



Report to the Partnership for Urban South Hampshire Joint Committee

Date: **9 November 2010**

Report of: **Bernie Topham, Chief Executive Lead for the Economic Development Delivery Panel, and Anne-Marie Mountifield, Executive Director**

Subject: **Economic Development Evidence Base and Strategy Refresh – Final Report**

SUMMARY

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.

At the July Joint Committee the Draft Economic Development Strategy together with two accompanying papers on the Economic Evidence base and the Preferred Growth scenario were presented as the basis of consultation. Members approved the draft strategy for consultation which commenced on 21 July 2010, and concluded on 21 September 2010. At the September Joint Committee, an update on the development of the Economic Development Strategy and progress of the consultation was reported, together with an update report from DTZ on Employment sites and premises in South Hampshire. In addition the Joint Committee approved the final Headline Sustainability Assessment as a basis for bringing a consideration of sustainability issues into the preparation of the Economic Development Strategy.

This report considers the outcome of the consultation process and the final version of the Economic Development Strategy is presented to the Joint Committee for consideration together with a suite of supporting information contained within the:

- Economic Development Evidence Base;
- Preferred Growth Scenario;
- Headline Sustainability Appraisal; and
- Employment Sites & Premises Demand and Supply Analysis.

Work has also commenced on the preparation of a high level Implementation Plan and, subject to the Joint Committee adopting the strategy, an initial outline will be presented to the Joint Committee for consideration at the next meeting.

RECOMMENDATION

It is RECOMMENDED that the Joint Committee-

- (a) NOTES the outcome of the consultation process and the summary of responses from the consultation and the business event attached to this report in Appendix A;
- (b) APPROVES the baseline projections for the South Hampshire economy developed by Oxford Economics are set out in the evidence base report;
- (c) APPROVES the preferred growth scenario as a realistic and ambitious alternative growth trajectory on the basis that it will 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;
- (d) APPROVES the Employment Sites & Premises Demand and Supply Analysis as a method to assess the future employment floorspace requirements; the availability of future land and floorspace supply that is likely to be available over the period 2006-2026, and the deliverability of sites to support the forecasted requirements to facilitate the ambitions for the South Hampshire sub-region as set out in the PUSH Economic Development Strategy and PUSH Preferred Scenario; and
- (e) ADOPTS The Economic Development Strategy.

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 were
 - 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
 - To 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 final draft strategy that accompanies this report. Following the approval of the Draft Economic Development Strategy for consultation in July 2010, an extensive consultation process commenced on 21 July 2010, for a two month period, concluding 21 September 2010. The final strategy (attached in Appendix B 2) has been updated to reflect the outcome of this process.
4. Accompanying the strategy are a series of four accompanying supplementary papers: as follows:
 - The Economic Development Evidence Base;
 - The Preferred Growth Scenario;
 - Employment sites and premises: Demand and supply Analysis Headline Sustainability Appraisal; and
 - The Headline Sustainability Appraisal.

The supplementary papers have been completed and are attached to this report (see Appendices C to F) with the strategy

Responses to the Consultation on the Draft Economic Development Strategy, Preferred Growth Scenario and supporting evidence base.

5. Following the approval of the Draft Economic Development Strategy for consultation an extensive consultation process commenced on 21 July 2010, for

a two month period, concluding 21 September 2010. A summary of responses from the consultation and the business event are attached in Appendix A and were considered by the Economic Strategy Steering Group on 6 October 2010 and the Economic Development Delivery Panel on 14 October 2010.

6. Overall responses indicate a strong support for the Strategy and the supporting vision for South Hampshire. In relation to the questions, in every case, the majority of respondents were strongly supportive of;
 - The Vision;
 - Prioritising support for key sectors within the area;
 - The ambition to secure a high quality of life for residents, workers and visitors; and
 - Facilitating the development of appropriate sites and premises to support economic growth.
7. As a result of feedback from respondents a new transformational action has been proposed around a need to create an environment to promote business creation and enterprise development.

The Evidence base

8. The Economic Development Evidence Base report (attached in Appendix C) was originally considered by the Joint Committee in July 2010. Baseline projections for the South Hampshire economy developed by Oxford Economics are set out in the evidence base report. In summary these show that:
 - Average annual GVA growth over the period 2006-26 will be around 2% rather than the PUSH aspiration of growth in excess of 3%;
 - Recovery and growth need to be led by the private sector, particularly export markets, as the primary drivers of pre-recession growth, the public sector and domestic consumers, will not be the sources of substantial demand in the decade to come;
 - The GVA per capita gap between South Hampshire and the South East region will widen again to 12%;
 - The number of jobs in the PUSH area is expected to increase by about 41,000 jobs, substantially lower than the PUSH target of 59,000 jobs over the period 2006-26. Pre-recession levels of employment will not be reached until around 2015;
 - The population will continue to grow through both natural change and inward migration; and
 - The combination of lower employment growth and ongoing population growth will result in higher levels of unemployment created by the recession persisting into the longer term with much lower employment rates.

The Preferred Growth Scenario

9. DTZ and Oxford Economics have used the evidence to develop a preferred growth scenario (attached in Appendix D) taking into account the likely patterns of growth and the resources available to underpin action. The new 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%.

10. The recently published Spending review confirms that the allocation of public resources going forward will prioritise spending that promotes long term economic growth, introducing structural reforms to enable a private sector led recovery. It also clearly identifies that for economic growth to be sustainable in the medium term it must be based on a broad based economy supporting private sector jobs, exports, investment and enterprise. The preferred growth scenario for the South Hampshire is predicated on similar assumptions, providing the very best platform on which to optimise the public spending opportunities in what is a very constrained fiscal framework.

The Revised Economic Development Strategy

11. The revised Economic Development Strategy (EDS) 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.
12. The review of the evidence base has highlighted that PUSH has already achieved a number of successes, as well as putting in place the foundations for improved economic performance in the longer term. These centre on PUSH's ability to coordinate activity and facilitate collaboration for the benefit of the sub-region.
 - Firstly, PUSH has led on the development of a coordinated and integrated sub-regional strategy. This 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 a Multi Area Agreement. This has been supported by a strong programme of research into key sectors, skills, enterprise and infrastructure.
 - Building on the success in attracting funding for economic development, PUSH has coordinated activity around a common agenda and substantial progress has been made on ensuring strong, collaborative multi-agency approaches. These sorts of collaborative arrangements will become all the more important in the coming period as the Government's reforms seek significant devolution of financial control to Councils, whilst seeking

overall resource savings in councils of some 28% over four years. There will be an opportunity to consider local public service partnerships going forward and Local Councils and partners will have greater flexibility to work across boundaries in areas such as worklessness. Equally there is the potential to extend the work with the private sector, working in partnership to put business at the heart of economic growth in the area, rebalancing the economy in favour of the private sector.,.

- The most notable success in forging collaborative delivery structures is the establishment of an Employment & Skills Board which brings the public and private sectors together, targeting resources to areas of greatest need and ensuring joined-up working across agencies to tackle a range of skills and employment issues. This has already led to a more rapid up-skilling in the South Hampshire working age population than the regional average. Examples of targeted activity include supporting skills shortages in the marine sector through the apprenticeship expansion pilot, offering 60 additional apprenticeships, and the marine Skills Development Zone including dedicated aluminium welding training, as well as multi-agency responses to redundancy situations and delivering more successful pathways back to employment through the future jobs fund.
13. 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.
 14. 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. The establishment of the regional growth fund will support projects with significant potential for private sector led economic growth and employment, supporting those communities that are heavily dependant on the public sector. The EDS identifies a number of areas where there are opportunities to make the transition to sustainable private sector led growth and prosperity.
 15. Whilst the strategy is economic driven it sets out the ambition to create sustainable development offering a good quality of life and experience that can boost the economy and develop in such a way that human, environmental and cultural assets are enhanced. Finally the strategy identifies a short list of eight 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 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. They are as follows:

- Leading on employment and skills – our brighter future is based on a skilled workforce that can underpin higher levels of growth and ensure our residents are engaged and suited to the jobs that are created.
- Supporting the growth of our cities – ensuring our cities fulfil their potential as drivers of a sustainable and growing economy.
- Creating, sustaining and growing businesses – through developing an entrepreneurial culture and utilising the business leaders and entrepreneurs in our area to deliver mentoring and support.
- Facilitating Site Development to Support Growth – making sure we can accommodate the growth we are striving for by prioritising investment in the most important areas.
- Establishing a single inward investment and place marketing function – to ensure we use resources efficiently to attract new businesses to the sub-region.
- Developing our world leading sectors – to ensure we continue to be recognised as a leading location for marine, aerospace and advanced manufacturing.
- Strengthening innovation networks to drive productivity growth – ensuring innovation and knowledge lies at the heart of our economy.
- Driving innovation in delivery and funding models – ensuring that creative and innovative delivery is at the centre of all that we do.

Employment sites and Premises in South Hampshire: Demand and Supply analysis

16. This additional commission has considered the requirement for employment floorspace to facilitate the delivery of the Economic Development Strategy and assesses the potential for identified key employment sites across the sub-region to meet this requirement. The aim for this work was to:

“Test whether the emerging EDS is deliverable in terms of the likely availability/supply of sites and premises and also to test whether the likely portfolio of employment development sites will have the capacity to deliver the employment floorspace requirements of the emerging EDS”.

The report is attached in Appendix E.

17. It sets out a summary of the method employed to assess the future employment floorspace requirements to facilitate the ambitions for the South Hampshire sub-region as set out in the PUSH Economic Development Strategy and PUSH Preferred Scenario. The method employed to assess future requirements has been developed to align with the guidance published in *Employment Land Reviews: Guidance Note, ODPM, and December 2004* and to reflect the realities of the commercial property market and patterns of land use. This includes three critical elements:
- An allowance for net projected changes in employment to ensure a larger workforce and economy can be accommodated;
 - An allowance for replacement, recognising the need to update property to meet modern occupier requirements; and
 - An allowance for choice to ensure the market is able to work effectively and occupiers and developers can find suitable opportunities.

18. The report also describes the method and results of the assessment of supply. This has been undertaken to understand the availability of future land and floorspace supply that is likely to be available over the period 2006-2026 to support the forecasted requirements. In the context of the Economic Development Strategy, this understanding is essential for three reasons:
 - To enable a comparison of the available supply of strategic sites against forecasted requirements in order that enough supply can be provided of the right type and quality at the right time
 - To enable, and provide evidence for, the allocation of new sites in planning policy wherever necessary
 - To establish a portfolio of strategic sites available for economic development and to identify priority sites where intervention by PUSH can help bring them forward for development and meet the strategic objectives of the strategy.

19. In identifying a portfolio of strategic sites, the assessment has focused on evaluating and assessing the deliverability of sites across South Hampshire over the period 2006-2026 and the assessment of deliverability will be divided into the following two components:
 - Site Condition and Suitability – involving an assessment of the qualitative aspects of the sites, including market potential and interest, physical characteristics, and fit with planning policy
 - Site Capacity and Phasing – comprising an examination of the floorspace capacity of each site by use class and how this is likely to be phased across five year periods to 2026.

20. Planning Officers from each local authority within PUSH have been involved at each stage of the assessment process, with each authority providing comments on an initial long list of sites and on the draft assessment results for both deliverability components. The final report was then considered at the Planning Officers group on 24 September 2010 and subsequently at the Economic Delivery Panel on 14 October 2010, and was approved to go forward to this Joint Committee for consideration.

21. In relation to additional floorspace, DTZ concluded that between 1.36 and 1.72 million square metres of additional commercial floorspace for B class land uses (offices, manufacturing and distribution) would be required in South Hampshire between 2006-26. This compares with a pre-recession estimate in the South East Plan of 2 million square metres. The derivation of the DTZ figure is shown in table 2.6 of the report but represents:-
 - (a) the amount of floorspace required for a net 20,500 additional jobs in B class uses (using the most up to date guidance on employment densities (floorspace per worker) as well as local data);
 - (b) replacement of the stock requiring modernisation (taking account of the age of current commercial property);

- (c) an additional 10% to provide necessary choice and flexibility in the market place.
22. The long term trend for employment floorspace completions has averaged 119,000 square metres a year and the DTZ forecast requirement equates to a range of between 101,000-134,000 square metres per annum. In broad terms therefore the total scale of requirement aligns with a level of market activity that has been deliverable historically within South Hampshire.
23. The figures for development (employment, residential and mixed use) requirements which have emerged from the preferred scenario are lower than targets that have been previously adopted. This is not surprising given the impact of the recession and also given the underlying ambition for securing economic growth in a sustainable manner which benefits the residents of the sub-region and tackles deprivation. This resonates with the reform of the welfare system which is expected to improve incentives to work and tackle dependency. Driving regeneration of the urban areas and developing new ways of reinvigorating cities and areas of deprivation is key to reducing benefit dependency. PUSH through the EDS will play a role in identifying and driving forward economic development. 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. This is critical to delivering the ambition of securing sustainable economic growth for the area.
24. Under the new planning regime, each PUSH authority could prepare its LDF in isolation, but in a natural economic 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, there is strong support for continued joint working on economic development and planning policy. Such collaboration would be in tune with the need to ensure 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. It is therefore suggested that a strategy framework for South Hampshire be prepared which reflects the revised forecasts and preferred growth scenario produced as part of DTZ's commission. It is also recognised that the forthcoming Localism Bill will ensure that planning system both works for sustainable growth and is responsive to the needs of the local communities. As part of these wider reforms, there will be a presumption in favour of sustainable development. Similarly under the Spending review presented to Parliament on 20 October 2010, the settlement for CLG includes;
- a programme to deliver up to 150,000 new affordable homes over the Spending Review period accompanied by major reforms;
 - reforming the council housing finance system so local authorities have greater control over their own finances, and can reinvest to meet local housing need;
 - reforming the planning system and introducing a New Homes Bonus to support economic growth and increase housing supply;

It is intended to hold a Members workshop early in the New Year to consider the implications of the local growth White paper, which will provide more detail on

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planning reform, incentives and regional economic development policy and the Localism Bill. This together with the EDS will inform the development of the strategy framework.

Headline Sustainability Assessment

25. The Headline Sustainability Assessment was approved by the Joint Committee in September 2010 and is attached in Appendix F, as a basis for bringing a consideration of sustainability issues into the preparation of the Economic Development Strategy. The key sustainability themes were identified for consideration within the headline sustainability appraisal are:
- Land Use & Environmental Quality
 - Climate Change (Adaptation) & Flooding
 - Energy & Carbon
 - Cultural & Historic Assets
 - Demographic Change
 - Deprivation
 - Labour Market & Skills
26. Overall, the comparison between the Economic Development Strategy preferred scenario and baseline scenario is generally positive. The thrust of the strategy development is around improving economic and social sustainability by securing growth, engaging and investing in the workforce to improve labour market outcomes and focusing development on the cities. The Sustainability Appraisal has shown that the proposed policy options will largely enhance economic, social and environmental sustainability.

RECOMMENDATION

It is **RECOMMENDED** that the Joint Committee:-

- (a) **NOTES** the outcome of the consultation process and the summary of responses from the consultation and the business event attached to this report in Appendix A;
- (b) **APPROVES** the baseline projections for the South Hampshire economy developed by Oxford Economics are set out in the evidence base report;
- (c) **APPROVES** the preferred growth scenario as a realistic and ambitious alternative growth trajectory on the basis that it will 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;
- (d) **APPROVES** the Employment Sites & Premises Demand and Supply Analysis as a method to assess the future employment floorspace requirements; the availability of future land and floorspace supply that is likely to be available over the period 2006-2026, and the deliverability of sites to support the forecasted requirements to facilitate the ambitions for the South Hampshire sub-region as set out in the PUSH Economic Development Strategy and PUSH Preferred Scenario; and

(e) ADOPTS The Economic Development Strategy.

Appendices:

- A - [Consultation Responses Summary](#)
- B - [PUSH Economic Development Strategy](#)
- C - [PUSH Economic Development Strategy Evidence Base](#)
- D - [PUSH Economic Development Strategy Scenarios](#)
- E - [PUSH Key Sites](#)
- F - [PUSH Economic Development Strategy Headline Sustainability Assessment](#)

Enquiries: For further information on this report please contact Anne-Marie Mountifield (PUSH Executive Director)

Tel. No. 07540 238154

e-mail: anne-marie.mountifield@push.gov.uk