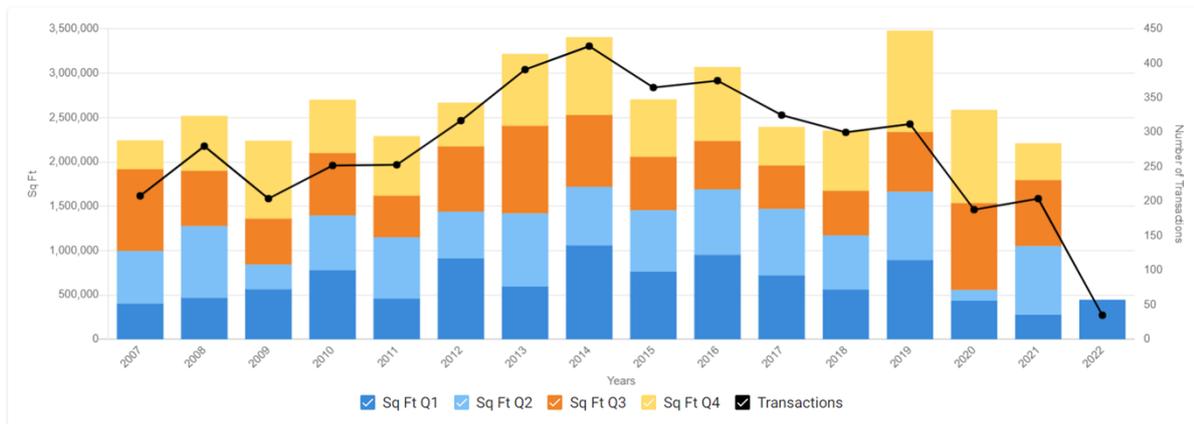
Source: HCC via Emsi Burning Glass

But commercial property markets are lagging behind

Despite the jobs recovery, there has not been the same demand for commercial property that there was before the pandemic – particularly for offices.

Figure 5. Take up of lettings, and transactions in Hampshire – office (top) and industrial (bottom)





Source: HCC

Q1 data for 2022 suggests this market is still depressed, though rental values appear to generally be holding up. It remains to be seen whether the shift in some sectors towards hybrid working results in a long-term reduction in demand for office space.

Industrial space has seen a negative, though less pronounced, impact – with Q1 2022 looking more positive, and a major deal for industrial space in Havant completed at the end of 2020. This reflects similar experience elsewhere, where the demand for logistics space has grown during the pandemic.

Inflation is driving up costs for residents and businesses

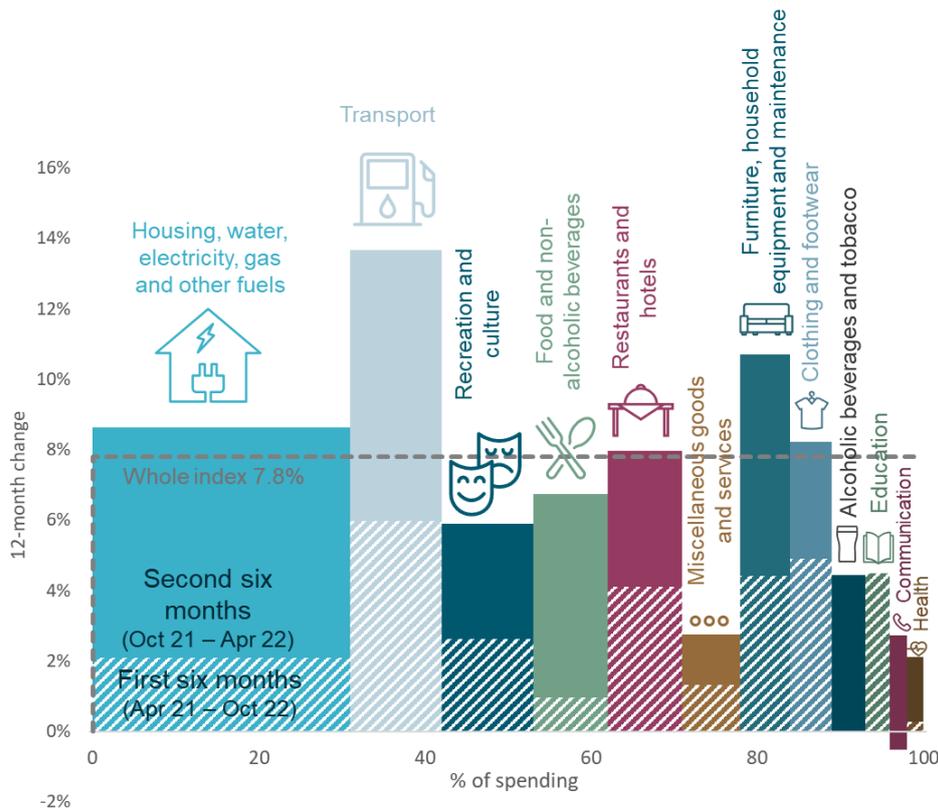
Housing and utilities costs form the largest category of consumer expenditure (31%) and this has grown by 8.6% already over the last year. ONS public opinion data shows that increasing electricity and gas bills are the major concern for those worried about cost of living (58%). The next biggest category of spending, transport, has grown by a staggering 13.7%, with costs set to rise further as Russian oil is phased out.

Input prices to the manufacturing sector have also climbed sharply, with the producer price index for inputs increasing by 29.9% in just two years¹.

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<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/producerpriceinflation/april2022>

Figure 6. Proportion of spending and 12-month price change

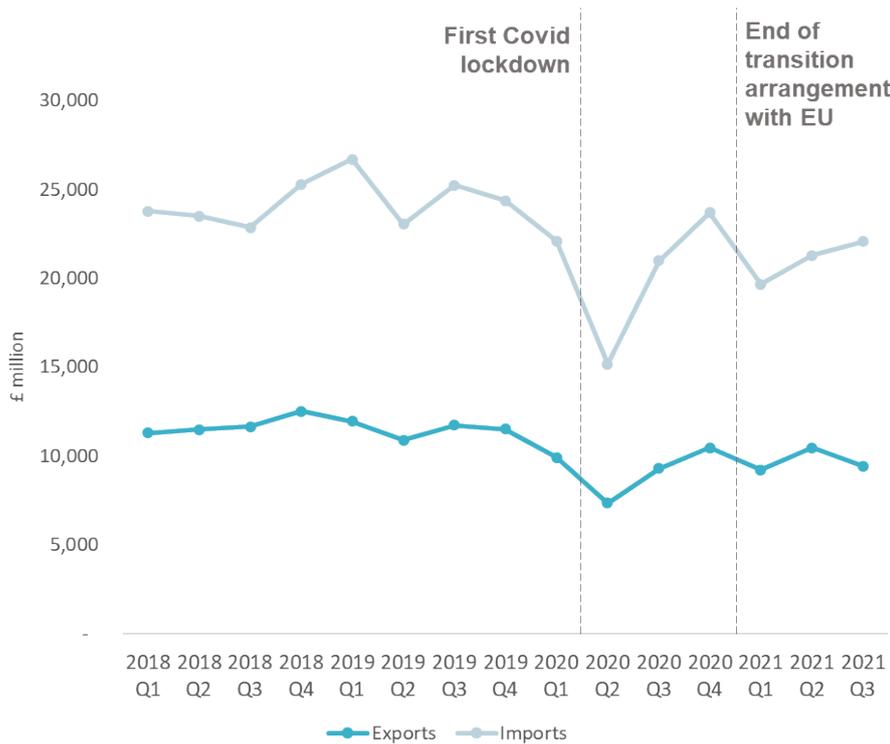


Source: ONS CPIH

Imports are outpacing exports, with a small Brexit impact

The most up to date data on exports and imports only covers the South East of England. We can see that imports have consistently been higher than exports for the whole period, implying a balance of trade deficit with regard to goods. The first lockdown reduced exports, though these had been on a downwards trend since late 2018. The effect of the end of the EU transition was less marked, though exports still remain below previous levels. Imports have recovered more strongly, though also remain below peak levels.

Figure 7. Exports and Imports of goods by value, South East of England



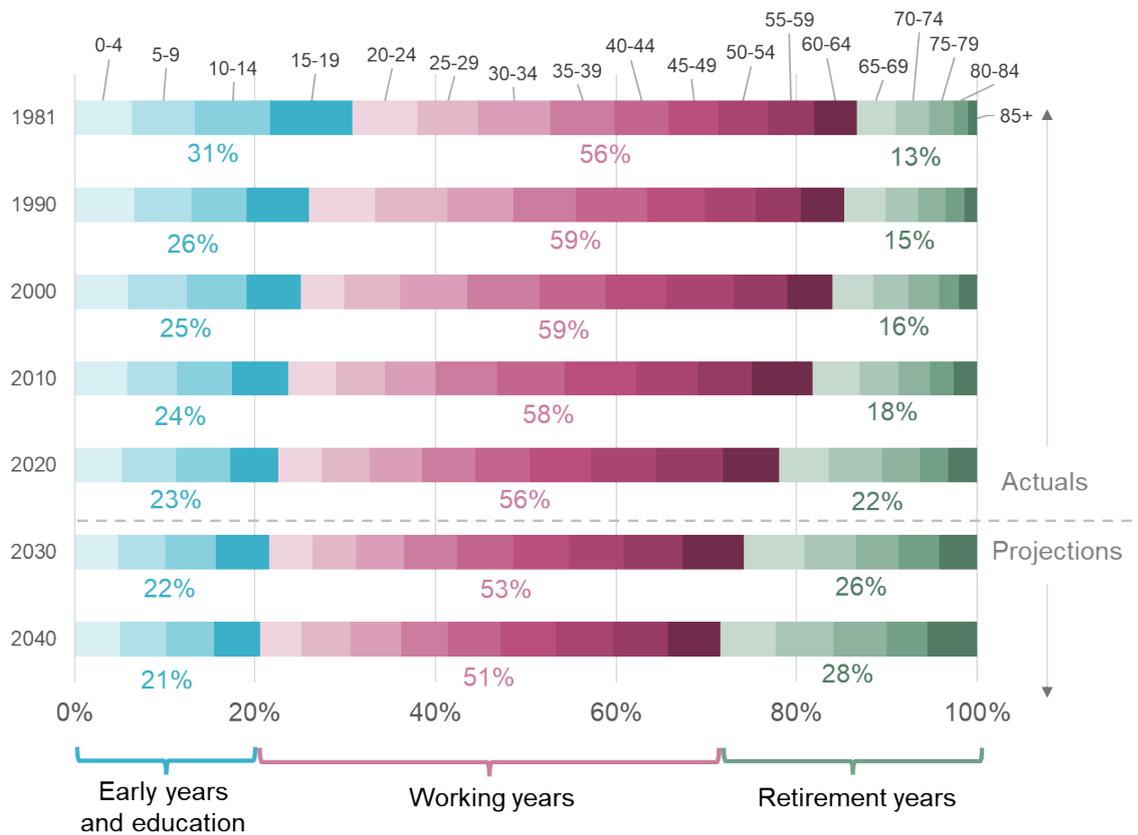
Longer-term drivers

Hampshire’s population is ageing

ONS data shows that over the last forty years, Hampshire’s working age population has remained the same proportion of the total, but with the higher age bands widening and the lower bands contracting. The retirement age population has already grown from 13% to 22%, and as these older workers retire that is expected to increase sharply to 28% by 2040. Meanwhile, the population largely in education or early years (0-19) has shrunk significantly. This is set to continue, with this group only making up 1 in 5 people in Hampshire by 2040.

This overall demographic shift has major implications for the economy and population of Hampshire, and a strategic approach is needed to respond to it.

Figure 8. Five-year population bands in Hampshire, 1981 – 2040



Source: ONS Population estimates, ONS population projections

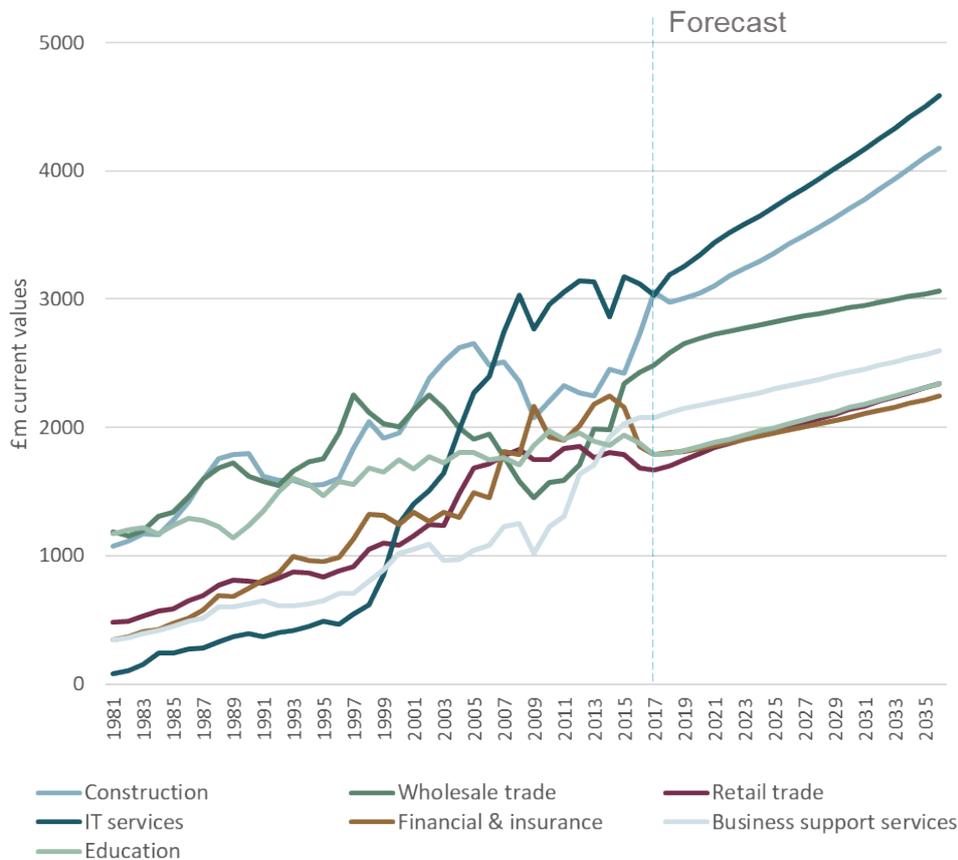
IT and Construction are set to become largest sectors

Data provided by Cambridge Econometrics (CE) shows that IT services has grown rapidly in Hampshire, with particularly rapid growth in the decade between 1998 and 2008 to become Hampshire’s largest sector. CE forecast this sector will grow strongly into the future, constituting 11% of Hampshire’s economy in 2036. Construction is also expected to grow strongly – though note these forecasts predate the Covid pandemic and any impact this might have on demand for different types of space

The fastest growing sectors over the period 2016-2036 according to the forecasts are electronics (88.7% growth), accommodation (80.6%) and legal and accounting (80.3%).

These forecasts have not been updated since the pandemic, but if anything this may have accelerated the digitalisation of business – further strengthening the IT sector.

Figure 9. Gross Value Added (GVA) in seven largest sectors, historic and forecast



Source: HCC

Hampshire’s climate is changing, and will continue to change

Like the rest of the UK, Hampshire is seeing generally higher temperatures due to climate change. According to the Green Economic Recovery for Hampshire report, central estimates suggest that by 2050, coastal flooding is expected to submerge large parts of Hampshire, including much of the densely populated urban south of the county.

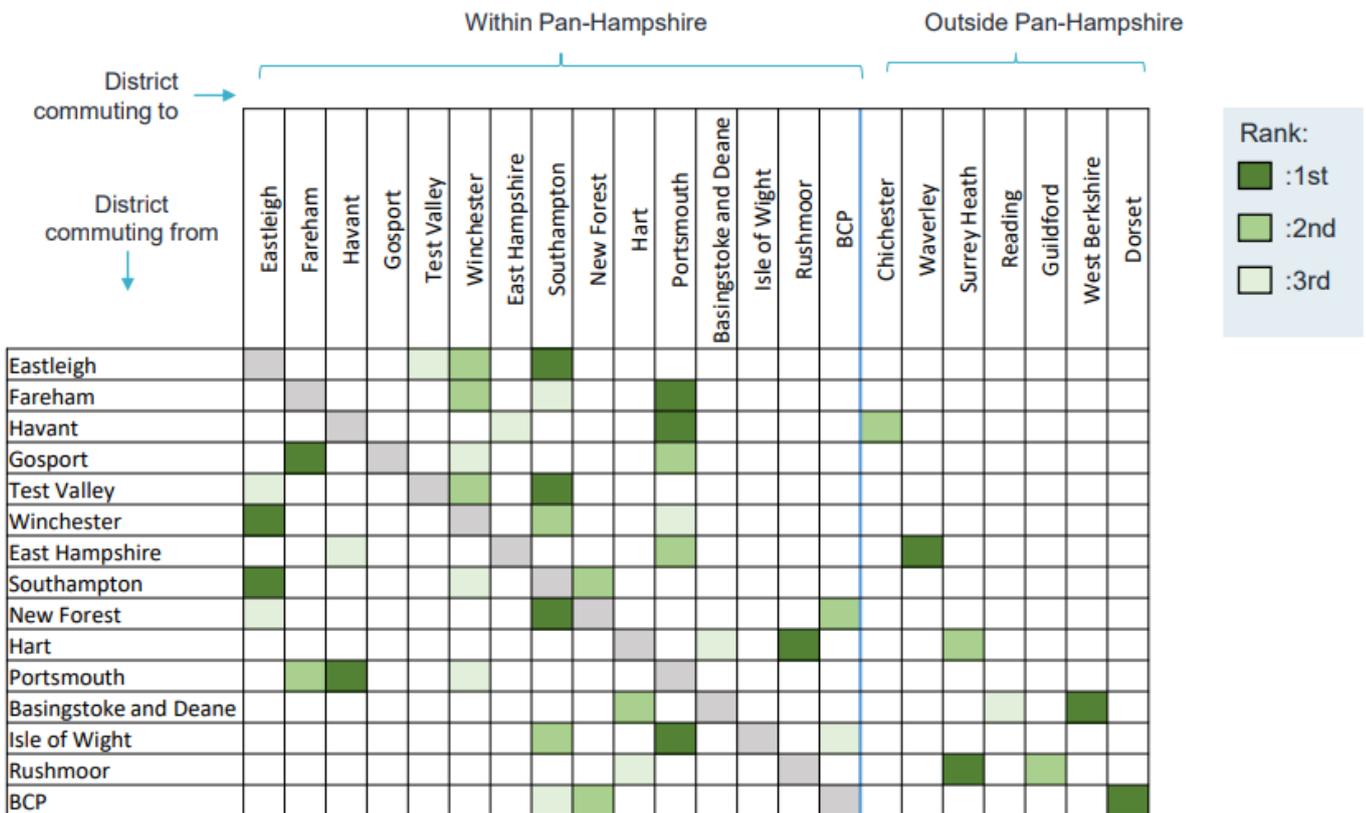
While traditional economic strategy has often paid little regard to the environment, it is the basis on which all economic activity takes place. A six capitals approach acknowledges the challenges that a changing climate presents to the economy and society, and looks to build resilience accordingly.

5 The Current Context 2: economic geography

Hampshire is a closely interconnected economic geography as a County and with its neighbouring areas. Across Pan-Hampshire, boundaries for residents are porous, and in order to deliver economic growth at scale, and deliver better services, it is essential that Hampshire County Council works closely with its neighbours and partners.

Hampshire is a varied county of rural areas, market towns, coastal areas, industrial clusters and urban settlements. These places have important and strategic connections between them, which need to be understood to deliver the Strategy.

Figure 10. Top three commuter destinations for each district



Source: Census 2011

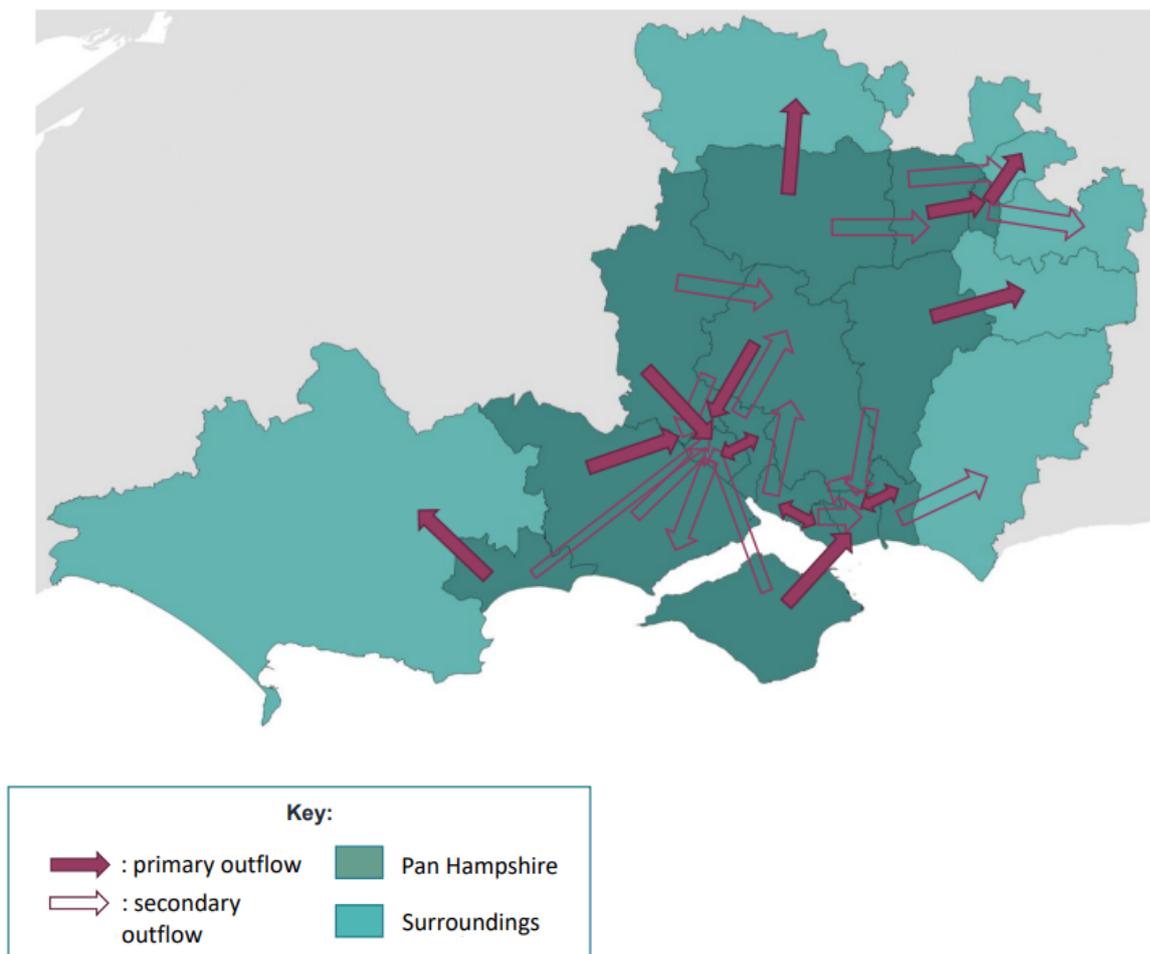
The first and most important fact shown here is the interconnectedness of the Pan-Hampshire area. This Strategy concerns the County of Hampshire as it exists today. But the lived experiences of the people of the wider Pan-Hampshire area remind us that boundaries are porous, something that needs to be reflected and supported in our strategies.

Over 85% of Pan-Hampshire’s resident workers work within Pan-Hampshire. This is significantly higher in some authorities: Isle of Wight (96% within Pan- Hampshire), Gosport (94%), Southampton (94%), Eastleigh (94%) and Fareham (93%).

This figure reflects similar levels to some of the major conurbations of the UK, such as Greater Manchester (88%), the Liverpool City Region (82%), and West Yorkshire (91%).

That said, the patterns are complex. Local authorities that observe smaller proportions of their residents commuting within Pan-Hampshire include those found in the Solent area; Rushmoor (60%), Hart (63%) and East Hampshire (76%). These local authorities, in the North-East of Pan-Hampshire, typically have stronger links to Surrey, Berkshire and London.

Figure 11. Primary and secondary work destinations across Hampshire

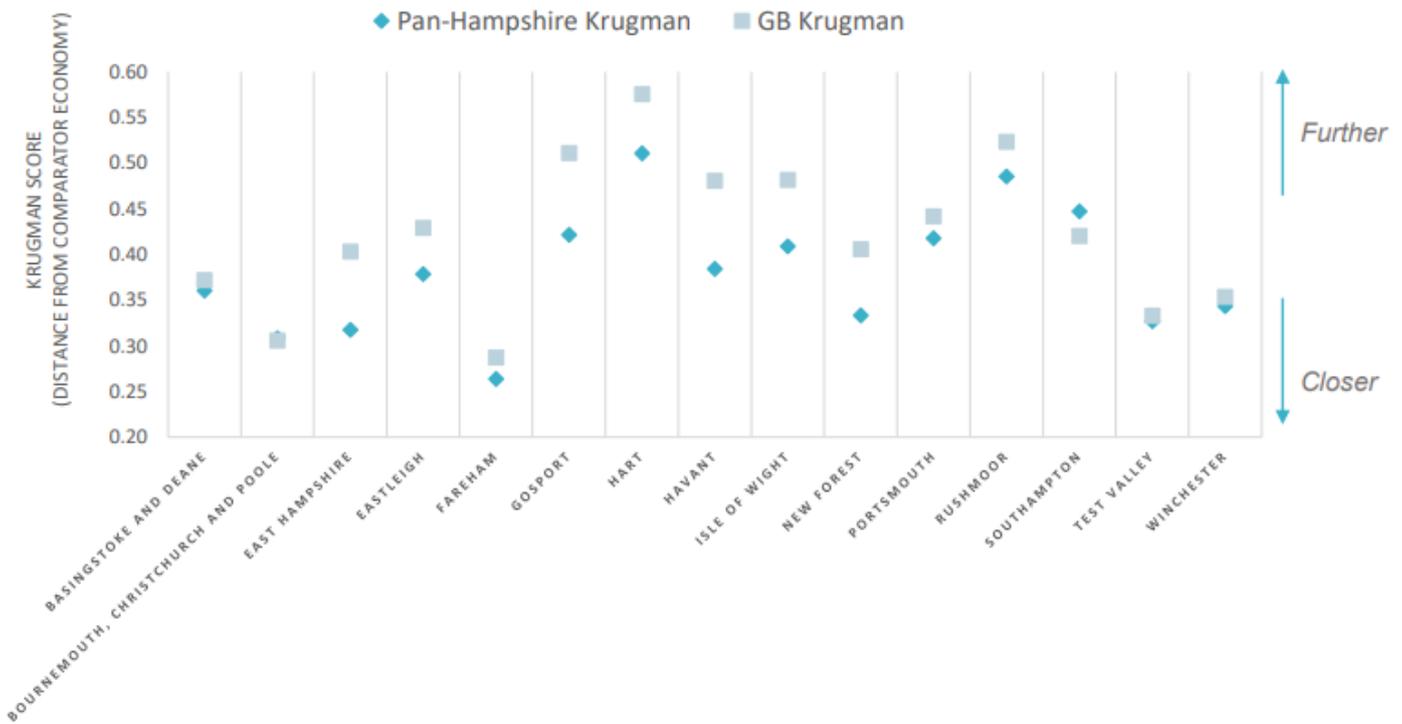


Hampshire local authorities (including those across Pan-Hampshire) have a similar industrial makeup. To understand whether areas within Pan-Hampshire have meaningfully distinct, shared specialisms, Krugman Index values have been calculated for every district compared to two ‘reference economies’: – Pan-Hampshire, and Great Britain. A larger Krugman index value means that the economy is more differentiated to the reference area, a smaller value means the economy is more similar.

For all local authorities besides Southampton, there is more of a similarity to Pan-Hampshire than to Great Britain, as represented by the Pan-Hampshire Krugman data point

being below that of Great Britain. This is especially notable in Gosport, Havant, and East Hampshire.

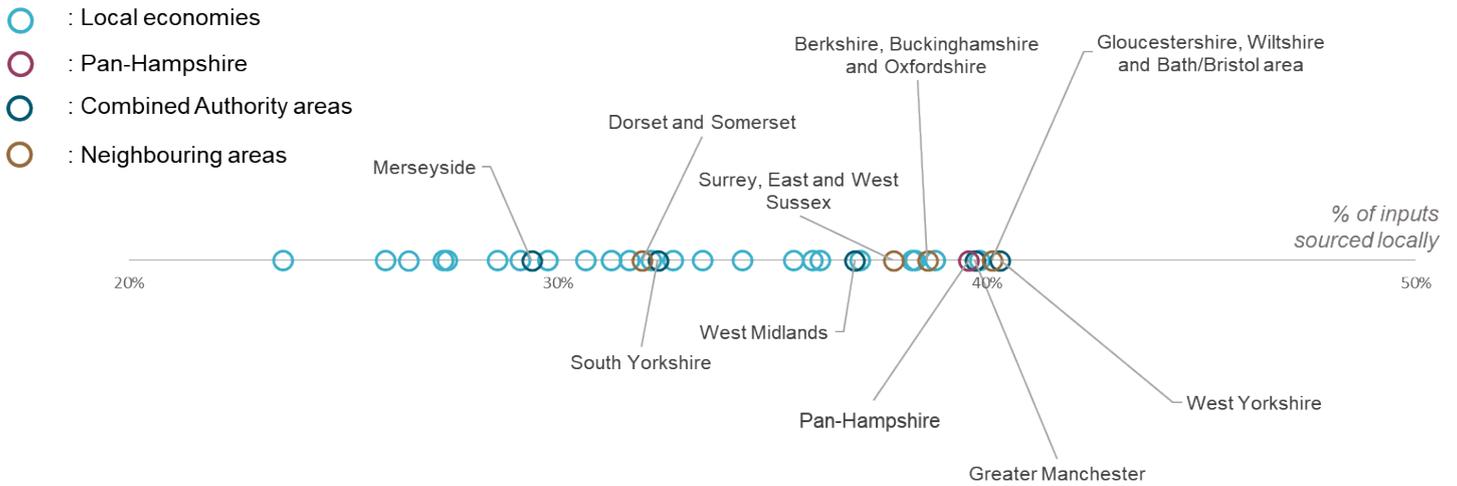
Figure 12. “Distance” from reference economies, as measured by the Krugman Index



Source: Metro Dynamics analysis of BRES data

These shared specialisms provide a strong basis for an economic strategy to develop the six capitals.

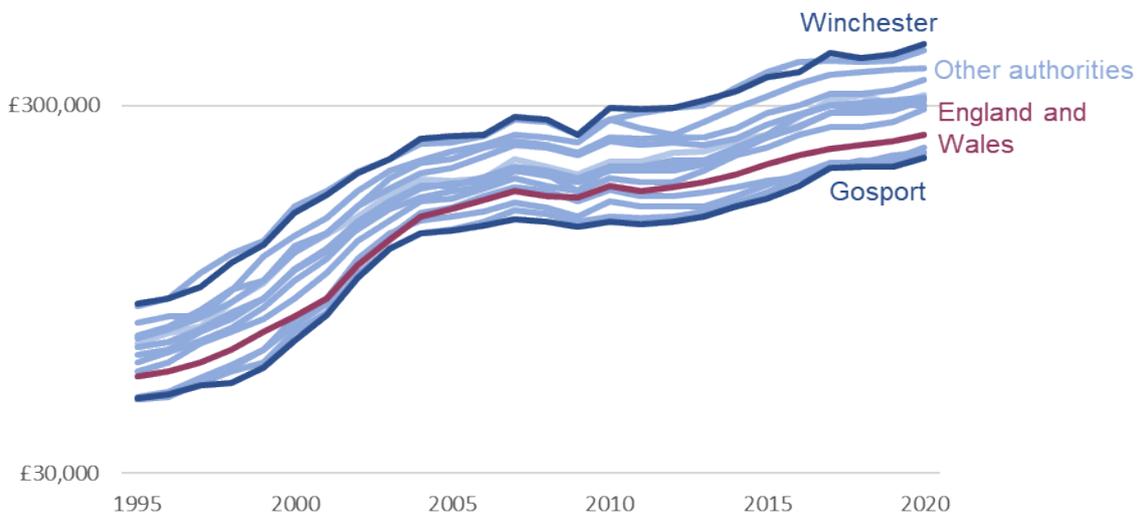
Hampshire also has well developed supply chain linkages. Pan-Hampshire ranks 5th out of 33 local economies in England for sourcing goods locally, with 39.6% of inputs being sourced from within Pan-Hampshire itself. This implies that Pan-Hampshire is a more self-sufficient region of the UK than most other areas, including some areas which have devolution to Combined Authorities – such as South Yorkshire and Merseyside (the Liverpool City Region). Pan-Hampshire also has higher rates of goods sourced locally than most surrounding areas – Dorset and Somerset, Surrey, East and West Sussex, and Berkshire, Buckinghamshire and Oxfordshire.



Source: Modelled data using UK Input-Output tables, the Business Register and Employment Survey and ONS regional GVA data, whilst drawing heavily on the work of Flegg and Tohmo, 2013. More details in the Appendix.

Finally, markets for property – both commercial and residential – are well co-ordinated across Hampshire. Figure 13 below shows the change in house prices across Pan-Hampshire on a log scale, to demonstrate growth. These have remain very tightly co-ordinated since 1995.

Figure 13. Median house prices in Pan-Hampshire authorities, 1995-2020 (log scale)



When ranked out of the fourteen local authorities, seven have remained in the same rank position within the county from the beginning to the end of the 25-year period shown.

Similar patterns are seen for commercial property, where correlations in movements of the rental value of retail space between most districts in excess of 80%. The only exceptions to this are the more northern districts – Hart, Rushmoor, and Basingstoke and Deane – where values are generally more correlated with London rental values.

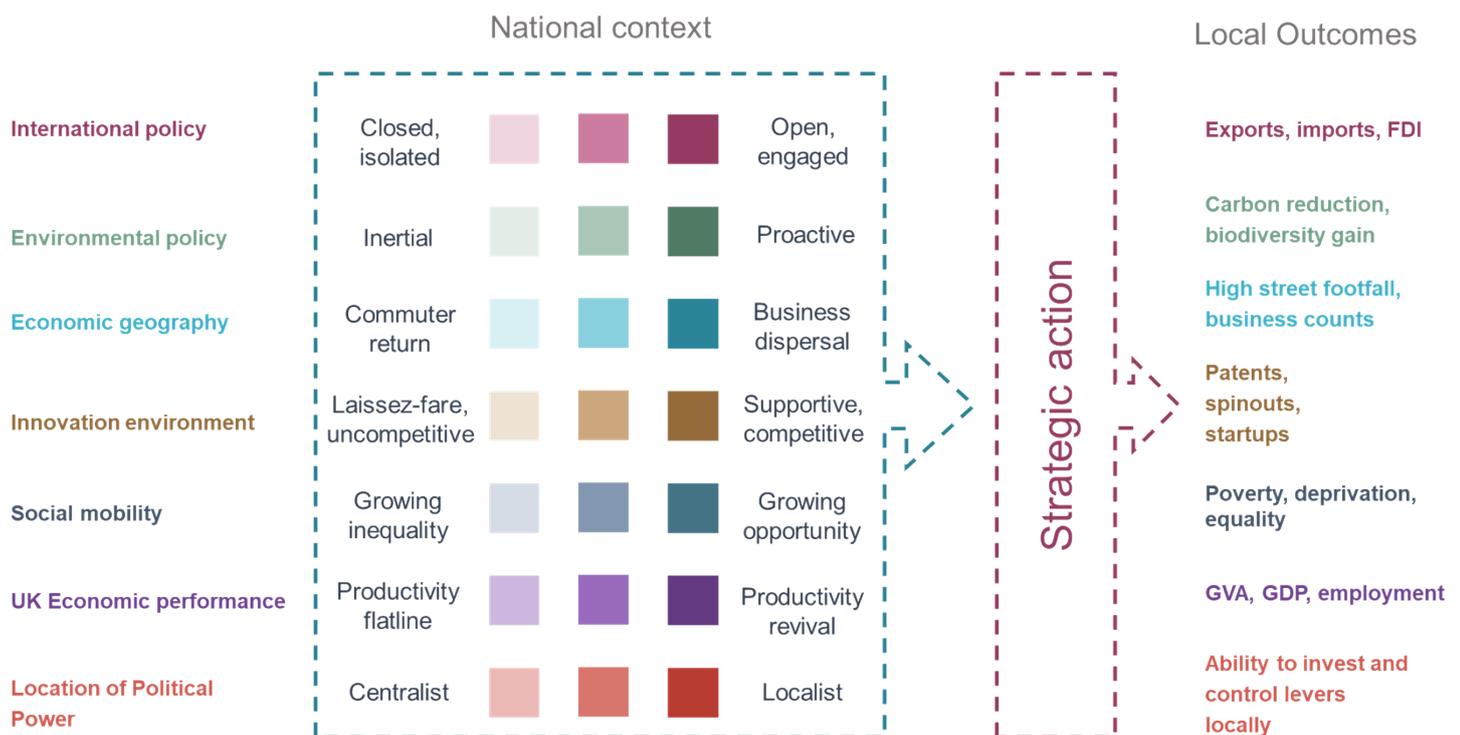
Hampshire, along with the surrounding cities and Isle of Wight, is a functional economic market area. There are strong commuting links, shared sector specialisations, and correlated property markets.

6 Responding to uncertainty: scenarios

Recent events have proven how challenging it is to produce forecasts. Until recently, many were not expecting inflation to be a major issue – now it is hitting highest levels for decades across the Western world. Most economists expected a slower recovery from the Covid pandemic than has been seen. Russia’s war in Ukraine has upended assumptions about international trade – compounding challenges already facing shipping and logistics. There are a host of factors – economic, geopolitical, environmental – which are extremely difficult to predict and interact in complex ways.

Therefore, instead of using forecasts, we have chosen to focus the Strategy on a set of objectives derived from analysis of possible **scenarios**. Scenarios are a way of projecting possible alternative futures and considering what would be the right decision in each case. We have designed our scenarios to look at seven different national context factors – things *outside* of Hampshire’s control – with three different possible outcomes for each.

Although the scenario factors are outside Hampshire’s control, there is then a space for strategic action in each of these areas. This action, in combination with the scenario factors, will deliver local outcomes. These outcomes are related to the type of scenario factor – for example, in environmental policy, there is the national Government’s approach, in response to which Hampshire’s strategic action can deliver outcomes such as lower carbon emissions, and gain in biodiversity.



We then tested different scenario options with a working officer group at Hampshire County Council to understand which were deemed more valid. Four alternative scenarios were presented:

Four alternative scenarios

Scenario 1: Business as usual

International policy	Closed, isolated				Open, engaged
Environmental policy	Inertial				Proactive
Economic geography	Commuter return				Business dispersal
Innovation environment	Laissez-faire, uncompetitive				Supportive, competitive
Social mobility	Growing inequality				Growing opportunity
UK Economic performance	Productivity flatline				Productivity revival
Location of Political Power	Centralist				Localist

In this scenario, the national context shows continuity with what has gone before. On international policy, the withdrawal symbolised by Brexit is tempered by Government ambitions towards greater proactivity. Continued ambition is seen on climate, but lack of detail in some policy areas hinders progress. The UK continues to have a centralist state, and productivity growth remains close to non-existent. Inequality grows, as patterns of poor social mobility become more deeply ingrained, and after the remote working shift, patterns gradually return to more normal commuter flows, with London returning to its former dominance.

Scenario 2: International fragmentation

International policy	Closed, isolated				Open, engaged
Environmental policy	Inertial				Proactive
Economic geography	Commuter return				Business dispersal
Innovation environment	Laissez-faire, uncompetitive				Supportive, competitive
Social mobility	Growing inequality				Growing opportunity
UK Economic performance	Productivity flatline				Productivity revival
Location of Political Power	Centralist				Localist

In this scenario, the UK’s withdrawal from Europe presages a more inwards turn, with reduced collaboration with allies, and shrinking trade. Stronger collaboration among Western allies over the war in Ukraine proves short-lived. Alongside this, the country relinquishes climate leadership in the face of higher costs to its citizens. This context also promotes a more active state in trying to secure the interests of UK businesses. A more proactive state aid regime increases funding for innovation. Due to export challenges productivity growth remains low to non-existent, and a nation feeling less secure in the world is unwilling to devolve further powers, with power remaining concentrated at Westminster.

Scenario 3: Digital transformation

International policy	Closed, isolated				Open, engaged
Environmental policy	Inertial				Proactive
Economic geography	Commuter return				Business dispersal
Innovation environment	Laissez-faire, uncompetitive				Supportive, competitive
Social mobility	Growing inequality				Growing opportunity
UK Economic performance	Productivity flatline				Productivity revival
Location of Political Power	Centralist				Localist

In this scenario, the working from home revolution begun by the pandemic enables the growing digital transformation of work. A more dispersed working pattern brings economic vibrancy to towns with larger numbers of out-commuters. This allows new productivity growth and a competitive innovative culture. It also naturally lends itself to a less London-centric political model, with some greater devolution of power. However, there are winners and losers, and the large gains made by a small portion of highly successful firms with significant market power increases inequalities, reflected in growing inequality.

Scenario 4: Progressive Leadership

International policy	Closed, isolated				Open, engaged
Environmental policy	Inertial				Proactive
Economic geography	Commuter return				Business dispersal
Innovation environment	Laissez-faire, uncompetitive				Supportive, competitive
Social mobility	Growing inequality				Growing opportunity
UK Economic performance	Productivity flatline				Productivity revival
Location of Political Power	Centralist				Localist

In this scenario, The UK takes a much more proactive role on the world stage, including climate leadership, where ambitious targets backed by credible action put the UK out front. Trade generally increases, supporting some productivity gains. Longstanding inequalities between places and groups of people are addressed, with a gradual improvement of social mobility. The devolution agenda is actively delivered to create a more spatially equal UK, with empowered local leadership.

Selected scenario: Challenging Terrain

Following discussion about each of the domains, a blended scenario was chosen. This has been called “challenging terrain”, because it anticipates challenges across many fronts. A perhaps lower than might be required focus from Government on international and environmental issues, precipitated by a more immediate need to focus on cost of living, means there is less impetus for policy change arising from national leadership. In this scenario, strategies to tackle the UK’s perennial productivity challenge fall short, and may be even exacerbated by large numbers of older, more experienced, workers leaving the labour market.

The key point is that Hampshire will have to do more of the work, as leadership from the centre may be weaker, and the area is seen as less of a priority in the Levelling Up agenda. However, the continuation of the devolution journey does seem close to inevitable, with

every major political party making it a central part of their platform, meaning a middle outcome is anticipated on location of political power.

International policy	Closed, isolated				Open, engaged
Environmental policy	Inertial				Proactive
Economic geography	Commuter return				Business dispersal
Innovation environment	Laissez-faire, uncompetitive				Supportive, competitive
Social mobility	Growing inequality				Growing opportunity
UK Economic performance	Productivity flatline				Productivity revival
Location of Political Power	Centralist				Localist

The scenario also recognises that post-Covid changes to economic geography are likely to be lasting, with evidence since the easing of restrictions indicating a permanently reduced number of trips. And the prospects for innovation policy were seen as largely positive, with a big focus in the Levelling Up White Paper, and anticipated creation of the Advanced Research and Invention Agency (ARIA)². However, the White Paper particularly stresses R&D outside the Greater South East, which may make it harder for Hampshire to benefit from this investment.

From scenario to Strategy

Whilst no scenario can fully anticipate let alone articulate the future, this approach has given us a broadly based and robust basis on which to plan out future. It leads us to the following strategic objectives, the attainment of which is vital in the maximisation of the opportunities we face and to mitigate the impact of the challenges of both a domestic and international nature.

International policy

In our central scenario, current Government policy and economic arrangements mean that international policy will remain more closed with barriers to trade with partners. With a recent drop in exporting and trade activity across Great Britain, it is ever more important

² See <https://bills.parliament.uk/bills/2836>

that Hampshire's strong sectors drive **increasing exporting activity and the area contributes to raising our international competitiveness.**

Environmental policy

Although Government recognises in current policy that transition in energy, transport, and our built environment is necessary to cut emissions and meet our net zero targets by 2050, we are seeing slow momentum in response to climate need. As well as the clear environmental imperative to reach net zero targets, there is economic opportunity in Hampshire in developing the technology we need to accelerate transition. **The objective for Hampshire is for partners to work with businesses to move from inertial to proactive on achieving net zero.**

Economic geography

We haven't returned to pre-Covid levels of commuting, but, neither have we seen an end to those commuting patterns to employment centres. We have moved into a hybrid situation, where workers spend some time in workplaces and commuting within Hampshire and into London, and more time at home and in local town centres than before. We can assume that this scenario will persist for some time. In Hampshire, there are therefore opportunities to benefit from increased activity in our high streets and town centres. **As an objective, the aim is to maximise the pull of high streets and town centres through regeneration, revitalising shared spaces, supporting leisure and hospitality activity, and opportunities for business and work spaces.**

Innovation environment

Hampshire has a strong base of innovation in globally competitive sectors and firms. Government's Innovation Strategy recognises the need to boost innovation by increasing R&D spend, commercialisation, and business access to finance. By connecting knowledge assets – universities and firms – with local startup and scaleup culture and the right finance and investment opportunities and talent, **we can boost growth through innovation and develop new assets. Hampshire's aim is to stay nationally competitive, and support growth across the UK.**

Social mobility

There are persisting pockets of deprivation in Hampshire, where earnings, educational attainment and skill levels are lower, and young people don't grow up with the same life chances as in more affluent communities. Covid has exacerbated inequalities, with slower recovery in employment levels. **Hampshire should offer a range of opportunities for young people to learn and pursue a fulfilling career, with the right placemaking initiatives, affordable housing, and access to skills provision and employment support for every community.**

UK economic performance

Despite a strong economy, productivity growth has slowed here since 2008. A focus on growth can reverse that trend and increase Hampshire's contribution to the Exchequer.

Returning productivity growth to pre-2008 trends would unlock economic growth – increasing output, a strong business rates base, and net contribution to the Exchequer.

Location of political power

Across Hampshire, partners work collaboratively. The Government’s Levelling Up White Paper however sets an ambition for every place in England that wants one to have a devolution deal, and working with Unitary Authority partners to negotiate a County Deal with Government would devolve down powers and funding, to strategically invest in communities, and take decisions closer to residents. **A County Deal would move Government functions and decisions down to Hampshire, and as part of this, partnership working with District Councils and communities on regeneration, can benefit every part of the County.**

7 Six capitals: evidence and interventions

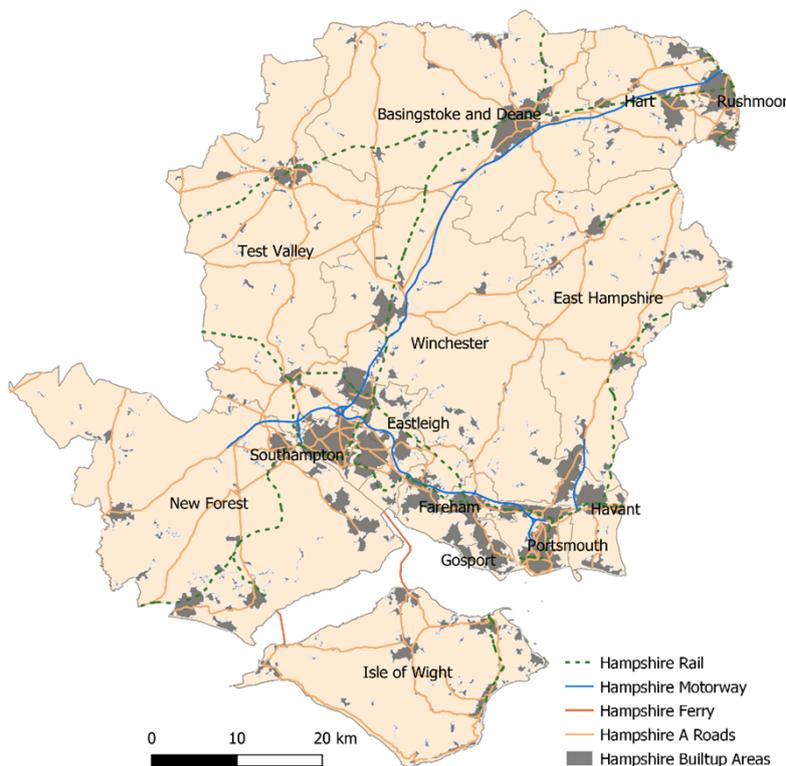
In this section, through the six capitals framework, we draw out insights from the evidence on strengths and weaknesses in Hampshire and use these to propose interventions using each of the four levers – Hampshire’s assets, policies, programmes and funding, and partnerships.

Physical Capital

Physical capital includes the things businesses own – such as factories, plant machinery, and offices - but also shared physical assets, such as roads, rail, digital infrastructure, and energy infrastructure.

Strengths

- **Comprehensive transport infrastructure, especially roads**

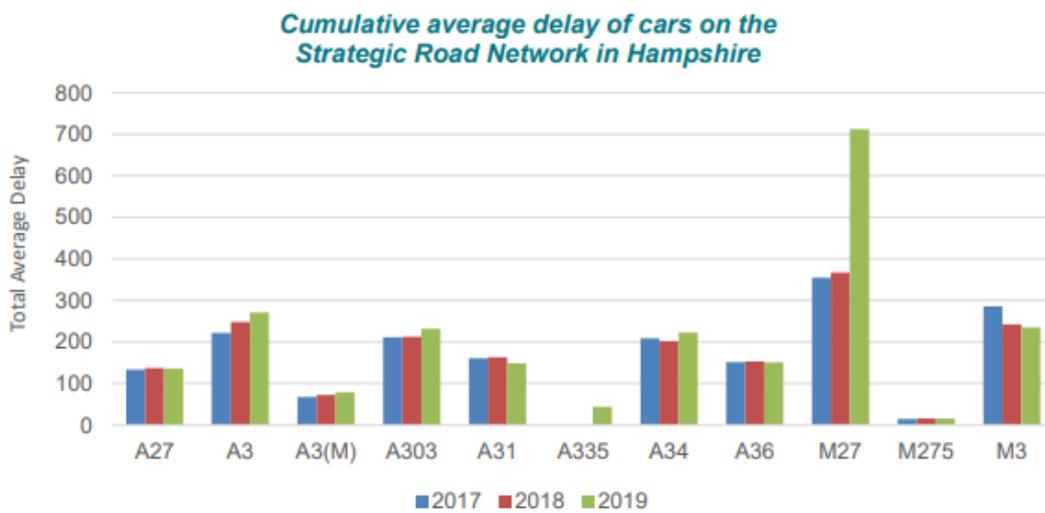


Source: ONS

Hampshire is a generally well connected county, particularly by the road network. Most of Hampshire is within ten miles of a motorway. The M3 acts as a major spine bisecting the

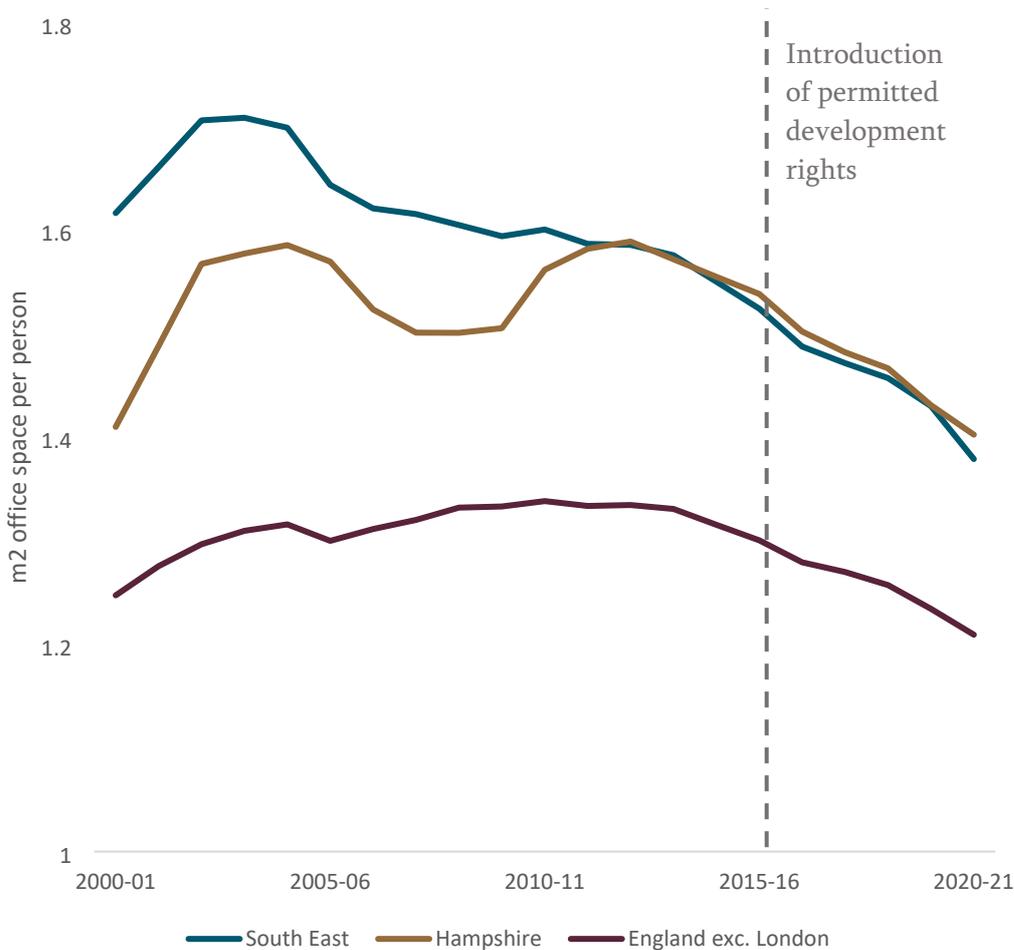
county, to which a comprehensive network of A roads connect, and the M27 connects the urban area along the South Coast. Rail coverage is also fairly good, with direct links to London, the South West, and the Midlands. There are some challenges – for example, a rail bottleneck at Woking limits trips along the rail corridor connecting Hampshire to London.

Although transport infrastructure is, broadly, a strength compared to other areas, road congestion is a problem, in part caused by an over dependence on the car for transport. The M27 is particularly bad for delays, though other major roads such as the M3 and A3 see problems as well.



National Road Traffic Survey – Table CGN0402b

- **A large, but shrinking supply of office space**



Source: Metro Dynamics analysis of Valuation Office Agency (VOA)

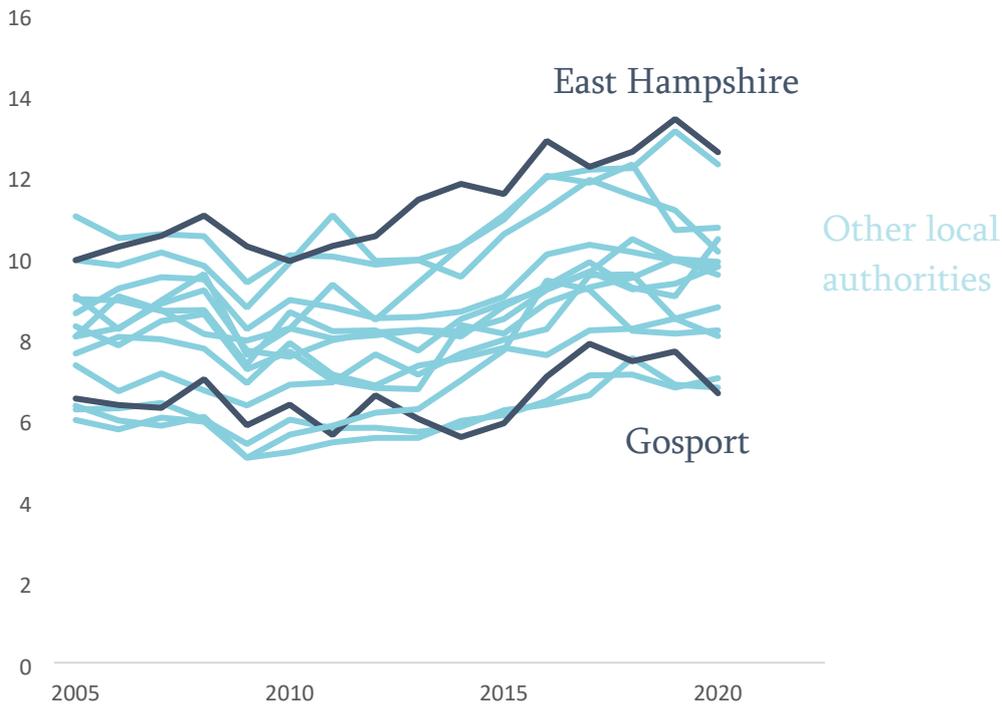
In 2020-21, Hampshire had 1.9 million m2 of office space. This is approximately 1.4m2 per person – which is slightly above the South East average, and significantly above the average for England excluding London – though a lack of high quality office space has been noted by many. However, this has been falling year on year since 2012/13. The Covid pandemic is likely to have accelerated this further, with reduced lettings following the pandemic. Some of this space may end up being converted into housing, as it seems has begun happening more so after the introduction of permitted development rights. This could be seen as good for physical capital – though it may depend upon the quality of any units developed.

Weaknesses

- **Insufficient housing supply for Hampshire’s population, and future housing supply designing in the car**

One of the most obvious undersupplies of physical capital in Hampshire is housing. As supply has outpaced demand, affordability has worsened, such that in East Hampshire and Winchester, the median house price is over twelve times median salary.

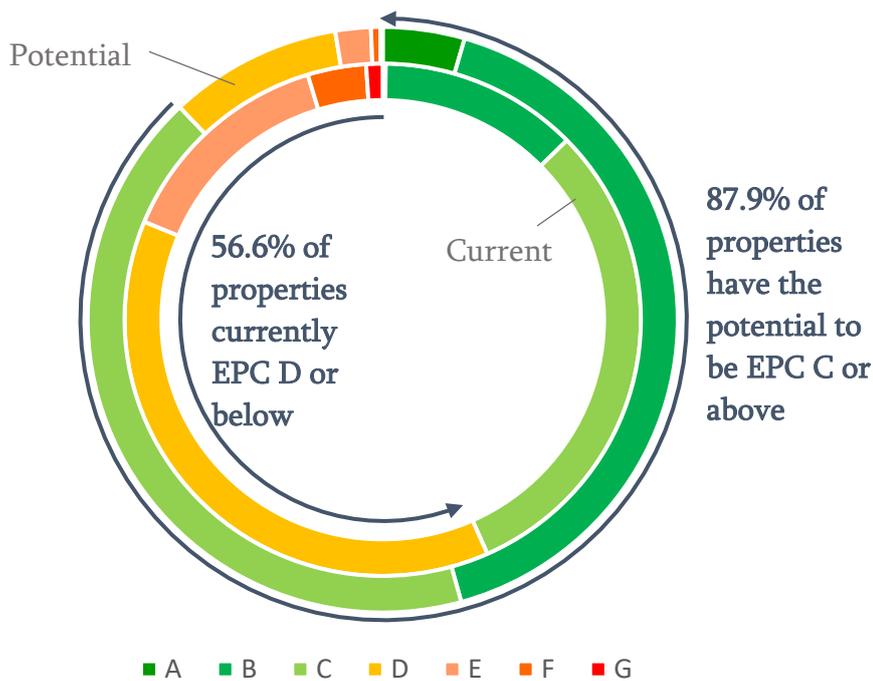
Figure 14. Median house price to median income ratio across Hampshire



Source: ONS

As well as the quantity of housing, there are big issues with housing *quality* in Hampshire, particularly the energy efficiency of the housing stock. Over half of all domestic properties are rated EPC band D or below. There is major scope for improvement – almost 9 in 10 properties have the potential to be rated C or above.

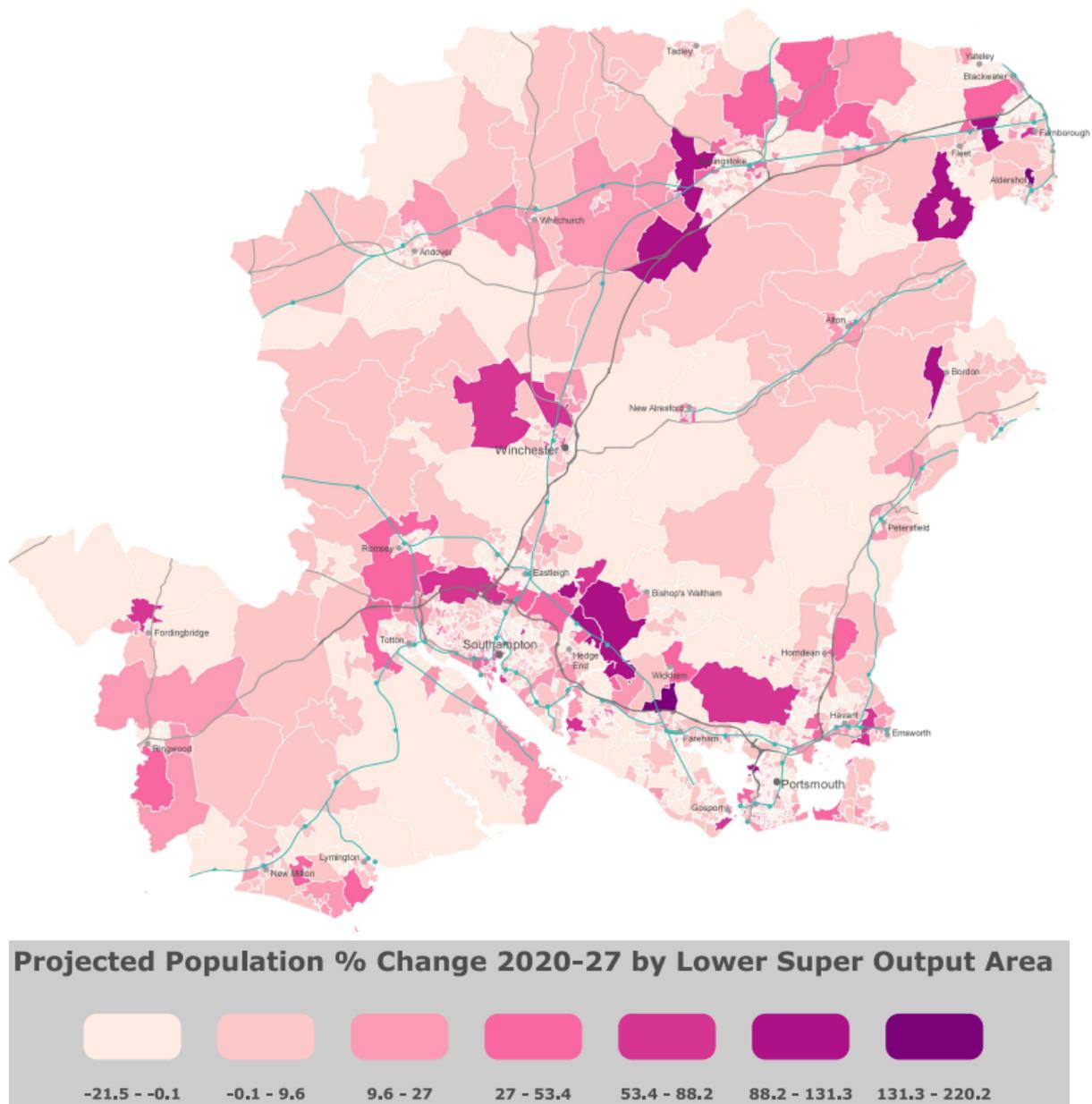
Figure 15. Current and potential EPC ratings of properties in Hampshire



Source: DLUHC

While there are major developments planned, going some way to tackling affordability and creating homes with higher energy efficiency standards, the concern from a physical capital point of view is that much of this is located in the wrong places. Government pressure on local authorities to deliver housing numbers has incentivised bringing forward the easiest sites, which are typically greenfield, on the edge of urban areas, requiring access by car. Figure 16 below shows the pattern of population growth being baked in for the period 2020-27. Predicted growth hotspots are on the edge of urban settlements, such as Manydown in Basingstoke, or along major road transport arteries, the M3 and the M27. This is likely to further embed car usership into Hampshire’s transport model and add pressure to the road network.

Figure 16. Projected population growth based upon developments in plan, 2020-27



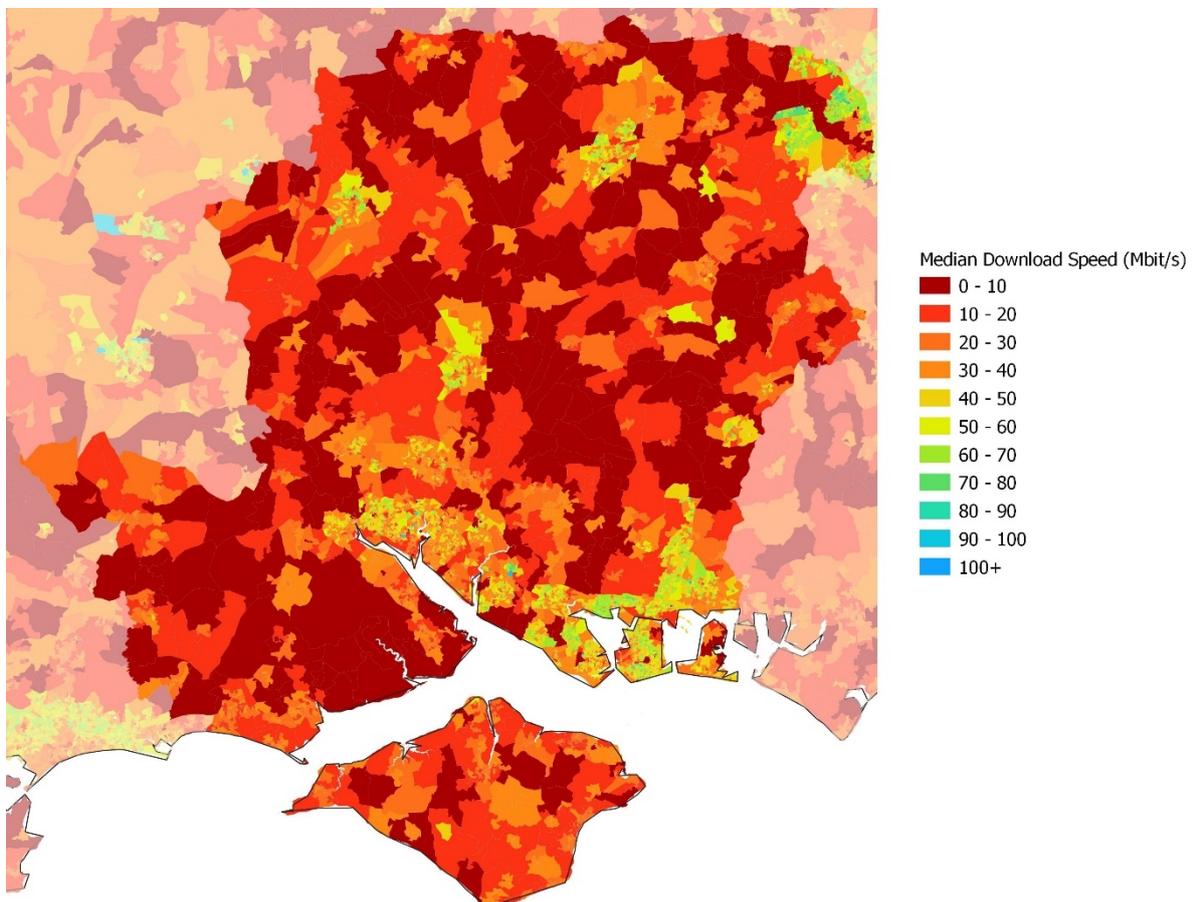
Source: Hampshire County Council

- **Inadequate digital infrastructure in most of Hampshire**

Lastly, digital speeds in much of Hampshire are not what they need to be, particularly as work becomes increasingly digitised. The majority of the County of Hampshire (by area) has median download speeds below 30Mbit/s. This is particularly the case in more rural areas.

This is a combination of a worse offer from providers, but also less willingness to pay for faster speeds on behalf of residents. Either way – the “normal” in many areas is slow broadband. This improves in some more urban areas – particularly in the North East, around Farnborough and Aldershot, where some areas have median speeds that are ultrafast (100 Mbit/s +).

Figure 17. Median download speed in Hampshire, 2021



Source: Ofcom Connected Nations

Interventions

Assets

- **A major programme to start tackling derelict sites, beginning with the County Council’s own estate.** Brownfield sites lack many of the planning barriers to

development faced by greenfield sites, but often have technical challenges such as land remediation. An audit of the County Council's own derelict sites would be the beginning of a process of looking at derelict sites more broadly. By creating a long-term pipeline, a supply chain can be built to improve the efficiency of the process: identifying uses, undertaking technical assessments, and carrying out work. This can also become a potential revenue stream, increasing the value of HCC's assets, which can be sold to potential users who will support the six capitals.

Policies

- **A proactive transport policy aimed at reducing car ownership.** The new Local Transport Plan (LTP4) has two guiding principles. The first is “significantly reduce dependency on the private car”. This goal needs to be established as an overarching one, which will impact on many others – where development is encouraged, which transport interventions are prioritized, with much more focus on walking, cycling, and public transport schemes than road widening or new highways. Achieving this will improve health outcomes, reduce CO2 emissions, protect the environment and support thriving and prosperous places – delivering benefits across a range of capitals. As a key part of this, rapid transit schemes should be brought forward in larger urban areas such as Basingstoke, and HCC can facilitate wider transit systems around Southampton and Portsmouth.

Programmes and Funding

- **A co-ordinated housing retrofit programme** to tackle emissions from housing, create jobs, reduce fuel poverty and improve the health of residents. This needs to work alongside Government initiatives to create a long-term market for retrofitting properties in Hampshire. As part of this, roll out a green building passport scheme to improve awareness of housing improvements and encourage the housing market to better recognise energy efficiency in the price of a house, improving incentives for those able to pay to improve the efficiency of their homes.

Partnerships

- **Establish regeneration and growth partnerships with districts and neighbouring unitary authorities.** Almost all attempts to encourage growth and regeneration via development require co-ordinated approaches across both tiers of local government. However, working relationships between HCC and its districts are often ad hoc, based around specific projects, rather than strategic. Major cross border projects, such as large-scale transport schemes, similarly require a co-ordinated approach. A new model, of using formalised partnerships to cover a range of projects, would allow better co-ordination to grow and improve Hampshire's physical capital stock.
- **A focus on attracting high-quality office space.** Working with office providers, districts, and Business Hampshire, HCC should look to encourage the provision of high-quality office space. While a lot of overall office space is being shed, there remains an appetite for workspaces. If Hampshire wants to attract top companies to locate to

Hampshire it will need to provide more of this, in order not to lose out to surrounding areas that provide more of this.

Measuring progress

Progress on this capital can be monitored using a range of metrics:

- Amount of Hampshire with median download speed above 50 Mbit/s
- Net additions to the housing supply
- Travel time between key work locations
- % of population using active/public transport as main mode
- % of houses EPC C or above

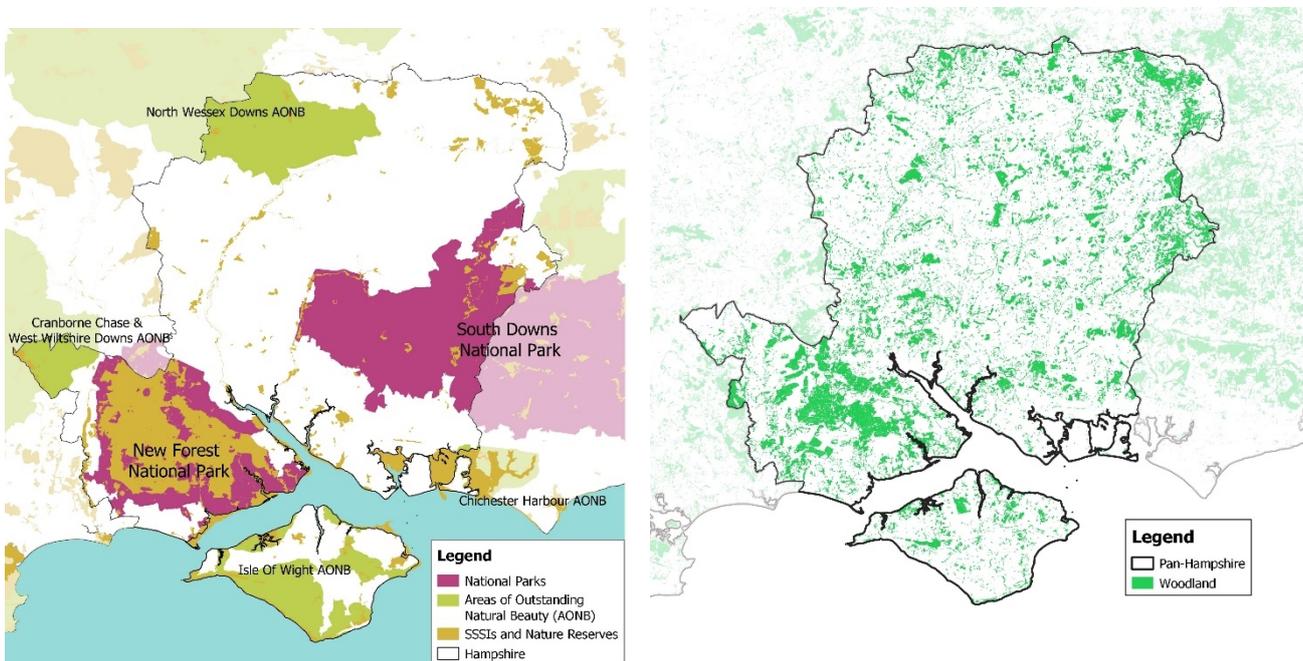
Natural capital

Natural capital describes the existence and quality of physical assets in nature, and indicate the health of the local environment and biodiversity through land, air, water, and living organisms. We consider here natural designations, biodiversity, and environmental threats.

Strengths

- Many natural designations and significant woodland coverage

Figure 18. Natural designations (left) and woodland cover (right)

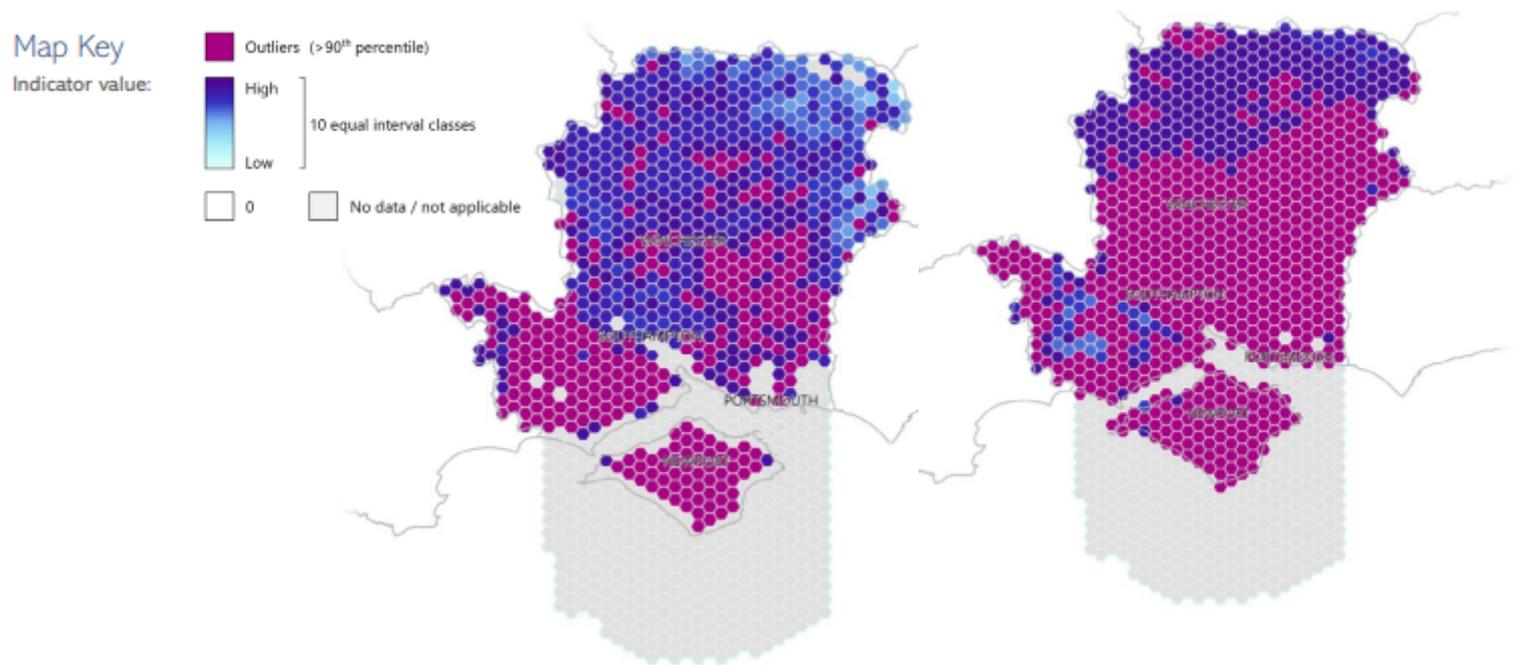


Sources: Ordnance Survey, Forestry Commission

Hampshire, including Southampton, Portsmouth, and the Isle of Wight, has approximately 290 miles of coastline, 148 nature reserves and 362 Sites of Special Scientific Interest (SSSIs). There are also two major national parks – one of which (New Forest) is almost entirely contained within Hampshire. 20% of Hampshire is wooded, well above national averages, with much of this concentrated in the New Forest.

- **Relatively good habitats and biodiversity**

Figure 19. Naturalness of biological assemblage (left) and presence and frequency of pollinator food plants (right)



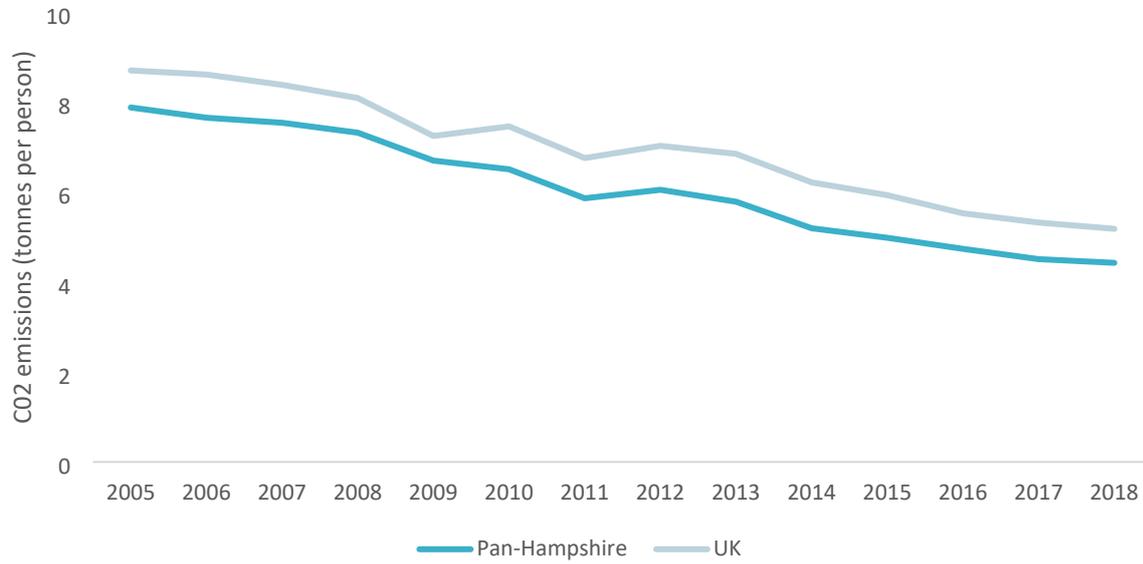
Under the chart: Source: Hampshire and the Isle of Wight Natural Capital Atlas: Mapping Indicators

Plant species in Hampshire are indicating generally good habitats, most clearly in protected areas – like national parks, and Areas of Outstanding Natural Beauty (AONBs). There is also a relative abundance of pollinator food plants across Hampshire – though it should be noted this is compared to national averages, where declines have been seen. Hampshire also has the greatest species diversity of all the counties in England.³

³ Hampshire County Council (2018) *Commission of Inquiry – Vision for Hampshire 2050: Evidence summary report, Environment and Quality of Place*. Available at: https://documents.hants.gov.uk/hampshire2050/evidence/theme-4-environment-and-quality-of-place/evidence-summary-report/Theme-4-Hampshire-County-Council-Evidence-Summary-Report.pdf?_gl=1*b882q*_ga*MTM0MjgwMjQ4Ny4xNjQ5MTY0Mzky*_ga_8ZVSPZWL5T*MTY1NDc2MzYxNy4xLjAuMTY1NDc2MzYxNy4w (Accessed: 08 June 2022).

- CO2 reduction ahead of the UK with significant sequestration capability

Figure 20. CO2 Emissions (Tonnes Per Person)



Source: BEIS, UK Local Authority CO2 Estimates, 2018.

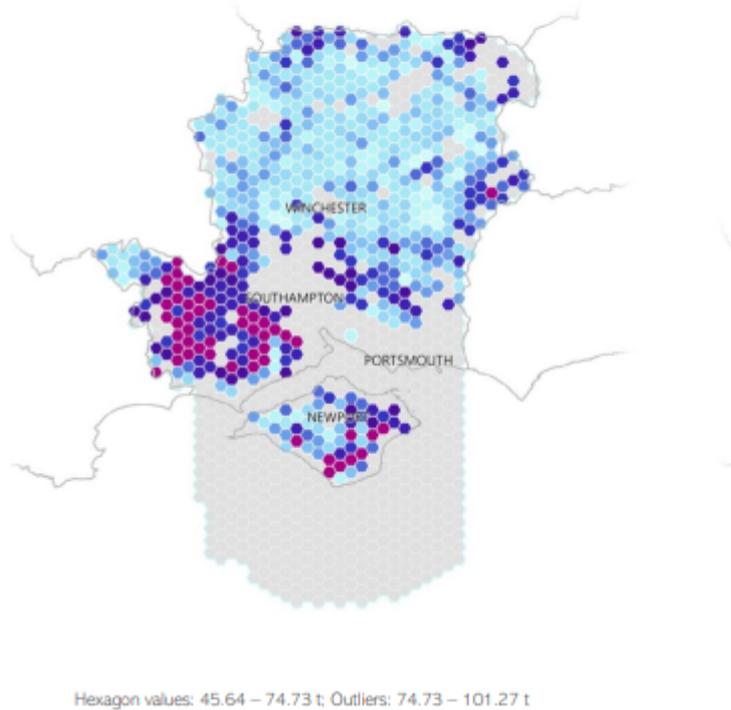
CO₂ emissions per head in Hampshire are lower than the national average, and falling at a similar speed. There are, however, signs this may be slowing, and many of the “easier” wins – such as phasing coal out of the power system – have already been largely accomplished, leaving more challenging tasks ahead – i.e. decarbonising transport and housing.

Hampshire also has areas that sequester a significant amount of large quantities of Carbon

C Carbon Sequestered & Greenhouse Gases Fixed (ID: 73)

Mean estimates of carbon density in topsoil (0-15cm depth) – tonnes per hectare, mapped using data produced from Natural England and CEH's 'Mapping Natural Capital' project (2016).
N.b. This dataset is statistically extrapolated to a national level from CEH Countryside Survey data 2007.

Dioxide, particularly the New Forest and parts of Isle of Wight. These natural assets must be protected to be able to continue to play this important role.



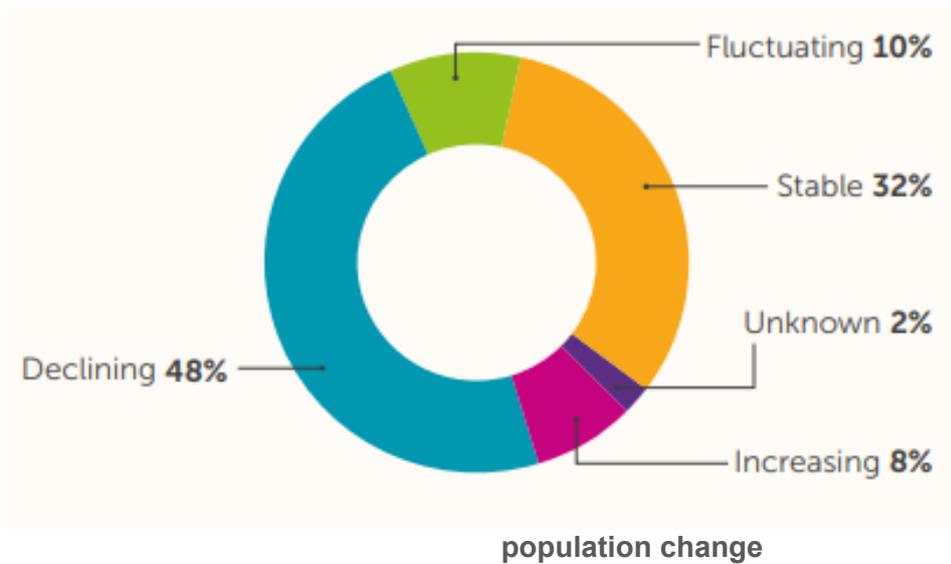
Source: Hampshire and the Isle of Wight Natural Capital Atlas: Mapping Indicators

Weaknesses

- **Ongoing threats to biodiversity**

Although Hampshire performs relatively well on some biodiversity markers, there are significant threats to its biodiversity. Since a previous study, which found that 35% of Hampshire’s most notable species were declining, a more recent review in 2020 found that 48% were declining. This includes the Great Crested Newt, Nightingale, and Green-winged orchid. Only 8% of species are known to be increasing, including the Dartford warbler and Silver-washed Fritillary Butterfly.

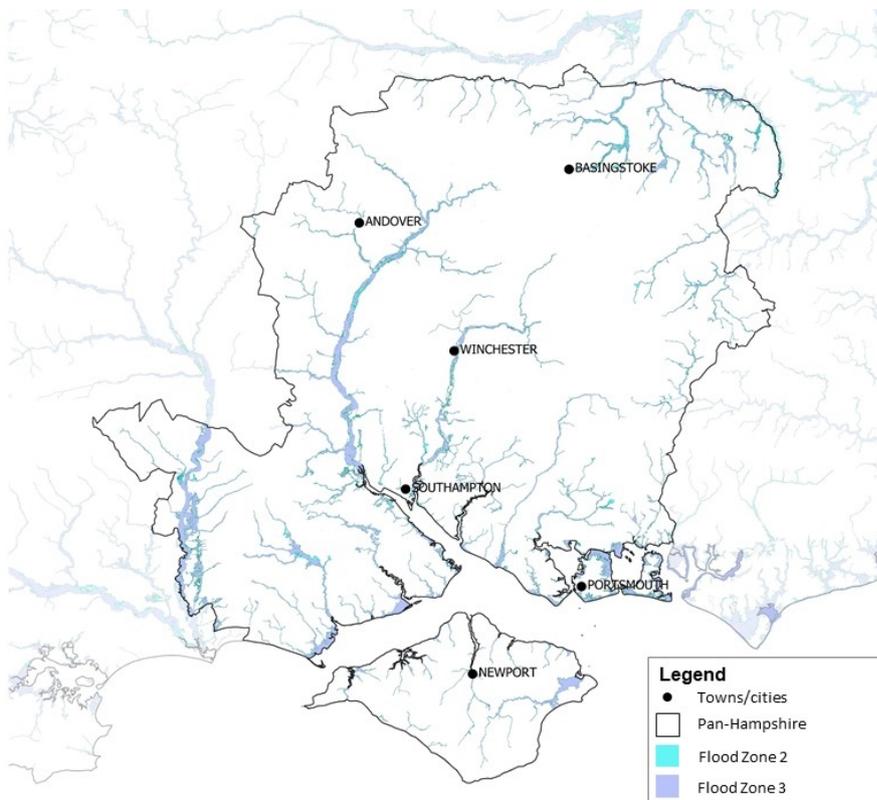
Figure 21. 50 of Hampshire’s most notable species, by



Source: Hampshire 2050 State of Hampshire’s Natural environment

- Flood risk – being worsened by climate change

Figure 22. Flood Zones in Hampshire



Source: Environment Agency

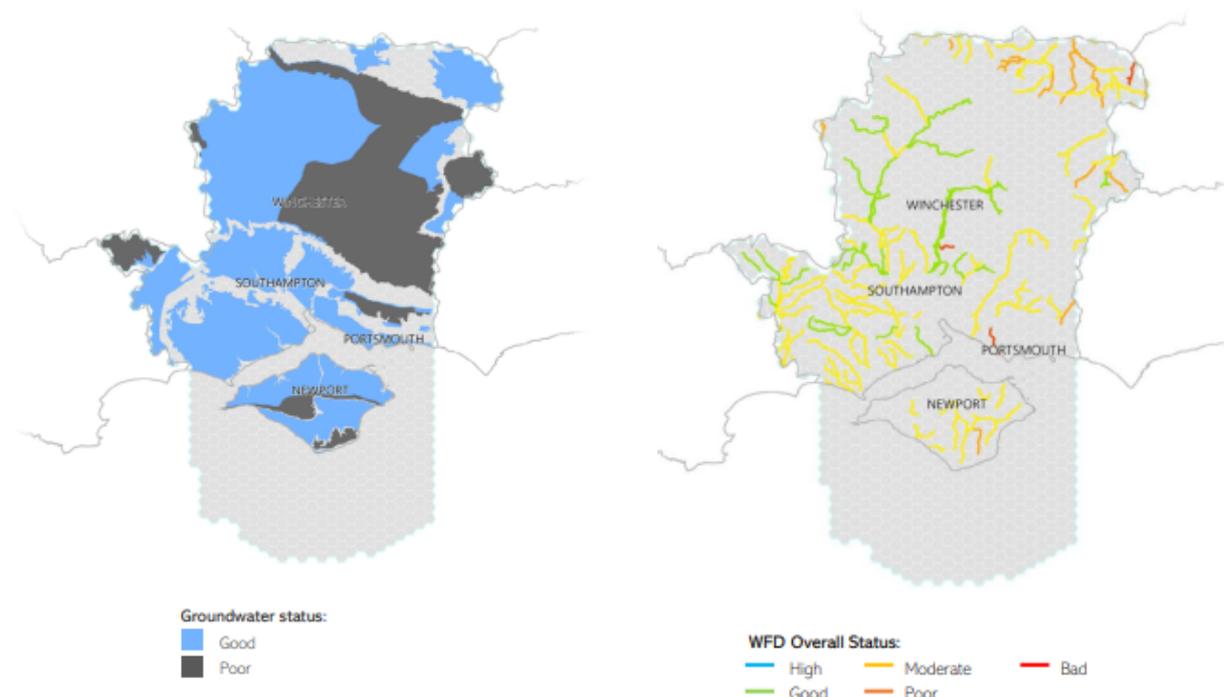
Significant rivers in Hampshire include the Itchen, the Test, the Avon, and the Hamble. These each have flood zones around them – in many cases making development challenging. Flooding issues are likely to worsen. Climate change will bring more days of

heavy rain, risking to overwhelm flood management systems. At the same time, rising sea levels are putting much of the urban South of Hampshire at risk, threatening livelihoods and the productive capacity of the economy.

- **Issues with water resources and water pollution in much of Hampshire**

On the east side of Hampshire, and small pockets elsewhere long-term water abstraction need exceeds the available water resources. Water quality is also not as good as it should be, with poor quality and even bad watercourses, most notably (though not exclusively) situated in the North East of Hampshire. There are no watercourses at all with high quality status.

Figure 23. Natural aquifer function (left) and water quality (right).



Source: Hampshire and the Isle of Wight Natural Capital Atlas: Mapping Indicators

In Hampshire’s most significant watercourse, the Solent, levels of nitrate and phosphate pollution have reached unacceptable levels, compelling local authorities to introduce a credits system to manage the issue. This means poor water quality is directly impacting on the ability of Hampshire to bring forward physical capital in the form of houses.

Interventions

Assets

- **A decarbonisation programme focused on Hampshire County Council’s estate.** Hampshire can create a programme to tackle these buildings in a systematic manner – including adding solar panels, improving insulation, and greening buildings and highways to absorb air pollution.

- **Use of county farms and other agricultural assets to support biodiversity.** Hampshire is responsible for 1,854 ha of county farmland. We will use this asset to ensure sustainable farming practices, including seeking to minimise use of pesticides, elements of rewilding, and planting hedgerows.

Policies

- **Use the Local Nature Recovery Strategy (LNRS) to fight back against biodiversity loss.** Defra describes the LNRSs as “a new, England-wide system of spatial strategies that will establish priorities and map proposals for specific actions to drive nature’s recovery and provide wider environmental benefits.”⁴ The LNRS is a once in a generation opportunity to tackle threats to biodiversity, embedding the enhancement and protection of nature in all decisions.

Programmes and Funding

- **Developing financial mechanisms to recognise the value of biodiversity.** This could include a credits system where any negative impact of development on biodiversity would be required to offset this somewhere else in Hampshire. The spatial approach taken to this would be guided by the LNRS.

Partnerships

- **Continued close working with the National Parks and AONBs.** Within Hampshire, we have a wealth of expertise concentrated in the organisations established to promote and protect special spaces for nature. As we seek to roll out
- **A partnership to deliver skills for sustainable farming.** Sparsholt College is a major training provider in Hampshire for the agricultural sector, and teaches courses in land management. HCC will work alongside Sparsholt to analyse the skills coming out of the college and develop pathways for young people to manage farmland in Hampshire in a way that supports environmental goals.
- **A marine protection partnership with local universities.** Southampton University in particular has noted expertise in marine studies. Work with the university can help to understand the challenges facing marine life off Hampshire’s coast, and how this is connected to development and agricultural practices. Constructive engagement on research programmes could lead to trials of new ways to manage water resources and protect marine life.

Measuring progress

Progress on this capital can be monitored using a range of metrics:

- Water quality at key locations across Hampshire, with an overall decrease in nitrate and phosphate levels in the Solent

⁴ <https://consult.defra.gov.uk/land-use/local-nature-recovery-strategies/>

- CO2 emitted per person, both in total and across different sources (domestic, transport, energy, etc.)
- Number of species where the overall population is diminishing

Human capital

Human capital refers to the health, both mental and physical, and skills of the population. It enables people to attain personal, social, and economic wellbeing and is a core determinant of labour productivity.

To understand Hampshire's human capital, we look at the skills, health, and employment levels of the population.

Strengths

- **A strong a successful network for education and skills providers and strong educational attainment**

Skills and education are vital assets of human capital, which contribute to increased productivity and profitability. While it is an intangible asset, investing in people's skills and training will increase economic growth. However, human capital in terms of skills and education can depreciate through lack of skills or poor attainment, long periods of unemployment and the inability to keep up with technology and innovation.

Overall, Hampshire's education system performs well, with 27 ESFA providers registered in Hampshire delivering post-16 education and training, and 95% of them graded 'good' or 'better' by Ofsted, including Hampshire Training Providers.⁵ There are also a number of strong performing secondary schools in Hampshire, including Thornden School, The Westgate School, and Calthorpe Park being in the top 3 based on Progress 8 scores and where 96-97% of students stay in education or enter employment (2017 leavers).⁶

Educational attainment is high in Hampshire, with 58.8% of students attaining Level 3 at 19 in 2018, compared to 58.3% in the South East and 57.2% in the UK.⁷ Similarly, 65.6% of primary school pupils in Hampshire meet or exceed age-related expectations, particularly in Hart (73%) and Winchester (70.1%) which both perform well above the 62% average in England. Hampshire also performs above the national average at GCSE, with 45.5% of pupils gaining GCSEs at grade 5 or above in English and Maths in 2017, compared to 42.7% nationally.⁸

⁵ Hampshire County Council (2020) *Hampshire Skills Strategy and Action Plan*. Available at: <https://documents.hants.gov.uk/education/Hants-SkillsStrategyActionPlan.pdf> (Accessed: 01 June 2022).

⁶ Department for Education (2019) *Overall performance at end of key stage 4 in 2019 – all pupils*. Available at: <https://www.compare-school-performance.service.gov.uk/schools-by-type?step=default&table=schools®ion=850&geographic=la&for=secondary> (Accessed: 01 June 2022).

⁷ Hampshire County Council (2020) *Hampshire Skills Strategy and Action Plan*. Available at: <https://documents.hants.gov.uk/education/Hants-SkillsStrategyActionPlan.pdf> (Accessed: 01 June 2022).

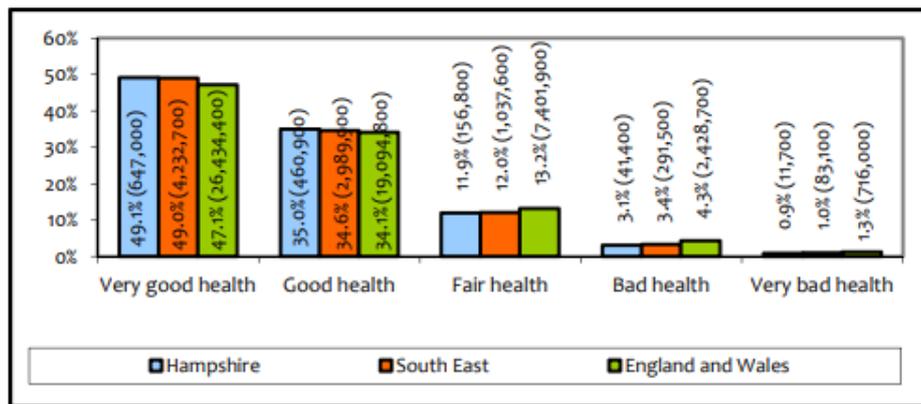
⁸ Hampshire County Council (2018) *Vision for Hampshire 2050: Evidence summary report Work, Skills and Lifestyle*. Available at: <https://documents.hants.gov.uk/hampshire2050/evidence/theme-3-work-skills-and-lifestyle/evidence-summary-report/Theme-3-Hampshire-County-Council-Evidence-Summary->

While Hampshire’s children generally perform well at Key Stage 1, 2, and 4, however, when compared to national averages, fewer young people are progressing to higher education after college (54% in Hampshire compared with 61% nationally).⁹

- **Hampshire has a relatively healthy population**

Health is an important determinant of human capital; poor health can have a major negative bearing on the ability to work productively.

In the 2011 census, 49.1% of Hampshire’s population self-defined themselves as being in very good health, with less than 1% seeing themselves as having very bad health. While the differences compared to England and Wales are small, they are still notable.



Source: Hampshire County Council Equality and Diversity Factsheet

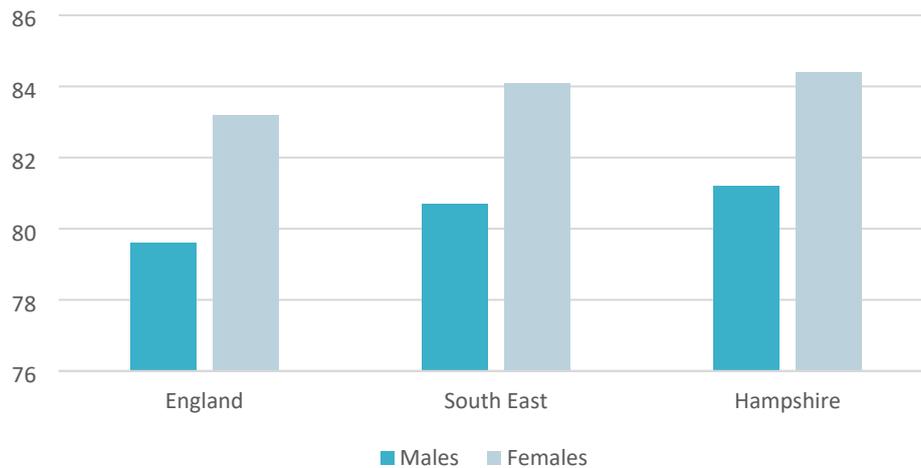
Hampshire also sees a low economic inactivity rate of 17.6%, compared with 19.2% in the South East and 21.6% in the UK, with less of this stemming from long-term sickness and disability – 2.6%, compared to the South East (2.9%) and England and Wales (4.2%).

Hampshire has a high life expectancy (LE) for males (81.2) and females (84.4) which is above both the English and South East average. Healthy life expectancy (HLE) – the amount of life lived in good health is 66.0 for males and 67.0 for females in Hampshire, which is again higher than both the English and South East average. Overall, Hampshire has a relatively healthy population with good life outcomes.

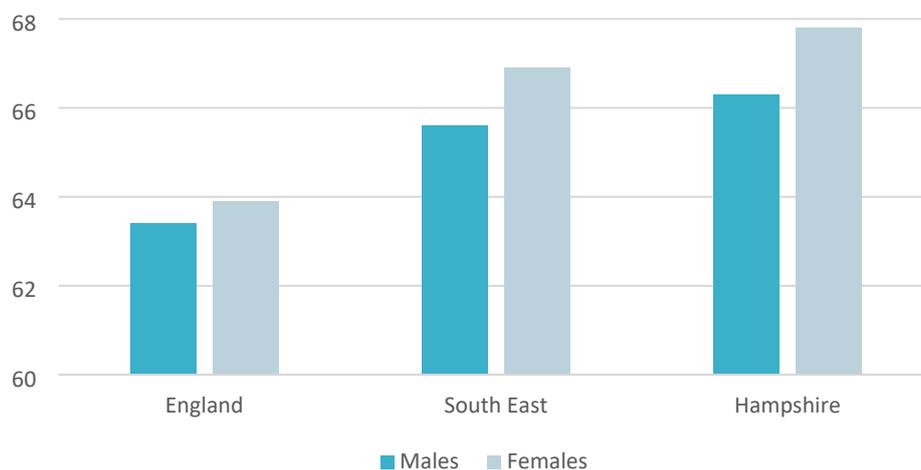
[Report.pdf?_gl=1*1lufk32*_ga*MTM0MjgwMjQ4Ny4xNjQ5MTY0MzIx*_ga_8ZVSPZWL5T*MTY1NDA3ODkxMS4xLjAuMTY1NDA3ODkxMS4w](#) (Accessed: 01 June 2022).

⁹ Hampshire County Council (2020) *Hampshire Skills Strategy and Action Plan*. Available at: <https://documents.hants.gov.uk/education/Hants-SkillsStrategyActionPlan.pdf> (Accessed: 01 June 2022).

Life Expectancy 2016-18



Healthy Life Expectancy 2016-18



Source: ONS Life expectancy (LE), healthy life expectancy (HLE) and disability-free life expectancy (DFLE) at birth and age 65 by sex, UK, 2016 to 2018

However, it is important to note that there are significant discrepancies across the county. For males, Hart has the highest life expectancy in Hampshire at 82.9, but Gosport falls behind by 3 years at 79.3. For females, on the other hand, New Forest has the highest life expectancy in Hampshire at 85.5, compared to Rushmoor which has the lowest at 82.7.

- **Hampshire overall has high levels of employment and good wages**

Better employment and wages are key benefits of increased human capital. By improving human capital through training and education, people become more productive and improve their standard of living.

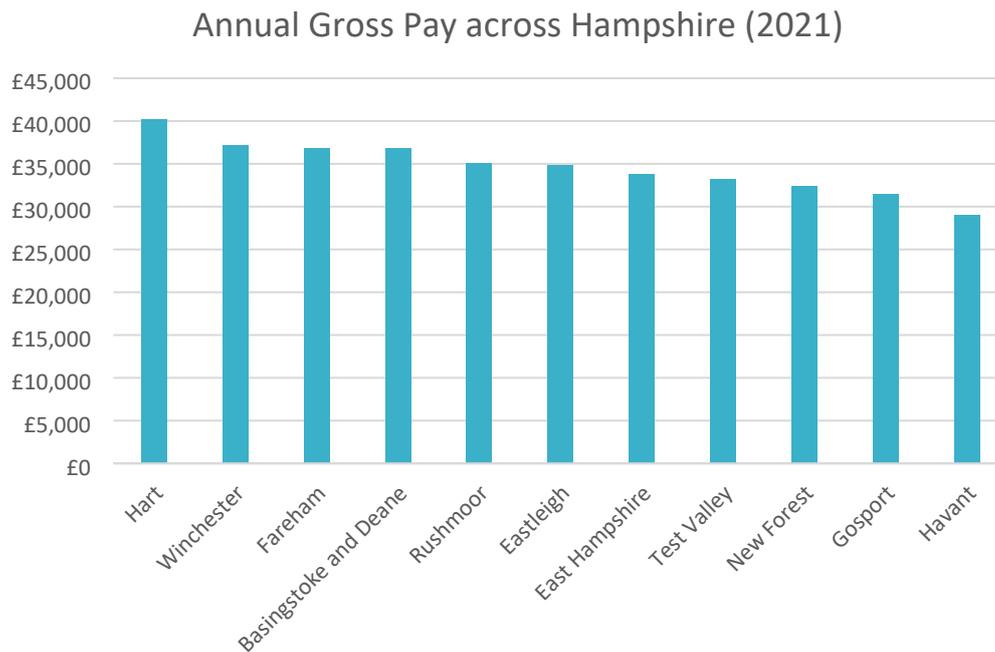
Employment levels across Hampshire are generally high at 82.5%, compared to the England average of 75.5%. Youth unemployment (those aged 16-24) is also low at 8.8%, compared to the England average of 11.3%.

Hampshire also sees an average annual pay of £34,736 in 2021, which is higher than both the England average (£31,490) and the South East average (£33,983).



Source: ONS Annual Survey of Hours and Earnings – Resident Analysis 2021

However, similar to life expectancy, there is significant disparity across Hampshire, with Hart seeing the highest average annual pay at £40,172 and Havant seeing the lowest average annual pay at £29,041, a difference of over £10,000.



Source: ONS Annual Survey of Hours and Earnings – Resident Analysis 2021

Weaknesses

- **Hampshire’s older population is set to increase, while its working-age population decreases**

With a population that is forecast to age, in the absence of more people moving into the area, Hampshire’s human capital is set to shrink. When people retire their human capital is not all lost – they may continue to contribute to society and use their skills for voluntary and community purposes. However, they will typically spend less time in a week applying their skills in this way than when they were in work, and the economic value of their contribution falls.

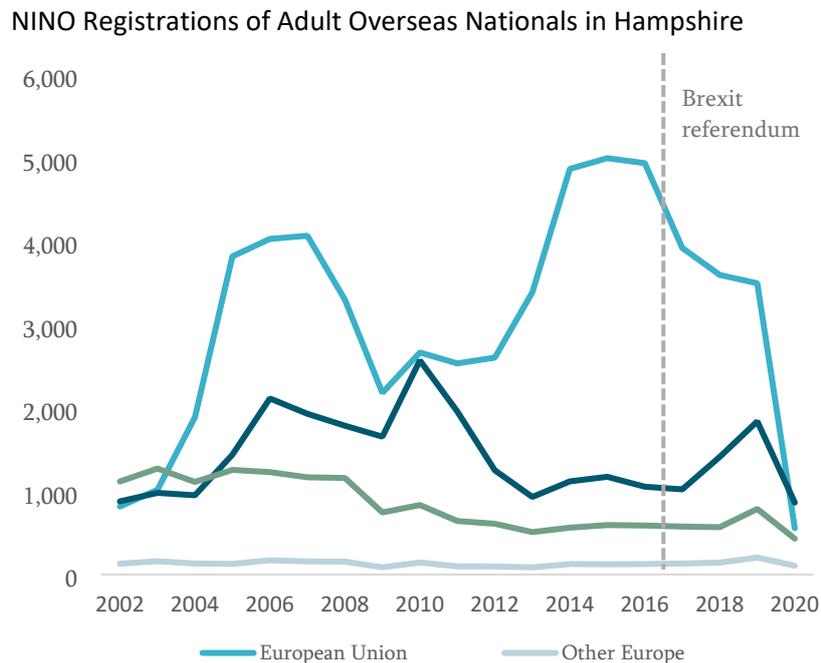
It is estimated that Hampshire’s elderly population is set to increase by 6.3%, which is the equivalent of 41 elderly people (65+) for every 1,000 people of working age (16-64) by 2027.¹⁰ And a Small Area Population Forecast (SAPF) suggests that in 2024 there will be 124.2 elderly people for every 100 children. Along with a shrinking working-age population and the number of children, the increase in the older population will ultimately put pressure on Hampshire’s current health and care services, economy, and public finances.

- **Hampshire has seen a loss of young people and EU migration**

The migration of people adds to the human capital formation as it facilitates the utilisation of inactive and underdeveloped skills of individuals. Having people move in and out of the county will support and improve Hampshire’s human capital, however, recently the county

¹⁰ Ibid.

has seen a dramatic drop in migration in 2020 due to COVID-19, particularly those migrating from the EU which was already on a downward trend following Brexit.



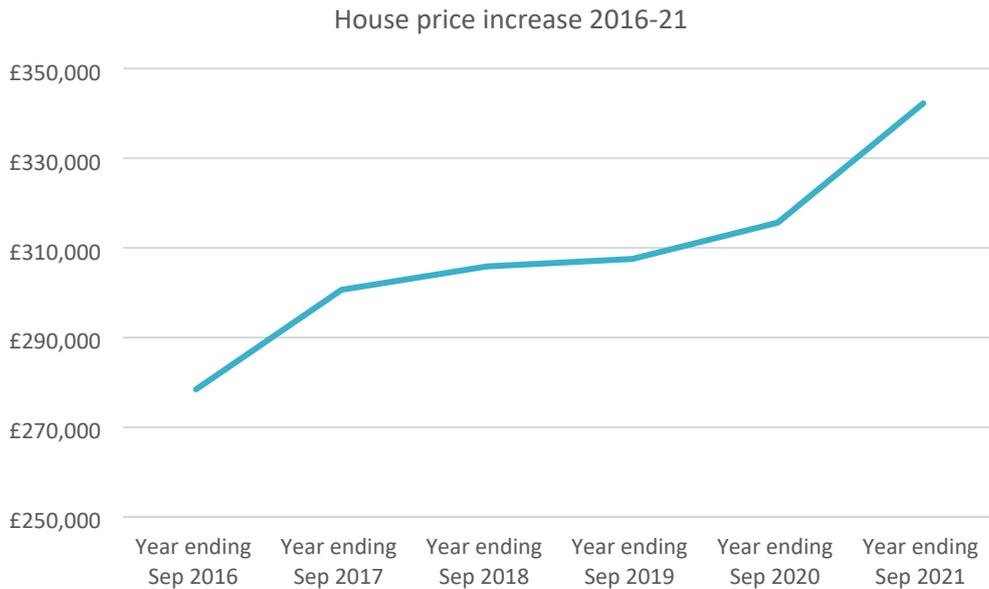
Source: DWP Stat-Xplore

Inward migration, on the other hand, did increase slightly from other areas, such as from Asia. Nonetheless, this remains below a previous high in 2010, and it is unclear what will happen to international migration following the pandemic.

The EM3 area has also seen a net loss of young people for university and graduation, but the region has benefitted from a sustained flow of domestic migration of 30–45-year-olds seeking a better quality of life.¹¹ However, this highlights a major challenge for Hampshire to attract younger people who currently are not keen on the county’s offer. It is important for Hampshire to make it a place attractive to all age groups, though particularly to those in their 20s, to bring in a wealth of knowledge and skills.

Another challenge facing young people and especially those looking to get on the property ladder is the increase in average house prices in Hampshire. The average house in September 2021 cost £342,426 which was an 8.4% increase from September 2020, and a 23% increase since September 2016. This is almost 10 times higher than the average annual income (£34,756), meaning each year Hampshire is becoming less affordable for young people.

¹¹ Enterprise M3 LEP (2020) *Skills and Labour Market Analysis*. Available at: [https://enterprisem3.org.uk/sites/default/files/2020-02/EM3%20Skills%20and%20Labour%20Market%20Analysis%20\(FINAL\).pdf](https://enterprisem3.org.uk/sites/default/files/2020-02/EM3%20Skills%20and%20Labour%20Market%20Analysis%20(FINAL).pdf) (Accessed 07 June 2022).

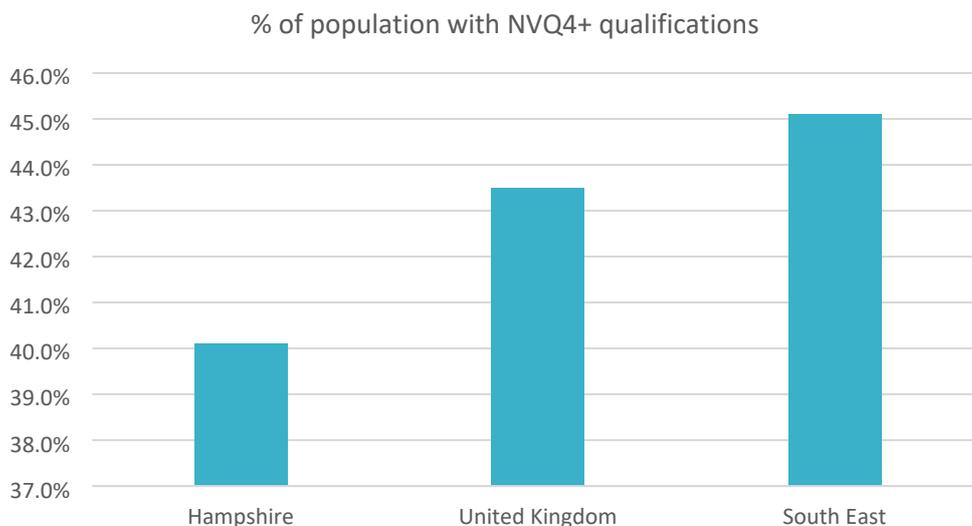


Source: ONS House Price Statistics for Small Areas (HPSSAs)

- **Lower proportion of Hampshire’s younger population go on to higher education or start apprenticeships**

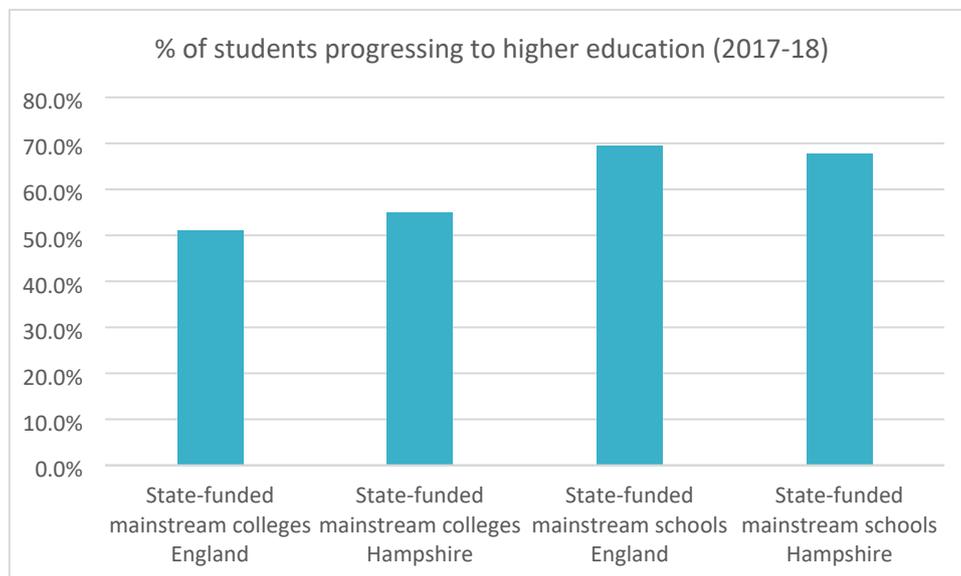
As skills and education are vital to increased human capital, the fact that less of Hampshire’s younger population are going on to higher education or starting apprenticeships proves to be a significant challenge for Hampshire as it is losing its pool of future knowledge and skills.

40.1% of the working-age population in Hampshire are qualified to NVQ L4+ in 2021, which is lower than the South East (45.1%) and UK (43.5%), but this varies significantly between districts in Hampshire, ranging from 48.7% in Winchester to 32.1% in Havant.



Source: ONS Annual Population Survey 2021

Between 2017-18, while a higher-than-average proportion of young people continue in education or employment after completing Key Stage 5, fewer young people from state-funded mainstream schools in Hampshire (67.7%) progress to higher education than nationally (69.9%), though there is a slightly higher percentage of students from state-funded mainstream colleges that go onto higher education (54.9%) than nationally (51.1%)



Source: Department for Education Progression to higher education or training

Similarly, in Hampshire, only 1.8% of young people in 2017-18 went on to do an apprenticeship after leaving school/college. There is a need to increase progression into Level 4 and 5 learning as well as raise uptake of apprenticeships to raise skills levels to meet the needs of the local labour market.

Interventions

Assets

- Increase the number of affordable housing developments across Hampshire.** The county is increasingly becoming unaffordable to young people, particularly families. The cost of housing is increasing, which means Hampshire is losing its supply of skills and new talent. Building affordable housing, using the County’s land where possible and appropriate, will improve Hampshire’s offer to young people and attract them to locate in the region. This will be critical for the continued growth of human capital in Hampshire.
- Use HCC assets to integrate services and deliver support and care when and where people need it.** HCC’s extensive estate of community centres and healthcare premises should be developed into community hubs, providing residents wraparound care across a range of services. This integrated approach can prevent people falling out of the system, becoming long-term sick, and human capital being lost. During the pandemic, our public health partners in local authorities and the NHS across the area have worked

closely together, including cross-border in our neighbouring Unitary Authority areas. We want to build on this joint working to ensure seamless access to health and early years services and advice for all our residents. A particular focus on access should be in communities where there are pockets of lower health and wellbeing outcomes.

Policies

- **Pilot reforms to strengthen the adult social care workforce.** As with places across the country, Hampshire is experiencing recruitment challenges in social care services, raising issues around both providing good work in the sector, and ensuring residents receive the care they need. Much of the large geography could benefit from more geographically bound domiciliary care teams to reduce required travel and secure care provision. In the south of the County, Hampshire County Council works with neighbouring Unitary Authorities in delivering and providing care facilities and services. This can be built on to implement smart single commissioning across the area, that would include local recruitment and training so that contracts aren't competing across the patch to deliver in different places, and our workforce can benefit from local domiciliary care delivery areas and good jobs. This would also include exploring how to support micro businesses delivering social care across our rural populations.
- **Create a Skills Assembly with employers, representatives including the Chamber of Commerce and FSB, local colleges, and providers.** This would build on the work of the LEP Skills Advisory Panels and develop the approached being piloted through DfE's Strategic Development Fund led by Fareham College and the Chamber of Commerce. It would work strategically to support decision making on devolved funding and to adapt our skills system in Hampshire so that it is agile and delivers skills that our employers need now and in future. This responds to Government policy – through the Skills and post-19 Education Act – putting employers at the heart of delivering the skills employers need now and in future.
- **Review current careers advice and support in schools and colleges.** It is important that all students and young people are aware of their opportunities and career paths after leaving school or college. It is particularly important for NEET or those at risk of being NEET to have the same support that other students receive, and the right forms of alternative provision are made available to young people.

Programmes and funding

- **Implement an overarching skills and training programme to develop and enhance technical skills and education.** There is currently a lack of strategic alignment of technical education provision, with many organisations working in isolation. As the skills gap in Hampshire is widening, it is important to ensure that young people are aware of the opportunities available and can access the different routes to career development.
- **Undertake a scoping exercise to help identify business needs around skills and employment.** Businesses, particularly SMEs, often struggle with understanding their skills needs and gaps usually due to a lack of financial support and capacity. Running a programme for businesses to identify their skills needs and either providing them with

bespoke support or directing them to the relevant body will ensure that businesses can increase investment in their staff.

Partnerships

- **Partner with skills providers to focus on training for older workers.** While Hampshire has many good skills providers, there can be informational barriers preventing the right people getting the right training at the right time. An older population will also need more skills training during the working lifetime – most of 2032's workers are already in the labour force now. HCC can co-ordinate activity between employers, workers, and training providers to fill these skills gaps, such as basic digital skills, as well as more technical courses.
- **Partner with businesses to focus on good health in the workplace.** Many workers are returning to the office after working from home for the entirety of the pandemic. While some businesses adopt a hybrid model, it will be important to ensure employees have good working environments both at home and at the office. Having a job is good for our health, but the quality of our jobs makes the difference, and ensuring people have a safe and supportive working environment will keep them well and in work for longer. HCC can appoint a Workplace Health Co-Ordinator with the sole remit of engaging businesses to bring about change, discussing what support is needed and recognising employer contribution to worker health and wellbeing.

Measuring progress

Progress on this capital can be monitored using a range of metrics:

- Population skills levels
- Healthy life expectancy, life expectancy, morbidity and mortality statistics
- Educational attainment and progression to higher education and/or training
- Apprenticeship starts
- Employment levels
- Productivity levels and economic activity

Knowledge capital

Knowledge capital is the intangible value of an organisation or place made up of its knowledge, relationships, learned techniques, procedures, and innovations. It refers to the accumulated 'best practices' and 'ways of doing things' that arise from learning-by-doing and which enable innovation in management and business processes. Having employees and residents with skills and access to knowledge capital will put Hampshire at a comparative advantage, fostering innovation to drive up productivity.

Strengths

- **Hampshire sees relatively high levels of innovation across the county**

Innovation is the source of growth and competitiveness of regions and countries, and having innovative businesses in Hampshire will ultimately increase the county's knowledge capital and bring prosperity through new opportunities to innovate.

The South East is already considered a powerhouse of advanced engineering R&D, particularly in the aerospace and defence, digital, marine and maritime, telecoms and automotive industries.

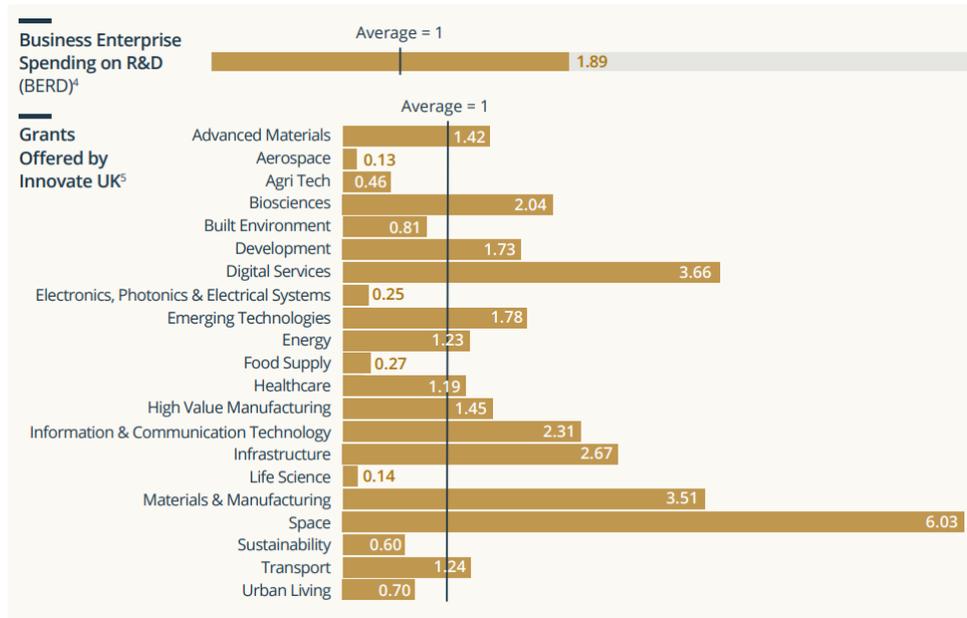
Large technology firms have based themselves in Hampshire, such as IBM's Emerging Technology team in Hursley which is its main R&D lab. Major ICT firms also have a substantial presence in the region, with Fujitsu, Vodafone, Oracle, Telefonica, and Huawei based in the county.

Digital technology represents around 10% of Hampshire's economic output and digital tech is a major growth area due to the concentration of the digital ecosystem and existing strengths in AI, gaming, and data science.¹²

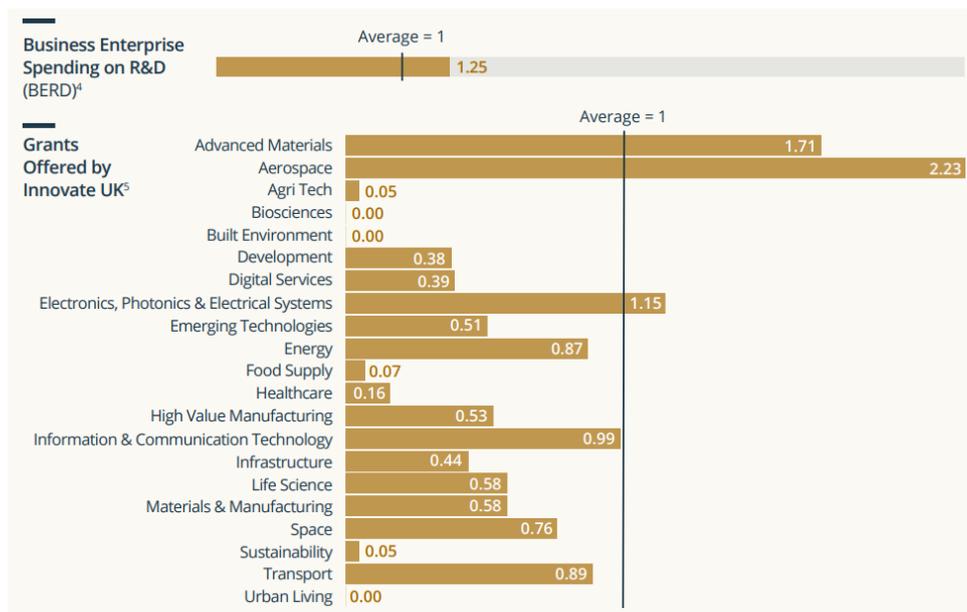
A profile on the EM3 LEP area taken from the Smart Specialisation Hub shows that Space and Digital Services are the top two sectors which receive grants offered by Innovate UK. The EM3 area also has 1.13 times more innovative active firms than the LEP-wide average, particularly in telecoms and digital communications which see a high level of activity.¹³ A profile on the Solent LEP area also taken from the Smart Specialisation Hub shows that the business enterprise spending on R&D in the Solent is higher than average, and that Aerospace and Advanced Materials are the top two sectors receiving Innovate UK grants. Both LEP profiles, covering all of Hampshire, highlights the high levels of innovation and significant amount of spending and investment on R&D in the area.

¹² Business Hampshire (2021) *Life Sciences Proposition*. Available at: <https://businesshampshire.co.uk/3d-flip-book/test/> (Accessed: 07 June 2022).

¹³ Enterprise M3 (2020) *Sectors & Innovation*. Available at: <https://enterprisem3.org.uk/sites/default/files/2020-02/sectors%20%26%20innovation%20evidence%20base%20-%20interventions%20260220.pdf> (Accessed: 07 June 2022).



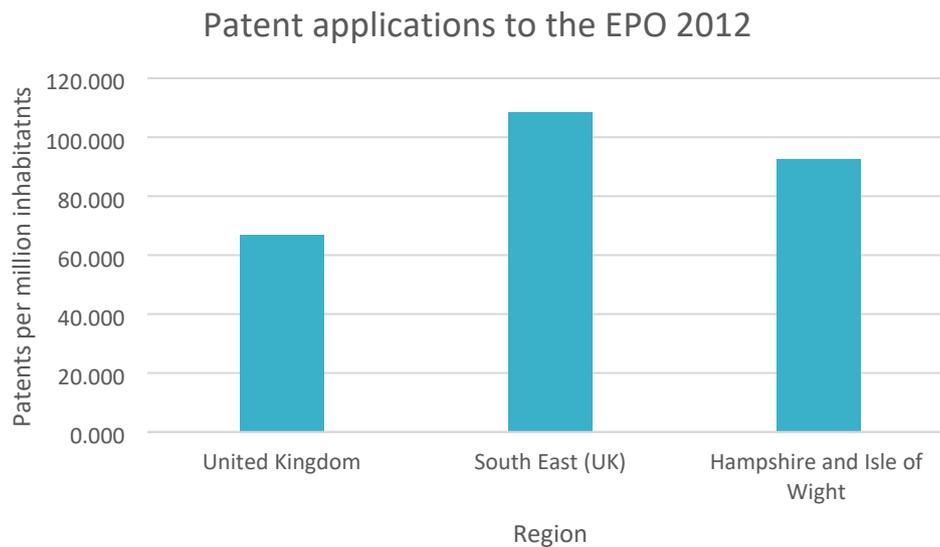
Source: Smart Specialisation Hub Enterprise M3 LEP Profile



Source: Smart Specialisation Hub Solent LEP Profile

Similarly, patents can support understanding of the amount of research and entrepreneurship of an area. In 2012, Hampshire and Isle of Wight outperformed the national average (66.9) for the number of patent applications per million inhabitants (92.4) though lagged the South East (108.6). Southampton was a relatively leading contributor to patent applications (114.1) with Hampshire County Council the second leading contributor to patent applications in 2012 (103.5).¹⁴

¹⁴ Beauhurst (2022) *Spotlight on Spinouts: UK academic spinout trends*. Available at: <https://www.beauhurst.com/research/spinouts->



Source: Eurostat Patent applications to the EPO by priority year by NUTS 3 regions

In 2022, data from Beauhurst showed that Southampton ranked 10th in the UK on both the number of projects (215) and size of grants (£52.4m) from Innovate UK. 41 spinouts since 2011 were tracked from University of Southampton, with 21 of these (51.2%) raising equity. One example is Synairgen which developed a new drug during the COVID-19 pandemic that has the potential to reduce hospitalised COVID-19 patients' odds of developing severe symptoms by up to 80%.¹⁵

Hampshire also sees a large concentration of engineering businesses, with a number of aerospace and defence sector companies around Farnborough, including QinetiQ, BAE Systems, and Airbus UK.

- **Hampshire has a fairly strong offer of incubation space for start-ups**

Incubation space and business accelerators are vital to knowledge capital as they foster business growth and knowledge and skills transfer. Hampshire already has a fairly strong offer of incubator space for start-ups across the county including:

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(Accessed: 07 June 2022).

¹⁵ Beauhurst (2022) *Spotlight on Spinouts: UK academic spinout trends*. Available at:

[https://www.beauhurst.com/research/spinouts-](https://www.beauhurst.com/research/spinouts-spotlight/#:~:text=Spotlight%20on%20Spinouts%202022%20%7C%20Free%20Report%20%7C%20Beauhurst&text=Our%20platform%20is%20the%20best,Take%20a%20look%20for%20yourself.&text=Everything%20you%20need%20to%20know,we%20identify%20high%2Dgrowth%20companies.)

[spotlight/#:~:text=Spotlight%20on%20Spinouts%202022%20%7C%20Free%20Report%20%7C%20Beauhurst&text=Our%20platform%20is%20the%20best,Take%20a%20look%20for%20yourself.&text=Everything%20you%20need%20to%20know,we%20identify%20high%2Dgrowth%20companies.](#)

(Accessed: 07 June 2022).

Space	Location(s)	Offer
<p>IncuHive Space – offers business incubation and co-working centres with a creative twist, aiming to create a diverse and innovative business community</p>	<p>Hursley, Andover, Stockbridge, Brockenhurst, Chandlers Ford, Southampton, Winchester, New Milton, Basingstoke</p>	<ul style="list-style-type: none"> • Co-working space • 1-2-1 mentoring • Access to investment acceleration programmes • Networking opportunities • In-house accounting, payroll, legal, and web development services
<p>SETsquared – an enterprise partnership between the Universities of Bath, Bristol, Exeter, Southampton and Surrey to maximise the entrepreneurial and commercial potential of the universities</p>	<p>Southampton</p>	<ul style="list-style-type: none"> • Business planning advice • Business review panels • Market and customer identification • Investor readiness programme • Investor showcase
<p>ImpactSE – a social enterprise incubation hub providing a flexible, collaborative and convenient space for start-ups and established social enterprises looking to scale and grow</p>	<p>Winchester</p>	<ul style="list-style-type: none"> • Co-working space • Networking opportunities • In-house marketing, bid-writing and competitive tendering expertise • IT and HR support and leadership coaching • Access to investment support
<p>Halpern House – designed to encourage business creativity, Halpern House provides a welcoming environment for start-ups, local business and entrepreneurs</p>	<p>Portsmouth</p>	<ul style="list-style-type: none"> • Co-working and meeting space • Members-only business incubation support

Space	Location(s)	Offer
BASE Bordon Innovation Centre – a central hub for businesses to grow and excel	Bordon	<ul style="list-style-type: none"> • Co-working space • Business support via workshops, growth planning, business coaching, and networking

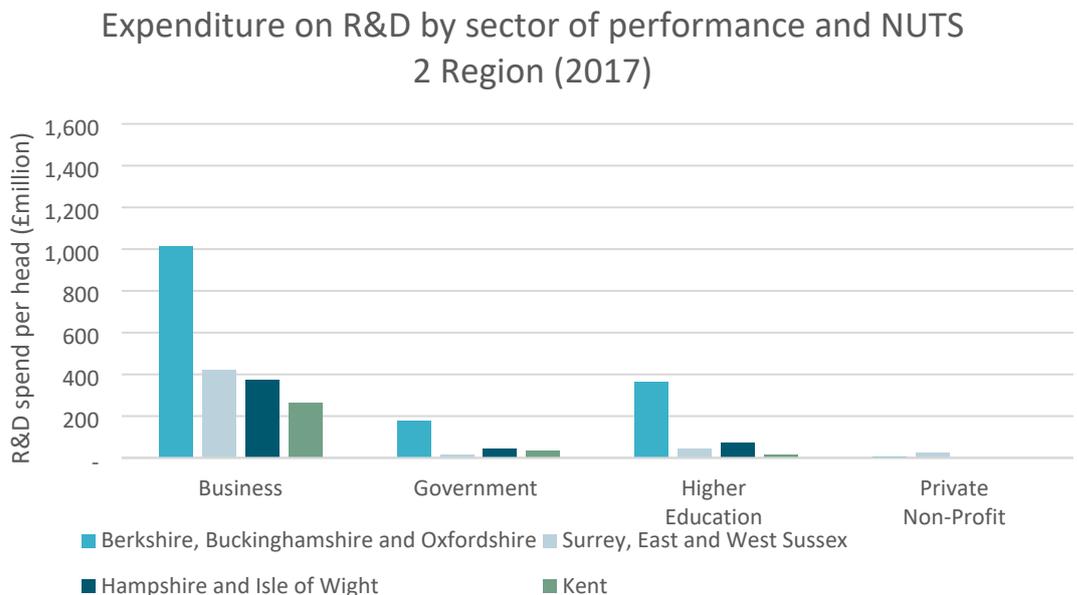
Having a good selection of incubation space is essential to ensure businesses are able to access varied support at each stage of the business life cycle.

Weaknesses

- **While Hampshire has lots of innovative businesses, it lags most areas in the South East**

Remaining competitive will put Hampshire at an advantage over its neighbours, however, in terms of expenditure on R&D by sector of performance and NUTS 2 region, Hampshire and Isle of Wight sees a share of only 14.5% of total R&D spend in 2017 despite having 21.8% of the total population in the South East.

It lags Berkshire, Buckinghamshire, and Oxfordshire which make up 55.4% of total R&D spend and Surrey, East and West Sussex which make up 21.6%.



Source: ONS Expenditure on R&D by sector of performance and NUTS 2 region 2017; ONS Population estimates – small area based by single year of age – England and Wales

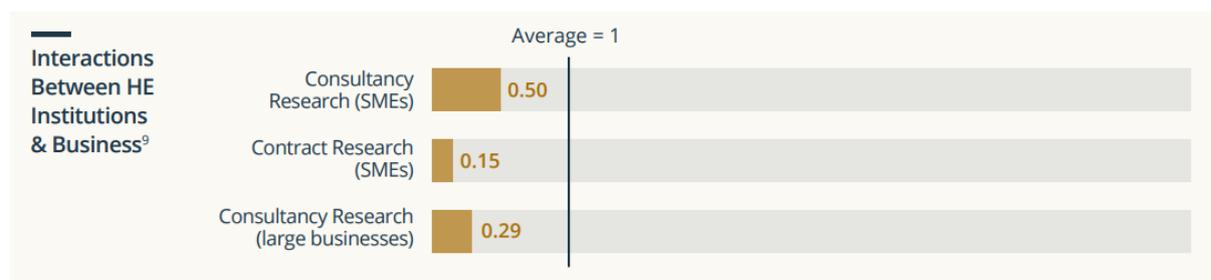
Innovation in Hampshire is also often siloed and obscured. While the county has a strong defence sector with high levels of innovation, by its nature it is often kept secret from other private and public sector bodies.

- **Hampshire has lower levels of collaborative innovation**

Hampshire is home to some key collaborative partnerships between anchor institutions and businesses, such as the University of Portsmouth’s Zeiss Global Centre (ZGC) with Carl Zeiss Ltd, and the University of Southampton’s Institute for Life Sciences network. However, these are mostly concentrated in the dense urban areas of Portsmouth and Southampton, with the rest of Hampshire not able to access the benefits of these collaborations and overall seeing less collaborative innovation.

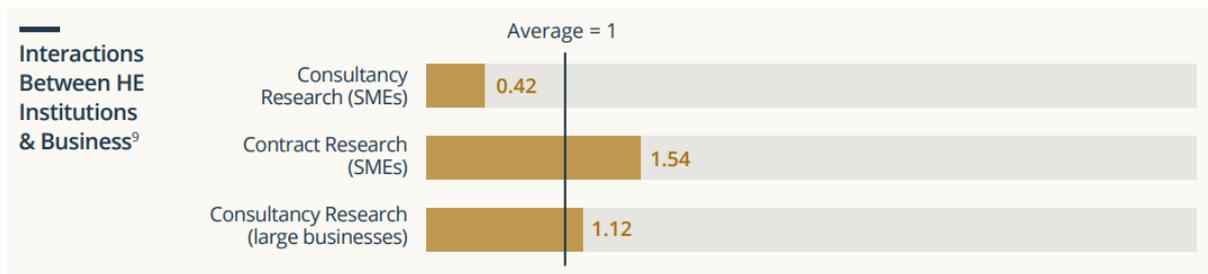
Whilst smaller, more flexible businesses have the means to share workspaces across the county, engaging with larger businesses and anchor institutions in a wide range of areas to foster collaboration can be the key to unlocking the potential of innovation across Hampshire, particularly as the EM3 area ranks 18th amongst all LEPs in terms of collaborative innovation.¹⁶

As demonstrated in the Smart Specialisation Hub profile for Solent LEP, there are fairly low levels of interactions between HE institutions and businesses in Solent. This is particularly interesting as the Solent includes the University of Southampton, Southampton Solent University, and University of Portsmouth, the former of which has high levels of innovation activity (as mentioned previously). The EM3 LEP area, on the other hand, sees higher than average levels of interactions, particularly with Contract Research SMEs and Consultancy Research large businesses, suggesting that the HE institutions in the area, such as the University of Winchester and University of Creative Arts, are more collaboratively engaged with businesses.



Source: Smart Specialisation Hub Solent LEP Profile

¹⁶ Enterprise M3 (2020) *Sectors & Innovation*. Available at: <https://enterprisem3.org.uk/sites/default/files/2020-02/sectors%20%26%20innovation%20evidence%20base%20-%20interventions%20260220.pdf> (Accessed: 07 June 2022).



Source: *Smart Specialisation Hub Enterprise M3 LEP Profile*

Without collaborative innovation, Hampshire loses out on the benefits it brings such as better defining and understanding problems and challenges, bringing together different ideas and views to spur new and creative ideas, improving prototyping, selection and testing of new innovations, enhancing the implementation of innovative ideas and solutions, and disseminating innovative practices across social and professional networks.¹⁷

- **Rural Hampshire lacks the infrastructure to support start-up and scale-up rural businesses**

Having incubation space and the support businesses need across Hampshire is important, however, the offer needs to be consistent throughout the county to ensure it is accessible to all businesses. While there is currently a good selection of incubation space in Hampshire, these are largely concentrated in urban areas such as Southampton, Portsmouth, and Winchester.

Science and technology are key drivers in economic and social change, but the challenge remains to ensure that those operating and living in rural areas are able to harness new innovations.

Work between Hampshire County Council and the LEADER programme identified that young people face challenges with finding appropriate start-up and incubation space in rural areas. Without the right infrastructure, people and businesses will ultimately relocate from rural Hampshire to more urban areas where they can access the support they need. This coupled with the already increasing migration of young people away from Hampshire can lead to rural areas becoming isolated and left behind.

Rural Hampshire is diverse and will benefit from local solutions, however, places will need support to deliver self-help initiatives.

¹⁷ Nesta (2018) *Why and how does collaboration drive innovation in the public sector?* Available at: <https://www.nesta.org.uk/blog/why-and-how-does-collaboration-drive-innovation-public-sector/> (Accessed: 07 June 2022).

Interventions

Assets

- **Establish more centres of excellence across Hampshire, particularly in and around rural areas.** Centres of excellence can increase collaborative leadership, best practice, research, support, and space for businesses in Hampshire. The current centres of excellence are located in more urban areas such as Winchester, Southampton, and Portsmouth which means that places outside of these areas, and particularly in rural areas, are less likely to be able to access the benefits and opportunities these institutions bring.
- **Scope out the need for more flexible working space and business incubators.** It has already been identified that Hampshire has a strong offer of business incubators and space, however, these are generally located in and around more urban areas and cities. Rural communities are finding a lack of suitable incubator and start-up space for their businesses where they can access the support they need. Without a wider range of services for rural businesses, there is a risk that Hampshire will lose its innovative rural businesses to neighbouring regions. HCC can use its rural estate to provide premises for this sort of intervention.

Policies

- **Continue to drive Business Hampshire's Innovation Ecosystem approach and priorities.** By supporting Business Hampshire's agenda, Hampshire can ensure that the building blocks for innovation are in place, and restart the delivery of innovation roundtables with universities, key innovative businesses and district authority partners to increase innovative collaboration.
- **Build on the freeport opportunity to bring in innovative businesses.** The Solent freeport is a major opportunity to create jobs and bring in exporting businesses. Hampshire should use this opportunity to target advanced companies in sectors related to the freeport's strengths, increasing the quantity of knowledge capital in the county.

Programmes and funding

- **Explore the creation of a new start up investment fund.** Hampshire's businesses currently see challenges in accessing capital, especially as the venture capital market is generally controlled from London, which puts a strain on micro and small businesses who struggle to find funding for their ideas and innovations. The recent pandemic saw the launch of the Government's Future Fund, which gave out convertible loans to high potential tech startups. Many of these have since been converted into equity shares, giving the Government a stake, and the ability to encourage innovative activity. Hampshire could trial a local version of this model, with criteria around innovation and growth potential to inform investment.

Partnerships

- **Partnerships or knowledge network for businesses and universities.** HCC will support collaboration between businesses and universities to encourage knowledge and skills transfer across Hampshire. This would focus on areas where sectoral opportunities and university expertise align, looking at particular niches where it makes sense for businesses to collaborate due to high costs, such as the space sector.

Measuring progress

Progress on this capital can be monitored using a range of metrics:

- R&D expenditure
- Research quality of academic institutions
- Number of academic-business partnerships
- Number of patents
- Number of incubation spaces and utilisation/vacancy rates

Social capital

Mitra-Kahn and Coyle define social capital as: “Interpersonal trust, shared social norms, neighbourhood belonging and community cohesiveness. It is the glue that holds societies together and it enables us to overcome problems via collective action.”

There is no set criteria for measuring social capital in a place. However, looking at levels of civic engagement, crime ¹⁸rates, cultural and natural assets as well as the use of civic centres can provide an indication of the strength or weakness of social capital.

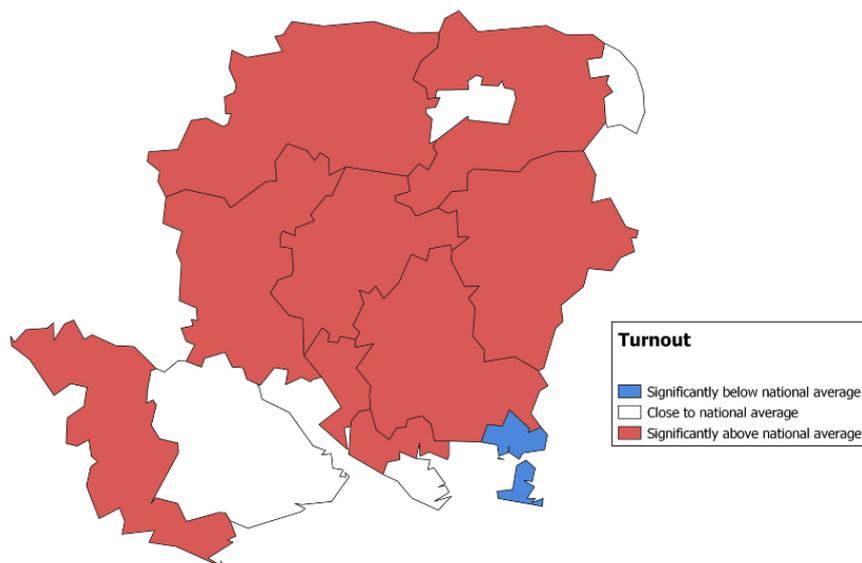
Strengths

- **Higher levels of voter turnout suggest strong civic engagement**

Voter turnout is considered by the OCED as the best existing means of measuring civic engagement. ¹⁹Tendency to vote demonstrates a person’s level of trust, engagement and concern with democratic processes and political and social issues. In respect of local elections, voter turnout can indicate the strength of civic engagement within a local area.

Hampshire generally experiences high voter turnout at local elections and national elections, which indicates strong civic engagement. In the 2019 election, national turnout was 67.9%. In nine of Hampshire’s fourteen constituencies, turnout was at least two percentage points higher than that, and only in one constituency (Havant) was it more than two percentage points below national turnout.

Figure 24. High voter turnout in Hampshire constituencies, 2019 General Election



¹⁸ OCED, Better Life Index: <https://www.oecdbetterlifeindex.org/topics/civic-engagement/>

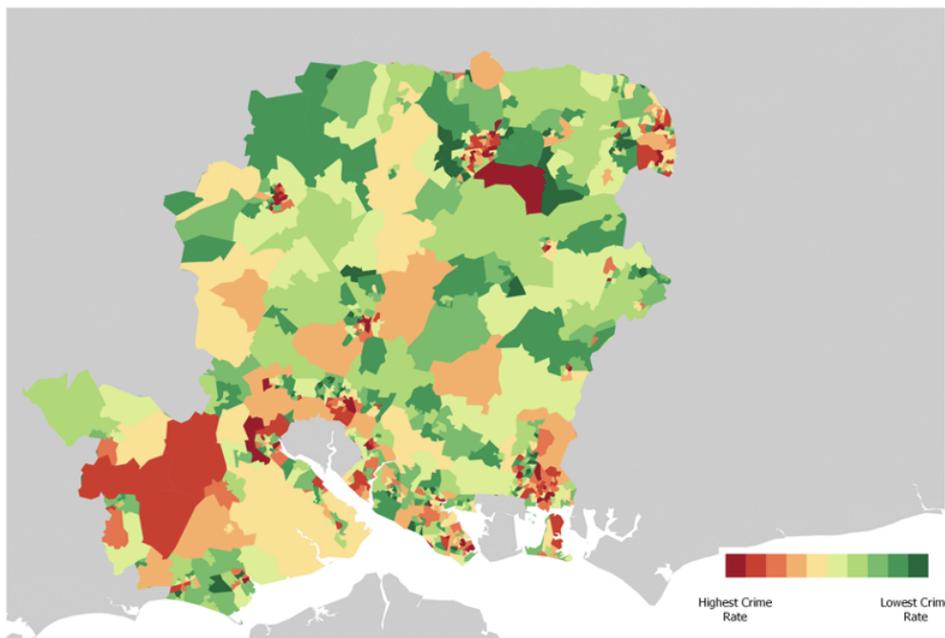
¹⁹ <https://www.oecdbetterlifeindex.org/topics/civic-engagement/>

Source: Electoral Commission

- **Lower crime levels, in most although not all parts of Hampshire, indicate higher levels of social capital**

Whilst crime is not directly measured as an indicator of social capital, it impacts several factors which are – levels of trust, community cohesion and perceptions of safety and adherence to cooperative norms.²⁰ In much of Hampshire, particularly rural areas crime rates are below national averages. There are, however, some significant exceptions, with parts of Basingstoke, Winchester, Andover, Havant, and Farnborough in the top decile for crime nationwide. This indicates that levels of social capital are higher in Hampshire, when compared to other parts of the country, but that it varies across the County.

Figure 25. Generally lower levels of recorded Crimes per 1000 People in Hampshire, 2021



Sources: Crime data is UK Police Data for the period January 2021 - December 2021. Population Data used to calculate crime rates per 1000 people are mid 2020 ONS estimates of population at LSOA level for England and Wales.

- **A growing visitor economy anchored by strong cultural & natural assets**

In 2019, the Hampshire saw 785,530 visitors, up 21% from the previous year. The most frequently cited purpose of travel to the County was 'visiting friends and family' (45%), followed by 'holiday' (29%) and 'business' (20%).

In spending terms, there was £451.14m spent by visitors in 2019, which reflects a proportionally higher change from 2019 compared to visitor numbers at an 81% increase, indicating that visitors are spending more when they come. Those who visit for study spend

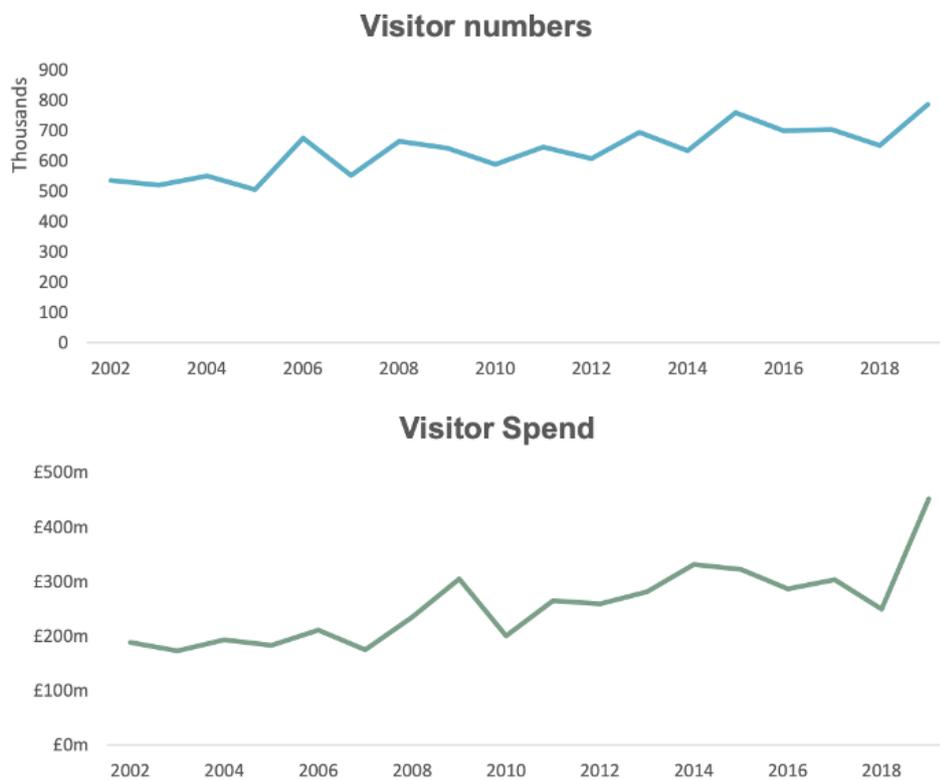
²⁰ ONS, Social Capital in the UK 2020: <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/socialcapitalintheuk/2020>

the most at 30% of the total followed by visiting friends and relations (27%) and holiday (22.6%).

In the face of increasing uncertainty and cost of overseas travel, the UK economy stands to benefit from a staycation boom and Hampshire is well placed to capitalise on this and boost its local economy.

The local visitor economy is anchored by strong cultural and natural assets, such as several National Parks, National Trusts and stately homes, castles and gardens including Highclere (the real Downton Abbey in Newbury). It is also home to some of Britain's greatest historical and literary figures - Stratfield Saye House, (Duke of Wellington's country estate), Gilbert White's House and gardens (Selbourne) and Jane Austin's home in Chawton. Other tourist attractions include theme and amusement parts, beach, forest, countryside and urban areas.

Figure 26. Increasing visitor numbers & visitor spend in Hampshire, 2019.



Source: VisitBritain (2019)

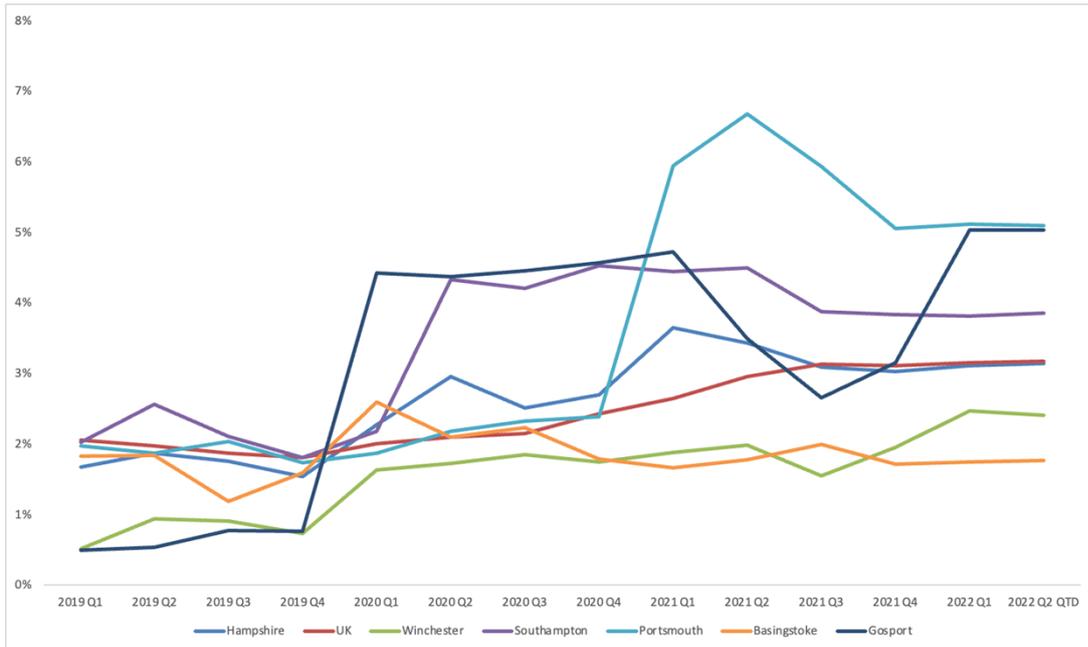
Weaknesses

- **Retail decline & falling footfall in town centres & high streets**

Town centres and high streets serve a vital purpose in society. Not only are they business and commercial centres, but are at the heart of cultural, recreational and civic life.

Like many parts of the country, the role of Hampshire's town centres and high streets is changing. At the end of 2020, just under 14% of high street retail and leisure properties were vacant in Great Britain. This has been accelerated by the COVID-19 pandemic, and the transition to shopping online has threatened the viability of retailers and eroded town centres. At the outset of the pandemic, retail vacancy rates in Hampshire were slightly higher than the national average and remained so until Q3 2021. They now sit just under the national average – though in Gosport they are above.

Figure 27. Retail decline in Hampshire tracks the national trend

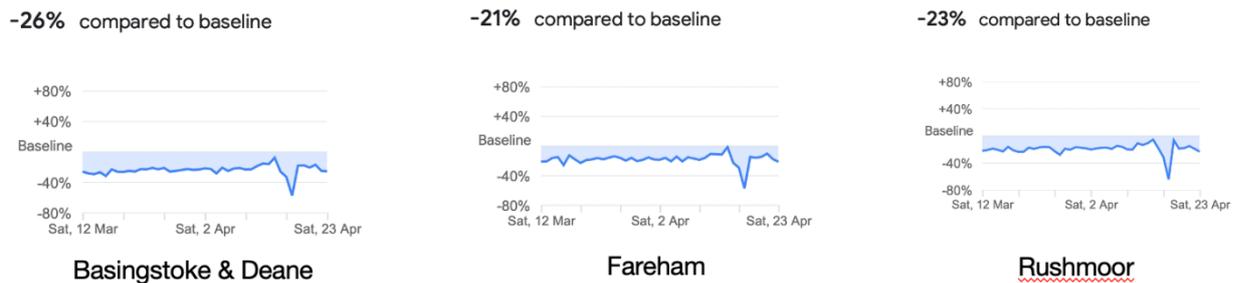


Source:

CoStar, Q2 2022

Vacancy rates reveal a much more dramatic impact on retail in the County's major cities and towns. Although these have started to decline again, they remain much higher than the national average in most cases.

Footfall is declining in cities and towns across the County too, showing the impact of retail decline. Google Mobility data for places such as restaurants, cafes, shopping centres, theme parks, museums, libraries and cinemas shows a -16% decrease compared to baseline across Hampshire. The decline is particularly acute in Basingstoke and Deane, Fareham and Rushmoor.

Figure 28. Retail footfall is below pre-Covid levels across the County

Source: Google Community Mobility Data

The correlation here between the decline in centres and footfall demonstrates the potential threat that the trend poses not just to the local economy but the cultural and social threat. A decrease in town centre services and facilities will negatively impact on their role as cultural and recreational hubs and limit central areas for local people to meet and integrate. One very likely contributing factor in the decline of the towns of Hampshire is the changing demography of the County discussed earlier. The human capital issue: the lack of people with vocational qualifications and the ageing of the population are other facets of a growing social capital issue. At the root of these is a complex know of issues including the changing nature of work and the need to attract younger people and families to jobs in Hampshire, a challenge underpinned by the need to improve and extend the housing offer.

Interventions

Assets

- Undertake an asset review to identify venues for incorporation into meanwhile use programmes to rejuvenate town centres.** Retail decline has had a significant and detrimental impact on town centres and high streets across Hampshire. Many have seen a reduction in the provision and quality of local leisure and recreational facilities resulting in unoccupied premises and decreased footfall. Meanwhile use programmes have been used as an effective means to rejuvenate town centres, offering businesses and social enterprises flexible spaces in central areas at reduced rates. This in turn can quickly improve the number and range of leisure and cultural facilities on offer in towns high streets, boosting footfall and kick-starting wider regeneration. HCC as a significant asset holder, can conduct an asset review to identify empty town centres premises. HCC can promote these to local businesses, working with district councils to create, or expand existing, meanwhile use programmes.
- Increase the number of affordable housing developments** across Hampshire. The county is increasingly becoming unaffordable to young people, particularly families. The cost of housing is increasing, which means Hampshire is losing its supply of skills and new talent. Building affordable housing, using the County's land where possible and appropriate, will improve Hampshire's offer to young people and attract them to locate in the region. This will be critical for the continued growth of social as well as human capital in Hampshire.

Policies

- **Encourage more mixed-use developments as part of a new town centre model,** responding to changing demands and providing a strong offer for businesses and residents. The pandemic and retail decline have presented challenges to traditional town centre models and resulted in changing demands on town centres and high streets. Mixed-use developments provide an opportunity to meet both residential and commercial demands on space as well as offer a more versatile town centre model that sees people living more centrally, providing a permanent source of footfall for local businesses. Working with the district local authorities through its regeneration and growth partnerships, HCC can promote and encourage more mixed-use development in the County's town centres and high streets.
- **Work with district councils to develop the overarching Culture Strategy** that knits together the different priorities and demands on areas and caters to both local people and visitors. Whilst the larger cultural and natural assets of the County are vital anchors for visitors, locally based assets are what local people really engage with. The Council should undertake a review of which assets are being used and by who, identifying where there are gaps. This should be used to inform and underpin an overarching Culture Strategy with priorities and a programme for activities and investment.

Programmes and funding

- **Use HCC assets to provide a local community and cultural offer in all towns, high streets and neighbourhoods.** HCC can use its estate of libraries, leisure and community centres, and work with VCS partners, to expand the range of events. This will ensure that all communities in Hampshire have access to a basic cultural and community provision. With these events playing an important role in bringing people together, this will serve to strengthen community spirit. Given the wider role that cultural can play in regeneration.
- **Work with local district councils to build a pipeline of projects to enhance local leisure and cultural assets that can be put forward for future funding bids.**

Partnerships

- **Work with District Councils through regeneration partnerships to support strategic plans for town centres and high streets to offer a flexible, place-based approach to regeneration.** The challenges and opportunities facing town centres and high streets, varies across the County. As such the types of projects and levels of investment required to address these will also vary. HCC can use local regeneration and growth partnerships with district local authorities **to** support the development of strategic plans to drive a coherent programme of town centre regeneration that reflect the unique needs of each place and resident population.

- **Facilitate local town centre/neighbourhood partnerships to inform, consult and promote regeneration plan – encouraging buy in from key stakeholders .** The Council can use its position as an anchor institution, utilising its existing networks and partnerships with town centre managers, local businesses and representatives from the VCS to build local town/neighbourhood teams. These teams can be used to consult with on future regeneration plans to ensure they are consistent with local need and demands whilst also being used as local ambassadors to champion plans, helping to build support locally and promote the Council’s work. Over time, these forums can ensure consistency and a long-term vision to see longer term regeneration plans through.

Institutional capital

Institutional capital refers to the quality and reliability of governance and relationships between institutions and organisations in a local area. We refer here to the range of institutions in Hampshire that includes businesses, academic institutions, government, and defence sectors.

Again, there are no set criteria for measuring institutional capital in a place. However, looking at the number and range of established institutions operating in an area as well as their breadth and depth of responsibilities, and engagement with each other and other organisations, can provide an insight into the strength of local institutional capital. We have identified the key institutions operating across the public and private sector in Hampshire and have conducted research to provide a brief assessment of the strength of these and the value they add locally. We have presented the results of this research below, categorising the different types of institutions as strengths and weaknesses depending on the outcome of this assessment.

Strengths

- **At the heart of the UK's defence capability**

Pan-Hampshire is home to some of the UK's most important defence forces and organisations. This includes:

- Portsmouth, the UK's oldest naval base and remains at the heart of the Royal Navy's operations, with 2/3 of the surface fleet stationed there.
- HMS Collingwood, in Fareham, is the Royal Navy's largest training establishment.
- The British Army Land Forces Headquarters, which controls all the troops of the British Army across the world, is based in Andover, with more than 2,000 military and civilian personnel stationed there.
- Aldershot Garrison is recognised as “the home of the British Army”, having served as a garrison since the 1850s, with a current population of over 10,000.
- The oldest military airfield site in the UK is in Farnborough (now part of London Farnborough Airport).
- RAF Odiham is a front-line support helicopter base, which is home to the UK's Chinook Force.
- Two Defence Science and Technology Laboratories at Fareham (Portsmouth West), with the other (Porton Down) just across the border in Wiltshire. at the heart of developing new technologies and equipment for the defence sector.

As well as these major assets, Pan-Hampshire hosts some of the largest private sector operators in the Defence and Aerospace sectors. BAE systems, QinetiQ, Safran, Surface Technology International, and Airbus all have large sites in the county, supporting a symbiotic relationship with public bodies.

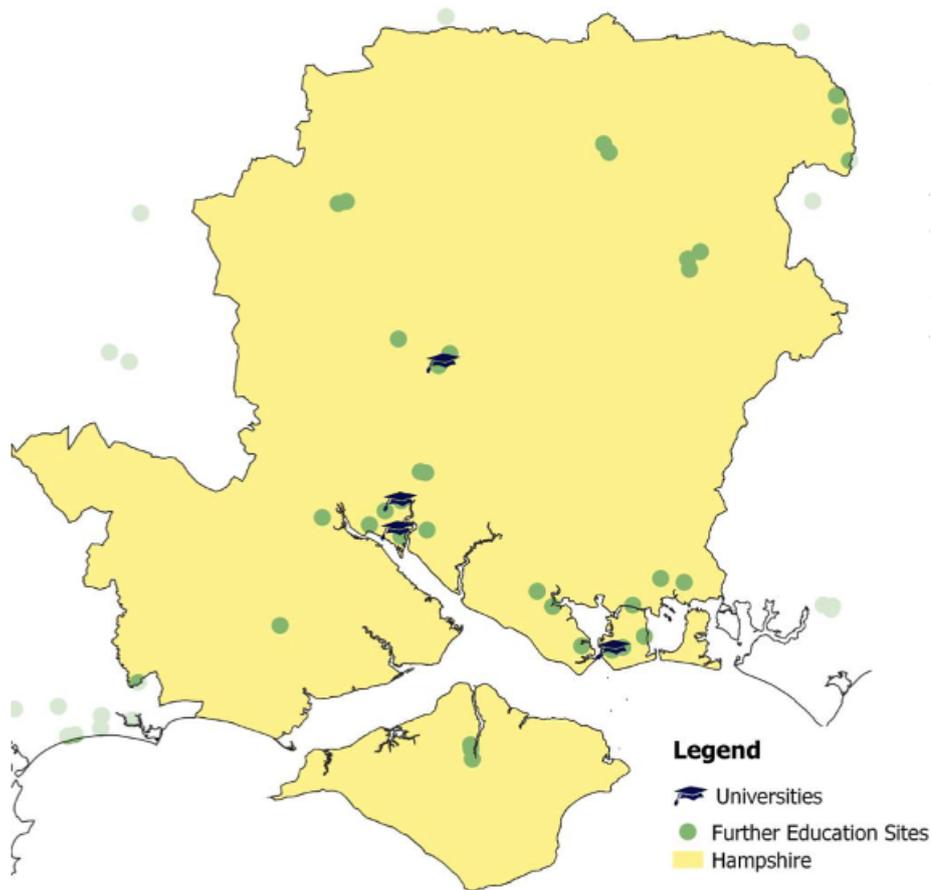
- **Strong academic and research institutions**

Pan-Hampshire has a strong, established higher education offer that comprises four major universities and several Further Education sites, with specialisms linking to its sectoral base. A list of these includes:

- The University of Southampton is a founding member of the Russell Group of Universities - ranked 15th in the UK in the Sunday Times rankings, and has the 8th highest research intensity for a UK university. Its departments include the Southampton Marine and Maritime Institute (SMMI), which has direct links to local natural assets, and is a thought leader in Global Marine Technology trends. Southampton University is also home to the National Oceanography Centre.
- The University of Portsmouth has a research focus on Transportation and Maritime Systems, within a broader focus on Operational Research and Logistics. It has a strong focus on international reach, with over 4,000 international students from over 150 countries, and regional offices in 78 countries.
- Solent University is also closely tied into Pan-Hampshire's maritime specialisms, with the UK's largest ship and port simulation centre, and the Warsash Maritime School. Winchester University, meanwhile, is closely linked to Pan-Hampshire's professional services sector specialisms, with the Hoare Centre for Responsible Management and the Centre for Information Rights.

In addition, Pan-Hampshire's FE colleges house specialist training centres such as Fareham College's Centre of Excellence in Engineering, Manufacturing and Advanced Skills Training (CEMAST), linked to Pan-Hampshire's manufacturing specialisms, and the Farnborough College of Technology which has an apprentice programme for the aviation sector.

Figure 29. Overview of Hampshire's main educational sites



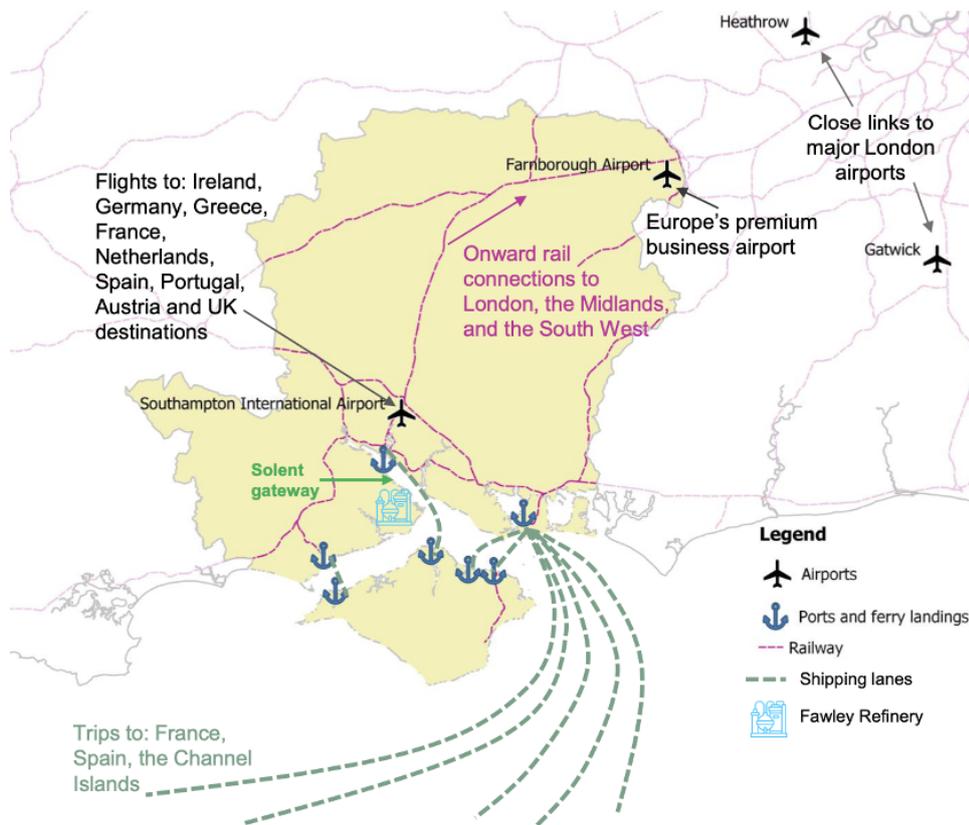
Source:

Source: Ordnance Survey Points of Interest

- **A prime international gateway**

Hampshire's strategic transport links make it a prime international gateway to the UK, cementing its economic importance to the UK economy.

Figure 30. Overview of Hampshire's key transport assets



Source: Ordnance Survey

Between them, Portsmouth and Southampton shipped 37 million tonnes of freight in 2019. Southampton is the sixth biggest port in the UK by tonnage of freight moved, and the 3rd biggest for trade outside of the EU. It also handles 83% of all of international cruise passengers visiting the UK. This puts it right at the heart of the Government's global Britain agenda. Southampton is also the UK's number 1 vehicle handling port.

Currently, Portsmouth has the third highest number of passengers for short sea journeys in the UK, with connections to France, Spain, the Channel Islands, and the Isle of Wight. While a new development at the Solent Gateway (Marchwood port) will further support international trade as well as strengthening the MoD estate.

Southampton International Airport in Eastleigh has routes abroad to nine different countries, and handles 1.8m passengers a year. Farnborough Airport is a premier business airport, voted Number One European Fixed Base Operation (FBO).

The two main passenger terminals – the airport and Portsmouth harbour – have direct rail connectivity to London in less than two hours, and direct routes across the South East, South West, and into the Midlands.

In addition, the UK's largest oil refinery is at Fawley, a piece of critical national infrastructure supplying the UK's major airports.

Hampshire's strategic transport prowess would be boosted further by the establishment of a Solent Freeport with the proposal for this looking to bring together these assets to enable the growth of a major new trading area at the heart of global Britain. While Aa County Deal would enable Pan-Hampshire to capitalise on the opportunity this will provide, harnessing it for the benefit of the whole county.

- **Home to leading UK and international business**

Alongside its defence and strategic transport assets, Hampshire is home to several leading national and international businesses. The top 10 businesses in Hampshire by turnover with their town locations are listed below. These include finance and insurance, information and communication, scientific and defence companies, which overlap with the area's sector specialisms, and show the strength of diversity of the area's private sector businesses.

Table 1. Hampshire's Top 10 Businesses by Turnover

Company	Turnover	Location
Zurich Insurance	£43.2b	Fareham
Vodafone	£37.3b	Fareham
Auroa Kendrick James	£20b	Chatham
BAE Systems	£6.1b	Chelmsford
INEOS	£5b	Lyndhurst
TASC	£4.9b	Andover
BDW	£4.7b	Southampton
BMW	£3.9b	Farnborough
SERCO Group	£3.9b	Hook
B&Q	£3.6b	Eastleigh

Weaknesses

- **Complex governmental structures**

Hampshire has a two-tier governmental structure that comprises the County Council working with several borough and district councils. This brings local accountability and

additional institutional capacity. It increases potential for pan-area collaborative projects. However, the additional layer of governance can lead to complications and challenges. Often decision-making, involving a wider pool of individuals across different organisations can result in delays and make regional projects more difficult to deliver.

Other challenges include:

- Fragmented funding distribution across the different layers mean opportunities for cross-border working are missed; and
- A lack of integration between the provision of different services in Pan- Hampshire, with most local authority assets and land not being used in a co-ordinated and strategic way. This is evidenced by deprivation in access to key services, with many rural parts of Pan-Hampshire in the top 20% most deprived.

Alongside these institutional complexities, additional governmental challenges include:

- Government policy to integrate LEPs with local institutions , what this means for business support in the local area; and
- The implications of the Levelling Up White Paper with a focus on other regions of the country outside of the South-East.

Interventions

Much of the proposed interventions below will depend on the new powers derived from County Deal and how these are shaped to support and strengthen existing institutions. From consultations with stakeholders from local government, it is clear that these should be implemented and operationalised in a way that seeks to simplify local governance, not make it more cumbersome, and be transparent – ensuring all layers continue to be involved in decision-making.

Policies, Programmes & funding

- **A single devolved investment fund for all existing and future growth funding** – This will bring together income streams across Pan-Hampshire and will include funding for economic development activities such as creating business space on high streets and supporting high-value companies. As part of a County Deal this could include funding from Government, as well as business rate retention.
- **Continued investment in local institutions** – empowering and enabling local anchors to work towards goals such as net zero and community wealth building. Creating stronger institutions importantly also supports social capital, for example, in Hampshire growing the success of attainment in high performing schools.

Partnerships

- **Deeper collaboration with other authorities, strengthened by a County Deal.** The County Deal is the major opportunity to increase institutional capital in Hampshire. It can bring new powers and funding, enabling the creation of strong governance structures which can invest in Hampshire for the long term. It will enable the County to become less dependent on Central Government, and move away from a cycle of bidding for opportunities – instead using local resources to fix local problems. For this to truly deliver on its potential for Hampshire, deep partnership and engagement with other authorities is needed. On a number of interventions suggested here, collaboration between local authorities will increase impact through scale, but also ensure that unspent resources can be minimised, and that there aren't gaps in service delivery or access to opportunity for any community.

Summary of interventions

The below tables summarise the interventions we have set out in the above section on capitals – this draws together proposed interventions across the six capitals – physical, natural, human, knowledge, social and institutional, and four levers for action – assets, policies, programmes and funding, and partnerships. The interventions proposed here are indicative and high level. They will be tested and developed further through consultation with partners and the development of a detailed action plan that prioritises, sequences and resources a set of specific interventions.

Physical capital

- A programme to tackle derelict sites, starting with the County Council's own estate.
- A proactive transport policy aimed at reducing car ownership.
- A coordinated housing retrofit programme.
- Regeneration partnerships with districts and neighbouring unitary authorities.
- A focus on attracting high-quality office space.

Natural capital

- A decarbonisation programme focused on Hampshire County Council's estate.
- Use of county farms and other agricultural assets to support biodiversity.
- Use of Local Nature Recovery Strategy to fight back against biodiversity loss
- Developing financial mechanisms to recognise the value of biodiversity.
- Continued close working with the National Parks and AONBs.
- A partnership to deliver skills for sustainable farming.
- A marine protection partnership with local universities.

Human capital

- Increase the number of affordable housing developments across Hampshire.
- Use HCC assets to integrate services and deliver support where people need them.
- Pilot reforms to strengthen the adult social care workforce.
- Create a Skills Assembly with employers, providers and representatives.
- Review current careers advice and support in schools and colleges.
- Implement a skills and training programme to develop technical skills.
- Undertake a scoping exercise to help identify business skills needs.
- Partner with skills providers to focus on training for older workers.
- Partner with businesses to focus on good health in the workplace

Knowledge capital

- Establish more centres of excellence across Hampshire.
- Scope out the need for more flexible working space and business incubators
- Continue to drive Business Hampshire's Innovation Ecosystem approach.
- Build on the freeport opportunity to bring in innovative businesses.
- Explore the creation of a new start up investment fund.
- Partnerships or knowledge network for businesses and universities.

Social capital

- An asset review to identify meanwhile use projects to rejuvenate town centres.
- Increase the number of affordable housing developments.
- Encourage more mixed-use developments as part of a new town centre model.
- Work with district councils to develop the overarching Culture Strategy.
- Use HCC assets to enhance local community and cultural offer.
- Work with district councils to enhance local leisure and cultural assets.
- Facilitate local town centre/neighbourhood partnerships to inform, consult and promote regeneration plan – encouraging buy in from key stakeholders.

Institutional capital

- A single devolved investment fund for all existing and future growth funding
 - Continued investment in local institutions
 - Deeper collaboration with other authorities, strengthened by a County Deal
-

8 Next steps

This Strategy has been developed as a framework that underpins Hampshire County Council's work and collaboration with partners on economic development, supports other important strategic initiatives, and provides a foundation for an ambitious Pan-Hampshire County Deal.

As the immediate next steps, we suggest Hampshire now takes the Economic Strategy forward in the following ways:

- discuss the analysis and strategic framework across the Council and with partners
- ensure that the framework is then reflected in how Hampshire and partners take forward LEP integration and County Deal planning
- develop a detailed action plan and list of agreed interventions
- discuss and agree with partners and District Authorities who will be responsible for taking forward interventions.



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