



Report to the Partnership for Urban South Hampshire Joint Committee

Date: 7 July 2010

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Subject: Draft Economic Development Strategy

SUMMARY

The Economic Development Strategy for South Hampshire has been in preparation since the autumn of 2009. The Strategy, evidence base and preferred growth scenario are now in their final draft form and agreement is sought from the Joint Committee to undertaking a wide consultation exercise. This will involve the business sector, partners and key delivery agencies, who have taken part in a series of workshops to inform the development of the work to date.

In addition to the consultation, agreement is sought to begin discussions with delivery partners on the preparation of an implementation plan.

RECOMMENDATION

That the Joint Committee:-

- a) APPROVES the draft Economic Development Strategy and the supporting annexes on the Evidence base and preferred growth scenario as a basis for consultation and AGREES to the consultation on it with partners and other interested parties; and
- b) AGREES to commencing the preparation of an implementation plan through preliminary meetings with delivery partners

INTRODUCTION

1. In the autumn of 2009, DTZ and Oxford Economics (OE) were commissioned to update and refresh the PUSH economic development evidence base and strategy, including an assessment of the impact of the recession on the sub-region.
2. The core objectives of the DTZ/OE commission are:-
 - To develop a **refreshed evidence base** similar in scope and detail to the current evidence base to include any adjustments necessary as a result of the impact of the recession and a roll-forward to 2031, taking into account any other economic changes which have taken place since the current evidence base was prepared. It would include, as the current evidence base does, the implications of any such adjustments for necessary levels of, and trajectories for, development (housing, employment floor space and, in general terms, infrastructure);
 - In the light of the refreshed and extended evidence base, to develop a **revised economic development strategy**, with detailed targets and trajectories, including skills and labour market; enterprise, innovation and business support; inward investment; and sites and premises; and
 - Advise on the **economic development roles of the major employment sites** in South Hampshire and the complementarities and interdependencies between them.
3. DTZ and Oxford Economics have completed their review of the evidence base and undertaken consideration of future scenarios and developed a draft strategy that accompanies this report. The draft strategy (attached in Annex 1) summarises the context and background to the development of the Economic Development Strategy, and sets out the PUSH ambition and priorities for action.
4. Accompanying the strategy will be a series of four accompanying supplementary papers: as follows:
 - Economic Development Evidence Base;
 - Future Growth Scenarios;
 - Headline Sustainability Appraisal; and
 - Key Sites in South Hampshire.

The first two papers have been completed and are attached to this report with the strategy and the latter two are being finalised

EVIDENCE BASE

5. The Economic Development Evidence Base report (attached in Annex 2) sets out a full assessment of recent economic performance in the PUSH area benchmarked against Hampshire, South East and Great Britain. Assessing recent performance, it provides some clear policy steers for the future. Since

2008, there has been a global financial crisis leading to recession in the UK. This substantial change in the macro-economic situation and the ensuing pressures on the UK public finances has significantly changed the background and context to the PUSH economy. The key issues are summarised below.

- The PUSH area in 2005 performed less well in terms of key economic indicators of GVA per capita, productivity and employment growth. This gap in performance remains. This is to be expected, as the scale of the challenge was always understood to be one that would require long term intervention to address the gap in performance. There is a need to continue to invest to close the gap with the South East and ensure prosperity for the residents of South Hampshire,
- The cause of the gap continues to be both issues of labour market engagement (a lower proportion of the working age population in work) and productivity (a lower output per worker as a result of the sectoral, occupational and skills mix). Combined these lead to lower average wage levels and lower GVA per capita across the sub region. The need to support the cities to fulfil their potential as engines for economic growth in the sub-region is critical to this.
- There are also lower levels of enterprise present in the economy than benchmark areas.

FUTURE GROWTH SCENARIO

6. DTZ and Oxford Economics have used the evidence to develop a preferred growth scenario (attached in Annex 3) taking into account the likely patterns of growth and the resources available to underpin action. The new Coalition Government has introduced new policies which will have an impact on the delivery landscape for economic development and regeneration bringing an enhanced focus on local and sub-regional leadership. The development of the preferred growth scenario is believed to be a realistic and ambitious alternative growth trajectory and will serve to provide PUSH with a robust basis on which to refocus its efforts and invest in activity that has the greatest potential to deliver sustainable economic growth in the sub region. This includes achieving an additional 10,000 jobs over 20 years, whilst reducing the need for population growth as a result of additional migration. Combined, this is a challenge of moving 20,000 working age residents into work over an above the baseline projections. The proposed scenario will improve the resident employment rate, productivity levels and close the GVA per capita gap with the South East to 7% from the current 11%.
7. The figures for employment floorspace and housing requirements which are emerging from the preferred scenario are somewhat different to the targets which are currently being used in the preparation of Local Development Frameworks (LDFs). This would have been addressed through the review of the South East Plan, but its impending abolition will mean instead that each LDF will now set its own targets. Under the new planning regime, each PUSH authority could prepare its LDF in isolation, but in highly urbanised area like South Hampshire where there is substantial economic, social and cultural linkages across local authority boundaries, the case for working together on a shared vision and strategy is strong, especially if PUSH is to realise its ambition to

create a prosperous economy in a sustainable way. For these reasons, the PUSH Planning Officers Group has expressed strong support for continued joint working on planning policy. Such collaboration would be in tune with the Coalition Government's signals that each LDF must take account of the plans and proposals of neighbouring areas and that voluntary cooperation by local planning authorities is to be welcomed.

8. It is therefore suggested that a strategy framework for South Hampshire be prepared which is similar in scope to the South Hampshire Strategy set out in the South East Plan, reflecting the revised forecasts and preferred scenario produced as part of DTZ's commission. A process for preparing a new strategy framework will be included in the report to the September Joint Committee meeting.

DRAFT ECONOMIC DEVELOPMENT STRATEGY

9. The draft revised strategy retains the underlying ambition for economic growth in a sustainable manner which benefits the residents of the sub-region and tackles deprivation, but ensures it reflects the economic environment of today and the coming decade. The strategy outlines that there are some encouraging signs. For example, the GVA per capita gap between PUSH and the South East has closed from a peak of 14% to 11% through the mid 2000s. The growth in the proportion of the workforce acquiring higher level skills has outstripped the SE average.
10. The review of the evidence base has also highlighted some successes for PUSH. In particular it outlines:-
 - PUSH's role and success on the development of a coordinated and integrated sub-regional strategy. PUSH has coordinated activity around a common agenda and substantial progress has been made on ensuring strong, collaborative multi-agency approaches, particularly in the area of employment and skills; and
 - The coordinated approach has proved successful in leveraging resources to support the development of the sub-region through achievement of New Growth Point status, South East Diamond for Investment & Growth status and completion of the South Hampshire Agreement.
11. The strategy set out PUSH's ambition to create a prosperous economy and thereby improving the quality of life of its residents. It is set against the backdrop of the current economic climate and outlines the need to use the assets that already lie within the sub-region to drive our economy forward. Increasing the number of residents in work with higher levels of workforce skills will underpin growth in employment and productivity, securing higher wages for employees and reducing the pressure for in migration.
13. It also emphasises the role of the private sector in delivering the growth and a need to build on the innovation and leadership in the identified key sectors where there is a strong foundations on which to build. Sectors of Advanced Manufacturing, Marine, and Aerospace, Transport and logistics and Environmental Technology have been identified as areas for growth and increase in the GVA. And it builds on the PUSH commitment of "cities first" in

fulfilling the potential of the Southampton and Portsmouth as drivers of the sub-regional economy.

14. Whilst the strategy is economic driven it sets out the an ambition to create sustainable development offering a good quality of life and experience that can boost the economy and not develop in such a way that human, environmental and cultural assets are eroded.
15. Finally the strategy identifies a short list of seven transformational actions to support the achievement of the ambition, tackle the issues emerging from the evidence base and align to the changing policy context. These actions as set out in Table 1 and focus on collaboration and joint working, bringing together the resources and activities of partners and stakeholders to ensure that the joint actions can increase impact and drive efficiencies.

TABLE 1 – Transformational actions

ACTION	Using Local Strengths to Generate High GVA	Creating Employment	Underpinning Quality of Life
1. Leading on Employment & Skills	Yes	Yes	Yes
2. Supporting the Growth of Our Cities	Yes	Yes	Yes
3. Establishing a single Inward Investment and Place Marketing function	Yes	Yes	Yes
4. Developing Our World Leading sectors	Yes	Yes	Yes
5. Strengthening Innovation networks to drive productivity growth	Yes	Yes	Yes
6. Ensuring Sites and Premises to facilitate Growth	Yes	Yes	Yes
7. Driving innovation in Delivery	Yes	Yes	Yes

EMPLOYMENT SITES

16. The employment sites assessment is well advanced, but its emerging findings are still being validated by the PUSH Planning and Economic Development Officers. The aim is to complete this work over the summer and report on its conclusions to the September Joint Committee.

SUSTAINABILITY APPRAISAL

17. An initial sustainability appraisal of the proposed strategy has been carried out and key partners have been engaged in the work. The appraisal will be finalised once the draft strategy has been approved by the Joint Committee and the conclusions reported back to the September Joint Committee.

CONSULTATION

18. In developing the strategy there have been extensive consultations with PUSH partners, partner agencies, the business community and the third sector. There has been a commitment to consult further once the draft strategy had been completed, and it is proposed that further consultation is carried out to secure comments and ownership of the strategy among PUSH stakeholders. The consultation will also seek how partners can contribute to the implementation of the strategy.
19. It is intended to undertake a consultation with the business community, a wide range of partners and other interested parties, providing an opportunity to influence the potential outputs from the draft strategy. A programme of consultation is being developed to run during July and August 2010.

RECOMMENDATION

20. That the Joint Committee:-
 - a) APPROVES the draft emerging Economic Development Strategy and the supporting annexes on the Evidence base and preferred growth scenario, as a basis for consultation and AGREES to the consultation on it with partners and other interested parties; and
 - b) AGREES to commencing the preparation of an implementation plan through preliminary meetings with delivery partners

Annex 1: [Draft Economic Development Strategy](#)

Annex 2: [Evidence base](#)

Annex 3: [Preferred growth scenario](#)

Background Papers: - Reports to Joint Committee July, Nov 2009

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