



Report to the Partnership for Urban South Hampshire Joint Committee

Date: **26 March 2013**

Report of: **Stuart Roberts, Interim PUSH Executive Director**

Subject: **Centre for Cities' economic assessment of the Solent area**

SUMMARY

PUSH and the Solent LEP jointly commissioned the 'Centre for Cities' organisation to undertake an economic assessment of the Solent area in order to inform the development of the City Deal. The Centre for Cities' document analyses the local economy's strengths, weakness, and prospects for the future, and sets out recommendations for action by local partners to address the key economic opportunities and challenges. The recommendations in which PUSH should play a role are: to ensure that the roles of PUSH and the LEP are clearly defined and understood more widely, to contribute to the preparation of an investment plan by the LEP, to continue to prioritise economic growth in Portsmouth and Southampton with partners pooling funds and prioritising investment in the two cities, to ensure an adequate supply of land for employment and housing development, to establish a new partnership protocol which would commit statutory agencies/consultees to taking full account of the area's growth priorities when commenting on relevant development proposals, and to potentially playing a role in coordinating prioritising infrastructure investment and in coordinating local authority lobbying for greater financial freedoms.

In response to these recommendations, it is proposed that PUSH should continue to prioritise development within the two cities and should move forward with the preparation of a partnership protocol with statutory agencies. The other recommendations to PUSH will be addressed as part of the PUSH governance review and the preparation of the 2013/14 PUSH Business Plan.

RECOMMENDATION

It is RECOMMENDED that the Joint Committee:-

1. **ENDORSES** the draft proposed PUSH response to the Centre for Cities' recommendations attached to this report;
2. **DELEGATES** authority to the Interim PUSH Executive Director in consultation with the Chairman to fine tune and approve the final response.

INTRODUCTION

1. Last autumn the urban policy research unit 'Centre for Cities' was commissioned by PUSH and the Solent LEP to provide support to the preparation of the City Deal Expression of Interest. The commission had two components: the facilitation of two workshops (held in November 2012 and January 2013) and the preparation of an assessment of the Solent economy which updates that undertaken for South Hampshire in 2010. The new Centre for Cities document titled '*Anchoring Growth: An economic assessment of the Solent area*' analyses the economic performance of the Solent area, examines the key drivers of economic growth in the area, and makes a series of recommendations for action by PUSH, the Solent LEP and other local partners.
2. This report summarises the Centre for Cities' economic assessment and sets out a proposed PUSH response to their recommendations.
3. This report reflects the content of the final draft of the Centre for Cities' document which is still undergoing final polishing before being formatted for publication. The definitive version will be circulated to members of this Joint Committee, after which it will be published on the PUSH website at www.push.gov.uk

SUMMARY OF THE ECONOMIC ASSESSMENT

4. The Centre for Cities document uses nationally-available data together with information gained through interviews with local business representatives to paint a picture of the Solent economy. It looks at the area's economic headlines in terms of economic output and productivity, employment by sector including the skill levels of jobs, the extent of dependency on public sector jobs, and labour movements (i.e. commuting). It then assesses the drivers of future economic growth - the business stock (business numbers and size), workforce skills and educational attainment, housing, planning and infrastructure (transport and broadband).
5. Most of the data used is available only for whole local authority areas, whereas the PUSH and LEP boundaries split several of the area's local authorities. Consequently, much of the information is presented for the 'urban core' (i.e. the six authorities which are wholly within the PUSH and LEP area) and also for the whole of the twelve authorities which are wholly or partly within the PUSH/LEP areas – defined in the document as the 'wider Solent'. As a key role of the document is to support the City Deal bid, specific data is also often presented for Portsmouth and for Southampton.
6. According to the document, the Solent economy grew relatively strongly between 1998 and 2008: Gross Value Added (GVA) per head increased by 59 percent in the Solent compared to 55 percent across England and 56 percent across the South East region. However, that was not accompanied by large increases in private sector employment, so consequently the area is more dependent on large employers and the public sector than the wider South East region, which makes it vulnerable to business failure and public sector cuts. The Solent's economic activity is concentrated in Portsmouth and Southampton which together provide 37 percent of the Solent's high skilled jobs.

7. Despite the two cities' potential, the economic growth figures show they are not punching their economic weight. The fastest pre-recession economic growth took place in those parts of the Solent outside Portsmouth and Southampton, and the two cities also experienced relatively slow productivity improvements: GVA per head increased by 35 percent in Southampton and 54 percent in Portsmouth between 1998 and 2008, compared to 65 percent across Hampshire.
8. The business stock within the Solent area (both the urban core and the wider Solent) grew by two percent between 2004 and 2008; this was below the national average but on a par with the average for the South East region. From 2008 to 2011, the business stock fell by three percent in the wider Solent and by six percent in the urban core; greater than the two percent fall across England and the South East. The fall in business stock was driven by a sharp decline in business start-ups. Levels of business density (numbers of businesses in relation to population) have been historically low in the Solent - in 2010 there were 593 businesses per 10,000 population compared to 693 in the South East region. Business density is particularly low in urban areas – Southampton's in 2010 was almost 40 percent below the Solent average. This reflects, in part, the predominance of large employers in the two cities.
9. Across the Solent as a whole, educational attainment from early years through to GCSE level is in line with the national average, although the urban core underperforms slightly. Higher education participation rates in the Solent were below the English average in 2010/11, particularly in the urban core and the two cities. Less than a quarter of young people in Portsmouth, Southampton, Gosport and Havant go to university. Low levels of educational attainment will affect the employment prospects of young people in the Solent area, as well as impacting on businesses' access to skills
10. Although two thirds of firms aim to recruit employees with graduate and post graduate skills, a relatively low proportion of residents are qualified to this level. The share of residents qualified to graduate level has increased in the Solent but at a slower rate than in the wider South East region. As a result, the gap is widening. The proportion of city residents who are qualified to this level is below the Solent average. On the other positive side however, the proportion of the working age population without any qualifications at all reduced at a faster rate in the Solent than across the South East region.
11. The interviews with business representatives revealed concerns around the ability of manufacturing firms to increase their footprint locally due to shortfalls in energy supply and lack of supporting infrastructure including broadband. Planning restrictions and the length of time taken to make planning decisions were also cited by local businesses as being barriers to growth.
12. Providing an appropriate housing offer is an important factor in attracting and retaining a skilled workforce. While the number of completions in 2010/11 was up on the previous year, they were still below target. The majority of new properties were flats (59 percent) and 66 percent were one or two bedroom properties.
13. The Solent's larger existing employment sites are concentrated in the two cities and 63 percent of new land supply lies within the urban areas. However, the

viability of those future sites is mixed, with land ownership issues and investment in infrastructure required.

14. The Solent has good national and international transport connections, the document says, but congestion is a problem on the area's road network at peak times. Congestion is also an issue for those travelling into and out of the Solent. Rail journey times within the Solent area are slow. Internet connections in Portsmouth and Southampton are slow when compared to other cities.

THE CENTRE FOR CITIES' RECOMMENDATIONS

15. The Centre for Cities' document concludes that strategies to support a sustained economic recovery in the Solent need to be based on the area's real assets and strengths which include connections through the ports and the airport, the area's universities, and its cities. The Solent's maritime sector is nationally significant and has been identified as a key growth sector in the sub region, the document says. Opportunities for growth need to be seized, it argues, while also addressing the economic challenges the area faces. Whilst local policy makers have very little control over global market conditions and national policy, they do have the ability to influence policy on schools, skills, planning and housing, and consequently those are the focus for the Centre for Cities' recommendations to PUSH, the LEP and other local partners.
16. The full set of recommendations are reproduced in the appendix. Some of these recommendations/actions are addressed to all partner organisations and some to particular partners - the LEP, PUSH, local authorities. Those in which PUSH has an obvious role are:-
 - continuing to build on the strong partnership structures which exist and in particular ensuring that the roles of the LEP and PUSH are clearly defined and understood more widely;
 - contributing to the preparation by LEP of an investment plan (i.e. the 'growth plan' which Government has asked all LEPs to prepare);
 - continuing to prioritise support for economic growth in Portsmouth and Southampton together with partners pooling funds and prioritising investment in the two cities;
 - ensuring an adequate supply of land for employment and housing development;
 - establishing a new partnership protocol with national agencies (including English Heritage, the Environment Agency, Natural England and Sport England) which would commit them to taking full account of the area's growth priorities when giving their views on relevant development proposals;
 - potentially playing a role in coordinating prioritising infrastructure investment and in coordinating local authority lobbying for greater financial freedoms.

PROPOSED PUSH RESPONSE

17. The role of PUSH is being considered as part of the PUSH governance review taking account of the emerging priorities and activities of the Solent LEP. Once the respective roles are confirmed, it would be sensible to publicise these amongst the business community and more widely. Some form of protocol or Memorandum of Understanding between PUSH and the LEP would be a means of publicly confirming respective roles and inter-relationships.

18. The PUSH Economic Development Strategy and the South Hampshire Strategy both prioritise development within the two cities, and implementing this priority should underpin all PUSH decisions. The pooling of funds and prioritising of investment in the two cities is a key element of the proposed City Deal.
19. The South Hampshire Strategy provides for the forecast requirement for employment floorspace and housing up to 2026 (as forecast by DTZ/Oxford Economics as part of the 2010 refresh of the Economic Development Strategy). PUSH has pledged to begin a review of the document in early 2014 which will ensure an adequate provision of land for both employment and housebuilding. The need to start preparatory work for that review will be part of the 2013/14 PUSH Business Plan which will be presented to the next Joint Committee meeting.
20. The desirability of updating the existing Memorandum of Understanding between PUSH and statutory agencies has already been discussed by the PUSH Sustainability and Community Infrastructure Delivery Panel, but this now needs to be given additional scope and impetus in view of the Centre for Cities' call for a new partnership protocol.
21. According to the Centre for Cities' document, the length of time taken to make planning decisions was cited in interviews with business representatives as being a barrier to growth. The Housing and Planning Delivery Panel has put forward the idea of drawing up a business-friendly planning charter, and this will be considered as part of the preparation of the 2013/14 PUSH Business Plan. The Centre for Cities suggestion of 'fast tracking' planning applications should be considered during the preparation of that charter.
22. In summary therefore, the proposed response is that PUSH should continue to prioritise development within the two cities and that the preparation of a new partnership protocol with statutory agencies should be expedited. The other recommendations to PUSH will be addressed as part of the PUSH governance review and the preparation of the 2013/14 PUSH Business Plan.

RECOMMENDATION

It is RECOMMENDED that the Joint Committee:-

1. **ENDORSES** the draft proposed PUSH response to the Centre for Cities' recommendations attached to this report;
2. **DELEGATES** authority to the Interim PUSH Executive Director in consultation with the Chairman to fine tune and approve the final response.

Background Papers:

Economic assessment of the Solent economy, Centre for Cities March 2013.

NB: At the time of this committee meeting the document was still being formatted for publication, but it will be available in early April at www.push.gov.uk

Reference Papers:

Charting the Course: Growing the South Hampshire economy. Centre for Cities
March 2010 – available on the PUSH website at
<http://www.push.gov.uk/work/economic-development.htm>

Enquiries:

For further information on this report please contact
Stuart Roberts (Interim PUSH Executive Director)
Tel: 02392 688929 E-mail: Stuart.Roberts@push.gov.uk

APPENDIX

This appendix reproduces the recommendations contained in final draft of the Centre for Cities' document.

- **Partners need to continue to build on the strong partnership structures and ensure effective engagement with the business community.**
- **The Solent LEP should work with key partners to build on the proposed economic strategy by agreeing an investment plan for the Solent.**
- **Existing evidence suggests that partners should continue to prioritise support for economic growth in Portsmouth and Southampton.**
- **PUSH and other partners should ensure an adequate supply of land for employment and housing development;**
- **Partners should establish a new partnership protocol with national agencies based on commitment to account for local growth priorities.**
- **Local authorities should work with national government to unlock sites through investment in infrastructure.**
- **Partners should also lobby for the removal of restrictions on councils' ability to borrow money against existing housing assets.**
- **The Solent LEP should work with local partners and national agencies to build on current business support with the establishment of a Business Growth Hub.**
- **Local schools and other partners should follow the approach taken in the London Challenge and work collaboratively to improve educational attainment.**
- **The Solent LEP should work with schools, colleges and universities to raise aspirations among young people locally to go to university.**
- **The Solent LEP should pilot new approaches to workforce training and establish a partnership agreement with the Skills Funding Agency.**
- **Partners should continue to explore ways to use existing funding more efficiently and increase levels of self-sufficiency.**
- **Partners should continue to lobby for a single pot for capital and revenue.**