9: Towards an economic agenda for the *Hampshire Economic Area*

Section 9: Key findings

- The Hampshire Economic Assessment is, literally, an assessment, not a strategy. However, it was always intended to inform future strategic processes. So this final chapter attempts to distil what appear – on the basis of evidence – to be the overarching economic priorities for the *Hampshire Economic Area* as it looks to the future. The priorities below are only indicative and will need further evaluation and refinement during strategy development.
- Six priorities are identified:

  1: Nurturing an innovative, entrepreneurial and globally competitive knowledge-based economy

  2: Investing in the skills of the current and future workforce

  3: Investing in key infrastructure, recognising that new resourcing solutions will need to be found

  4: Addressing persistent worklessness, improving economic participation (particularly among young people), and encouraging greater attainment

  5: Defining – and investing in – key economic roles for cities and towns within the *Hampshire Economic Area*

  6: Realising economic potential from the *Hampshire Economic Area*'s locational and environmental assets, and the quality of life they provide.

9.1 The Hampshire Economic Assessment is, literally, an *assessment*; it is not – and was never intended to be – a *strategy*. However it was intended to inform future strategic processes. By way of conclusion, it is important to try and distil what appear – on the basis of the foregoing analysis and evidence – to be the key overarching priorities, challenges and opportunities in securing future economic growth. This will help inform future processes, whether they are concerned with emerging Local Enterprise Partnership configurations, or the preparation of Local Development Frameworks, or other decision-making. The priorities are only indicative and will need further evaluation and refinement during subsequent processes of strategy development.

9.2 Taking the Hampshire Economic Assessment in the round, there appear to be six overarching priorities. These are discussed in the paragraphs that follow.

I: Nurturing an innovative, entrepreneurial and globally competitive knowledge-based economy

9.3 Within the *Hampshire Economic Area*, there are some major assets linked to the knowledge economy. Looking ahead, these need to be used appropriately and creatively to secure sustainable, high value, economic growth.

9.4 For example, the *Hampshire Economic Area*'s four Higher Education Institutions (HEIs) have contrasting specialisms, ranging from civil, electronic and mechanical engineering at the University of Portsmouth and oceanography, computing and engineering at the University of Southampton through to the Winchester School of Art (part of the University of Southampton), business and education specialisms at the University of Winchester, and maritime and media at Southampton Solent. The four HEIs already work closely together through a Hampshire-wide network and they have important links into the local economy. However, these links need to be developed further. Economic regeneration plans for both Southampton and Portsmouth emphasise the importance of creative industries as part of a cultural city-centre offer and in this context, links into the Winchester knowledge hub ought to be important. More generally, the cocktail of both science-based specialisms and prominent expertise linked to creativity and the arts ought to provide a basis for innovation of all forms.

9.5 This argument extends beyond the HEI sector. Within the *Hampshire Economic Area*, there are some global knowledge-based corporates with extensive research facilities. For example, IBM has a major facility near Winchester, Nokia has a strong presence in Farnborough, Shire Pharmaceuticals is located in Basingstoke, and Roke Manor Research is based in Romsey. In addition – across the *Hampshire Economic Area* – there are some major defence-related activities. These include the substantial presence of QinetiQ, particularly in Farnborough. This complement of large, knowledge-based and research intensive corporates is a distinctive feature of the *Hampshire Economic Area* as a whole and it both reflects and creates substantial knowledge-based assets.

9.6 Overall, these assets and resources are substantial. But looking ahead, they need to be worked harder as the basis for building a robust and sustainable high value-added economy. Overall, rates of new business formation within the *Hampshire Economic Area* are not especially high, particularly in *South Hampshire*. Moreover, the knowledge economy role of the major urban areas is not – in general – well defined. This needs to be given far sharper focus. The larger urban economies, and particularly the city centres, ought to be nurturing the specialist financial and business service providers that are so important in terms of the growth of the knowledge economy. Such development would also contribute markedly to the regeneration imperatives of the cities and urban areas (although a flexible response to the property requirements of knowledge-based businesses more broadly would help to ensure that all elements of this key sector can be accommodated successfully).

9.7 In this context, there is a need for symbiotic growth in which the role of urban areas is really thought through whilst the *Hampshire Economic Area* as a whole is clearly and explicitly "open for business". A positive approach ought to help counter the fact that despite the scale and density of knowledge-based assets, large numbers of highly qualified residents commute out of the area to work.

9.8 Looking ahead, these different ingredients and potentials need to be brought together in a more concerted and focused manner that encourages more effective entrepreneurialism and works these assets hard. The four HEIs have a key role to play in this context, but there is also scope to strengthen and animate links to the larger businesses. The scope for the commersialisation of the knowledge base – through spin-outs, licensing arrangements and the like – ought to be fully explored as part of a wider approach to rebalancing the economy; this is a process that needs to bite, particularly in the *Central Hampshire/New Forest* and *South Hampshire* sub-areas.

9.9 The growth of new enterprises, and business expansion generally, is contingent on the availability of capital and ongoing funding. The 'credit crunch', insofar as it affects lending to businesses, is far from over and the duration of its impact is uncertain. Difficulties in accessing finance emerged as a top priority in the Hampshire Economic Partnership's recent survey of businesses, and as a long term problem, not just an immediate one. It was shown to be a difficulty for existing businesses as well as a barrier to entrepreneurship. This problem needs to be addressed if it is not to be a brake on economic growth.

II: Investing in the skills of the current and future workforce

9.10 Key to effecting economic transformation must be a positive approach to workforce skills. In the *Hampshire Economic Area* currently, the picture is mixed. In some locales (e.g. Winchester), the skills profile is outstanding. However, elsewhere, the picture is far less sanguine: amongst the resident working age population, the proportion qualified to at least degree level (NVQ4+) is well under 30% in areas as diverse as Rushmoor, Fareham and Portsmouth.

9.11 However, it would be wrong to focus exclusively on high end skills. For the *Hampshire Economic Area* as a whole, the bigger challenge, arguably, is at the lower end of the labour market. Across four local authority districts, the proportion of the working age population with no qualifications at all is above 10%: Rushmoor, Portsmouth, Southampton and New Forest. Casting the net a little more broadly, more than a third of the working age population is qualified to below NVQ Level 2 (5 GCSEs at A*-C grades) in each of Rushmoor, Havant, Portsmouth and Southampton.

Arguably this profile of workforce skills sits quite uncomfortably with the need – and opportunity – to grow the knowledge economy and to improve productivity performance more generally: particularly, but not exclusively, in the south of the *Hampshire Economic Area* there is a major skills problem and it needs to be addressed. This is not to suggest that only those with the highest level of qualifications can really contribute to the economy. For *South Hampshire* in particular, high end manufacturing – linked into the broader knowledge economy – has long been recognised as a priority, and rightly so. But businesses in this field have particular needs in relation to technician-level skills and currently, these appear to be in very short supply: aligning workforce skills with the requirements of the business community must therefore be a priority.

III: Investing in key infrastructure, recognising that new resourcing solutions will need to be found

9.12 The full potential of the *Hampshire Economic Area* will not be realised unless key infrastructures are refreshed and enhanced, consistent with the needs of a globally competitive, knowledge-based, economy. Of course, infrastructure – by its nature – is expensive and "wish lists" tend to be long; in the context of severe pressure on public finances, there is a need to prioritise needs and then be creative in formulating responses, particularly in terms of how "more" can be gained from "less". Across the *Hampshire Economic Area*, there are three overarching priorities.

9.13 A first relates to the area's broadband infrastructure. Currently, this is – at best – patchy: it is, in general, better in the larger towns and worse in the more rural areas. However, the next year or two will see a market-led revolution in terms of broadband infrastructure. In essence, the copper network is being replaced partly or wholly by fibre. This will mean far higher broadband speeds than currently – with download speeds of up to 100mb per second. The expectation is that this in turn will transform the manner in which IT applications are used, both at home and by businesses. It will also have major implications in terms of service delivery. For example, hosted applications should be available – and workable – on-line which should reduce costs and improve productivity; video-conferencing should become far more effective; and the scope for very effective homeworking should significantly increase. Superfast broadband is currently being rolled out, but the areas which are benefitting first are either those with very large populations of potential users and/or those where local partners are being very proactive in their relationships with broadband providers and there is evidenced local demand or gap funding. For the *Hampshire Economic Area*, this all represents a significant challenge and it urgently needs a concerted response. A good broadband infrastructure will, arguably, be crucial in terms of the vibrancy of the economy. It will also be a critical determinant of the quality of local service provision which is important for businesses and residents alike. The major public sector bodies and the larger business players have key roles to play in this context, both as potential purchasers and as influencers; both aspects are seriously important. The timely provision of good quality, high speed broadband is crucial in terms of the sustainability and competitiveness of the economy of the *Hampshire Economic Area* as a whole.

9.14 A second infrastructure priority is tackling road congestion – identified by Hampshire businesses as a key issue – and generally improving the quality and reliability of the transport network. This is vital to enable Hampshire firms to transport their goods, for customers and suppliers to visit their premises, and for employees to reach their workplaces. In general, predictability of arrival is at least as important as overall journey time. Whilst the economic downturn has reduced traffic volumes to an extent, with some consequent improvements in journey times, the rise in traffic volumes is forecast to resume in the longer term with growth nationally of 7% by 2015 and 43% by 2035[83].

9.15 The third infrastructure priority is in some respects more mundane, but it is no less crucial. Notwithstanding the credit crunch and subsequent recession, the *Hampshire Economic Area* as a whole still needs to encourage the appropriate development of housing and the provision of employment land and premises: although the development process has taken a big hit since 2008, the long term need has certainly not "gone away". However future development will need to proceed on a different footing with minimal public sector investment (in terms of cash). Across the *Hampshire Economic Area*, there is a concern that some allocated sites are very expensive in development terms and therefore at considerable risk of being stalled indefinitely. This in turn would undermine the area's prospects for sustained economic growth.

9.16 To remain competitive, continual investment in infrastructure is required across the *Hampshire Economic Area*. Given the state of the public coffers, new and innovative approaches to the financing of infrastructure are imperative. These will need to incentivise appropriate development locally and establish appropriate routes to associated investments (through emerging mechanisms like the Community Infrastructure Levy, Tax Increment Financing, and so on). Within this mix, the assets of the public sector will need to be brought to bear, including, potentially, sites released by the Ministry of Defence (MoD). The detail of these new approaches remains to be worked through, but for appropriate investment to be sustained across the *Hampshire Economic Area*, significant headway needs to be made quickly, drawing in a wide portfolio of assets and potentials from the private and public sectors alike.

[83] Hampshire Local Transport Plan, due for publication in March 2011

IV: Addressing persistent worklessness, improving economic participation, (particularly among young people), and encouraging greater attainment,

9.17 One of the most concerning aspects of the *Hampshire Economic Area* surrounds pockets of persistent worklessness and economic inactivity. Whilst overall, the *Hampshire Economic Area* performs well, key indicators – whether data about benefit claimants or information from the Indices of Multiple Deprivation – point to pockets of economic exclusion which are identifiable at ward level or below. In these areas, the issues are acute and deep-seated.

9.18 An analysis of claimant data shows there are eight wards within the *Hampshire Economic Area* in which more than 20% of working age residents are claiming benefits (principally Job Seekers' Allowance, Incapacity Benefit/Employment and Support Allowance, and Income Support). More generally, whilst the majority of the wards with relatively high benefits dependency are within *South Hampshire*, there are a number in Basingstoke and Deane, and some in each of Test Valley, Rushmoor, East Hampshire, Winchester and New Forest. In all cases, these "hot spots" are within urban areas.

9.19 Looking ahead, the life chances of young people are especially important, but again a similar pattern is apparent. Overall, the incidence of young people not in employment, education or training (NEET) is higher than the regional average. From the Indices of Multiple Deprivation, income deprivation affecting children is concentrated in urban areas: Southampton, Portsmouth, Havant and Gosport feature strongly with isolated pockets elsewhere such as Basingstoke, Andover, Aldershot, Farnborough, Alton and New Milton.

9.20 In terms of the future of the *Hampshire Economic Area*, this analysis is important but also quite challenging. It suggests that pockets of persistent deprivation exist even where economic growth has been relatively strong. Hence the implication is that localised solutions – developed at a neighbourhood level and with a strong social dimension – are really important, even within some otherwise-buoyant local economies. In turn, this is important for the *Hampshire Economic Area* not just for reasons of equity but also because high activity and employment rates are needed if the area's economic potential is to be realised. The risk otherwise is the paradox of simultaneous labour and skills shortages *and* pockets of severe unemployment. This challenge is a distinctively urban one and it exists – to varying levels – across all of the larger cities and towns across the *Hampshire Economic Area.*

V: Defining – and investing in – key economic roles for cities and towns within the Hampshire Economic Area

9.21 Looking forward, there is a need for the *Hampshire Economic Area*'s towns and cities to function effectively. This means that all of the urban areas need clear and confident economic roles: all of the urban areas have challenges and opportunities looking ahead, although these vary tremendously in terms of their character and scale. For the *Hampshire Economic Area* to perform effectively and sustainably, a clear approach to long term urban economic renaissance is needed. Emerging elements of an urban framework for *Hampshire Economic Area* are provided below:

- *Southampton*'s economy was originally founded on its maritime location and its port function remains important: it is a very significant container port (with links to a major logistics sector) and also a major focus for passenger traffic (including cruise liners). Over recent years, parts of the Docks have been redeveloped to form the Ocean Village complex which is emerging as a cultural and retail hub, and includes a new innovation centre. In and around Southampton, and including Eastleigh, the local economy is really quite diverse with significant assets for further growth: the University of Southampton is a major player and Southampton International Airport is nearby. The City Council has ambitious plans for office, retail/leisure and cultural development in the city centre but how quickly all of these can be realised is uncertain, particularly in a subdued development market and with limited public sector capital funding being available. Looking ahead, there are some flood risk issues which will also need to be addressed

- *Portsmouth* and the surrounding towns of Fareham, Gosport and Havant, is a substantial urban area and it really needs to exercise its economic muscle. Historically, the city was strongly influenced by its Naval role and it is estimated that a tenth of the city's workforce works at Portsmouth Naval Dockyard. Like some of the other towns and cities within *Hampshire Economic Area*, the imprint of the defence sector is huge – both in terms of economic activity and land ownership. Over recent years, Portsmouth's city centre function has developed, and there has been investment linked to the development of retail and related services and activities. However the city centre itself must remain a significant focus for regeneration and redevelopment. Across the area as a whole, there are flood risk issues which will need to be taken into account

- *Basingstoke* needs to really secure the advantages that ought to derive from its location and scale. It has a strong complement of high tech and high value added businesses, and distinctive specialisms within financial and business services. However its substantial quantity of outdated office stock means that it is in danger of losing out to the likes of Newbury and Reading. Moreover the legacy of London overspill needs to be addressed and there is a need to engage local communities in a proactive approach to economic development

- *Aldershot and Farnborough* are two towns with vibrant workplace economies characterised by a high incidence of knowledge-based activities, many of which are defence-related. In both cases however, high paid local jobs seem to attract in-commuters and the well-being of the people who live locally is more questionable. More generally, the strong military history – and continuing military presence – confers a very distinctive character on both towns. This includes the biennial Farnborough International Airshow which is a major driver for the economy and a major focus for the aerospace sector

- *Winchester* is an historic county town and cathedral city. On the face of it, Winchester is very prosperous and house prices are high. However, Winchester has a very distinctive economic form which presents both opportunities and threats looking forward. The city's residents tend to be highly qualified and the earnings of residents are high – but there is a high level of out-commuting, locally as well as to London. Conversely, jobs within Winchester tend to be low paid and predominantly within the public sector. These attract in-commuters, mainly from the south and west. Given the policy announcements from the new government, the workplace economy of Winchester is at some risk and there may well be substantial numbers of job losses. With a significant HEI presence, Winchester ought to be able to restructure its economy and it certainly has the potential to emerge as a knowledge hub in its own right. In the future – given the undoubted pressure on the existing workplace economy – this really ought to be positively encouraged

- *Andover* is another military town and the Ministry of Defence is its largest employer. However Andover also functioned as a London Overspill town and, because of this, it grew substantially in the 1960s. This legacy has had a big impact on the town's physical form and also its population mix. In this regard, there are some similarities with Basingstoke and there is a need for a positive and creative approach to economic growth which engages local people fully.

VI: Realising economic potential from the Hampshire Economic Area's locational and environmental assets and the quality of life they provide

9.22 Finally, it must be recognised that the *Hampshire Economic Area* brings with it substantial assets in terms of the quality of life that it provides. It includes two National Parks and a maritime environment. Coupled with reasonable proximity to London and a range of international gateways, the area has much to offer potential investors and people.

9.23 These assets, however, bring with them some risks. A major one is that the apparent prosperity of the rural areas masks a disparity between the average earnings of those who live there and those who work there. The implication is that the apparent economic prosperity of rural areas is very dependent on incomes earned by residents who commute out of the area to work. This raises major issues with regard to the sustainability and cohesion of rural communities, and specifically, the prospects and opportunities available to younger people; many struggle to find quality jobs locally and – in the context of high house prices – many young people have little option other than to move away. The *Hampshire Economic Area* needs a vibrant rural economy such that individual settlements within it – market towns and villages – are sustainable communities, which offer opportunities for well designed, and appropriate scale, business development and affordable housing, and do not simply become a destination for in-moving retirees and/or high earning out-commuters. The possibility of superfast broadband offers real opportunities in this regard, but these will need to be seized and the potential benefits realised through a positive and creative approach to appropriate economic growth. In this context, it is important also to recognise that the rural economy does not equate to the land-based sector and tourism – although both have a crucial (and growing) role to play, not least given the renewed emphasis attached by government to the production of food, and potential links between the land-based sector and the provision of renewable energy.

9.24 A second risk is, in some respects, the flip-side of the first. The urban areas really do need to function well, which means that they need serious and sustained investment, particularly in terms of the town/city centres. They need to be vibrant hubs, recognising that what this means for one town will be quite different from what it means for another; each has a distinctive role to play, in relation to the *Hampshire Economic Area* as a whole and in relation to the local population.

9.25 Finally, it is important to recognise that the *Hampshire Economic Area* has seen, and will see, substantial population increases, much of it due to indigenous growth. To be sustainable, the larger urban areas must provide the principal focus for both housing and employment provision. This will allow the character of more rural areas and the settings for the urban areas, which makes them so attractive, to be protected. But this in turn means that the urban areas must be supported as places in which people will choose to set up new businesses (whether through start-up processes or inward investment) and grow existing ones. These outcomes are not impossible, but nor are they inevitable; they require a concerted response through which the assets and opportunities of the *Hampshire Economic Area* as a whole might be brought to bear.