

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	16 April 2024
<b>Title:</b>	Driving Towards Economic Strength
<b>Report From:</b>	Director of Hampshire 2050

**Contact name:** Gary Westbrook

**Email:** Gary.westbrook@hants.gov.uk

### Purpose of this Report

1. The purpose of this report is to provide a timely update on the state of Hampshire's economy and to highlight latest developments on sub-national economic policy making including current issues affecting skills, economic development, and strategic planning, recognising the importance of a strong and prosperous economy as a critical enabler of wider long-term outcomes across the County.

### Recommendations

It is recommended that Cabinet:

2. Notes that the economy fell into a mild recession at the end of last year, which places an emphasis on the County Council to continue to use its scale and influence to drive towards long term economic competitiveness of Hampshire, through shaping and influencing the key priorities set out in the Economic Strategy approved by Cabinet in December 2022. This also includes the County Council's role in promoting place-based Regeneration and Growth Partnerships.
3. Notes the Government announcement that councils across England will receive a £600 million support package, in addition to funding outlined at the local government finance settlement, to help them deliver key services. The support package will primarily be added to the Social Care Grant to bolster social care budgets. The Spring Budget did not address ways to ease the severe financial pressures faced by local government.

4. Notes the new requirement to produce and publish local authority productivity plans by July 2024 which need to set out how councils will improve service performance and reduce wasteful expenditure.
5. Notes the update on the integration of Local Enterprise Partnership (LEP) functions into the Upper-tier Local Authorities in Hampshire, including the proposals for decision making.

### **Executive Summary**

6. The latest preliminary estimate suggests that the UK economy fell into a recession at the end of last year and economic growth in Hampshire remains subdued and is projected to remain broadly flat this year.
7. Timely evidence from business and consumer surveys suggests that a sluggish recovery most likely started in January, and that any recession is likely to be short lived. Business activity increased and retail sales rebounded strongly in January accompanied by further improvements in consumer and business sentiment.
8. Backward looking data on employment, activity and unemployment in Hampshire and Isle of Wight remains strong and better than the regional average but forward-looking jobs vacancy data (online jobs postings) points to further signs of cooling demand for labour at the start of this year.
9. Headline inflation remained unchanged in January, but core and services inflation remained uncomfortably high. Inflation is projected to ease to the 2% target in the summer before increasing again in the second half of the year. Given that key indicators of inflation persistence remain elevated it is likely that monetary policy will remain restrictive for sufficiently long until the risk of inflation becoming embedded above the 2% target dissipates.
10. As has been noted previously, the County Council has continued its ambition to increase Hampshire's competitiveness and ensure sustainable rates of economic growth that would lead to increases in wages, living standards and economic prosperity over the medium-to-long term.
11. The announcement by Government in August 2023 that the functions of Local Enterprise Partnerships will be transferred to Upper Tier Local Authorities from 1 April 2024 plays a critical role in driving economic strength in the County. This new approach will enable a strategic focus to economic development across Hampshire, based on a recognised functional economic area. This report provides an update on the integration work being carried out to ensure a smooth transition to the new way of working.

## The Current Economic Challenge

12. In the first half of 2023 the UK economy proved more resilient to the combined impact of high inflation and rising interest rates than the Office for Budget Responsibility (OBR) thought back in March 2023. Hampshire and Isle of Wight economy also weathered the cost-of-living crisis better than expected. Our preliminary estimate suggests that economic growth was sluggish but slightly faster than the UK average.
13. Preliminary growth estimates from the UK Office for National Statistics suggest that the UK economy ended the year in a mild recession with a 0.3% contraction in GDP in the final quarter of last year. Excluding 2020, last year marked the weakest annual growth in GDP since 2009 banking crisis.
14. Our preliminary estimate suggests that Hampshire and Isle of Wight economy is also likely to have fallen into a mild recession. Whether or not there was a mild recession, the big picture is that economic growth in Hampshire remains subdued and that it is likely that economic growth will remain subdued throughout 2024.
15. Timely data suggests that recession may be already nearing an end. Retail sales volumes are estimated to have increased by 3.4% in January, the fastest monthly rise since April 2021. Over the quarter retail sales volumes fell by 0.2% in the three months to January, the smallest fall since last year.
16. The strong rebound in sales in January appear to contrast with the declining footfall and challenging trading conditions reported by some retailers. However, compared to the rest of the year, January is a much less important month of trading. Retail activity is projected to remain weak in the first quarter of this year.
17. Timely survey evidence suggests that private sector activity has stabilised and may be edging up again. The increase in business activity in the region in January was marginal but nevertheless stronger than in December and the quickest in seven months.
18. Growth in business activity was encouraging but the volume of new work decreased in January with the current decline running to seven months. Nevertheless, the pace of contraction fell to a six-month low and was only marginal. Business sentiment towards future output growth in the region stood at its strongest since April 2022.
19. With only a third of the impact from the Bank of England's 14 consecutive increases in interest rates feeding through, Hampshire's economy remains exposed to a further slowdown in demand in the first quarter of this year but the latest evidence from consumer surveys has been equally encouraging.
20. Consumer sentiment improved for the third consecutive month in January reaching the highest level since January 2022 and coming in above market expectations. Consumer expectations for personal finances for the next 12

months turned positive for the first time in two years which suggests that things are heading in the right direction. January's cut in national insurance, falling mortgage rates and rising real wages are the factors that have most likely boosted consumer confidence.

21. In the Spring Budget the Office for Budget Responsibility (OBR) revised up its GDP growth forecast for 2024 and 2025, from 0.7% to 0.8% and from 1.4% to 1.9% respectively. The change was mainly due to the fall in market interest rate expectations, the recent improvement in timely indicators of business activity and a boost to demand and spending from the additional cut to National Insurance.
22. Whilst in line with a range of published independent forecasts, the OBR forecast for 2024 and 2025 is still much stronger than the Bank of England forecast. The Bank now expects the UK economy to expand by 0.2% this year followed by 0.6% growth in 2025.
23. The OBR short-term forecast is for real GDP to rebound by 0.2% in the first quarter of 2024 thus suggesting that the technical recession at the end of 2023 has already ended. The OBR growth forecast for the first quarter of this year is similar to the Bank of England forecast of 0.1% growth.
24. The latest independent forecasts from Experian (December 2023) suggest that the Hampshire and Isle of Wight economy is expected to remain broadly flat in 2024. Economic growth in Hampshire is expected to pick up gradually to 1% in 2025, 1.6% in 2026 and 1.9% in 2027.
25. In light of the recent revisions to the UK growth forecast it is likely that Hampshire's forecast will also be revised upwards. However, regardless of any upward revision to this year's growth rate economic growth in Hampshire over the next three years (1.5% p.a.) is projected to be on average considerably slower than the 2.1% p.a. growth rate observed in the pre-pandemic decade.
26. Better than expected performance of the economy in the first half of 2023 has also translated into a stronger labour market in Hampshire and Isle of Wight. Employment rate reached 79.4% and economic inactivity decreased to 18% of the population of working age in the year to September 2023. The unemployment rate on the broader survey-based measure is estimated to have decreased to just 3.1%.
27. The labour market performance of Hampshire and Isle of Wight on a handful of headline indicators (employment, activity, and unemployment) has now improved to above the South East average. There were significant disparities within Hampshire with the County area generally performing better than the two cities.
28. Timelier but backward-looking employment data from HMRC suggest that PAYE employment edged higher in January and that the claimant count

unemployment rate remained unchanged. However, the latest forward-looking data point to some early signs of weakness.

29. Hampshire and Isle of Wight experienced a small downturn in job opportunities as vacancies (online job postings) fell in the three months to January. The fall in January was larger than in December and slightly larger than the South East average.
30. Jobs demand decreased across all four broad skills categories with demand in lower skilled occupations falling faster than in higher skilled occupations in January. While the decline in vacancies in recent months have been spearheaded by businesses removing online jobs vacancies due to subdued demand and high costs, the number of vacancies remains above pre-pandemic levels.
31. The OBR expects the UK labour market to continue softening with employment growth forecast to stall in 2024. Under the weight of high interest rates and slower economic growth the unemployment rate is expected to peak at 4.5% in the last quarter of this year.
32. The peak in unemployment numbers is marginally lower than in the November forecast, though it comes half a year sooner. The unemployment rate is then forecast to decline to its estimated structural level of 4.1% by 2028. This is more optimistic than the latest Bank of England February 2024 forecast which expects unemployment to reach 4.9% by the end of 2025.
33. Wage growth in Hampshire and Isle of Wight remains strong. Median PAYE pay growth increased by 6.5% in the three months to January, slightly faster than in December and faster than in the South East.
34. Softer demand for labour should lead to slower wage growth and some reduction in wage driven inflationary pressures. However, tight labour supply in Hampshire could mean that relatively high wage pressures remain entrenched in the economy for longer than anticipated.
35. Consumer price inflation (CPI) increased by 4% in January, softer than expected and unchanged on December. Food prices fell on a monthly basis for the first time since September 2021, but core inflation (ex. food and energy) remained unchanged at 5.1% while services inflation increased to 6.5%. The strength of core and services inflation somewhat complicates outlook for interest rates.
36. Business cost burdens in the region eased slightly in January compared to the previous month but the rate of inflation faced by region's businesses was high compared to the historic average. The latest increases in business costs were driven by higher wages and higher costs of freight, amid disruption to shipping in the Red Sea. Companies across the region raised output prices further in January but the latest increase in charges to consumers was the least pronounced in three months.

37. Headline CPI inflation is expected to ease to the Bank's 2% target in the summer before increasing again in the second half of the year. Given that key indicators of inflation persistence remain elevated it is likely that monetary policy will remain restrictive for sufficiently long until the risk of inflation becoming embedded above the 2% target dissipates.
38. Some mortgage rates have nevertheless fallen back below 4% which should support house sales and prices this year. The fall in mortgage rates essentially implies that the effects of lower interest rates are already being felt with some market participants expecting the rates to fall sooner than the second half of the year.
39. Consumer bills have not changed much due to the removal of £400 support from the government. However, the OFGEM price cap is expected to reduce to around £1,660 in April 2024 compared to the £1,834 price cap in October, which will help ease inflation further as well as improve consumer incomes.
40. Hampshire & Isle of Wight saw a large drop in house sales in October 2023 and a compared to October 2022. The fall in transactions in October was comparable to the South East average. House prices fell in the County area, Southampton and Portsmouth in December, but the Isle of Wight saw growth in house prices. House prices on average fell in 2023 but recent surveys point to some growth in house prices this year.
41. There are signs that higher interest rates are gradually starting to weigh more heavily on business investment. The Bank of England's Regional Agents' summary of business conditions in the fourth quarter of 2024 showed that regional business contacts are now planning to reduce investment over the coming year. Business contacts are starting to feel margin or cash-flow pressure and are cutting their investment plans in the face of elevated financing costs and tighter financial conditions.
42. Investment intentions stories vary by sector. Many in consumer services have completed post-Covid refurbishment of their premises, so their rates of investment have slowed. Manufacturing contacts are scaling back investment plans while business services are scaling back investment plans, marginally, for the first time, although most continue to invest in technology.
43. Total commercial take-up in Hampshire and Isle of Wight in the fourth quarter of 2023 stood at 681,548 sq. ft, 1.7% growth on the third quarter. Industry accounted for 70.6% of total demand followed by offices at 16.7% and retail at 11.8%. Hotels & leisure saw no take-up in the third quarter, but this broad sector accounted for 1% (6,647 sq. ft) of total commercial take-up in the fourth quarter. The final quarter of 2023 saw small quarterly declines in demand for industry and retail but a 20% increase in demand for offices.
44. Alongside the take up of commercial space, a number of recent investments and new project awards have been made over the past quarter including:

- Southampton-based RAD Propulsion has received a £1 million investment from Ocean Infinity to help fund its rapid operational scaleup
- ABP started work on new £15 million welfare facility for drivers of heavy goods vehicles (HGVs) using the Port of Southampton
- Sonichem reached £1.1 million target on crowdfunding platform Seedrs to expand their cleantech operation
- Fareham-based advanced manufacturing firm AMufacture has secured a seven-figure investment from Maven's Venture Capital Trusts (VCTs), providing capital for AMufacture to buy additional 3D printing technology to build out capacity for specialist additive manufacturing
- Spacetech startup OhmSpace (Future Worlds Cohort 21 and grown from the University of Southampton Astronautics research group) has announced a €1.2m funding round, led by Scientifica Venture Capital, with the new investment allowing OhmSpace to further accelerate its growth, research & development, and expand its market presence
- over the past year 28 new members joined Farnborough Aerospace Consortium as the sector continues to recover post-pandemic
- Alresford-based Hattingley Valley is the first English winery secured a set listing with Sweden's state-run alcohol monopoly, Systembolaget, following a competitive tender against 14 other English wine brands.

45. The acquisition market in Hampshire appears to be slightly more active than at the end of last year:

- construction materials distributor Brickability has bought Hampshire-based facade and roofing contractor Topek Southern Limited (TSL) for £48m
- Cicor, manufacturers of high-reliability electronics for medical, industrial and aerospace & defence applications has acquired Gosport-based STS Defence Limited to expand its presence UK high-end electronics market
- Bedford-based Netcall plc acquired Portsmouth-based Skore Labs Limited for £6.2 million
- Windsor Telecom has acquired Hayling Island-based KSM Telecom as it looks to deepen its relationship with the SME marketplace
- private equity-backed TXO has announced the agreed acquisition of Andover-based Lynx UK Ltd aligns a specialist networking decommissioning and engineering services provider.

46. Survey evidence from regional surveys of purchasing managers suggests that export conditions for the region's manufacturing goods have almost stabilised at the start of this year. The latest decrease in the economic health of the region's top five export markets (USA, Germany, France, Ireland and Netherlands) was fractional and the slowest in six months in January.

47. The latest Economic Intelligence Dashboard (Annex 1) produced in late-February contains additional information on the current economic and labour market trends in Hampshire.

## The Sub-National Economic Policy and Our Response

### The Spring Budget

48. The headline policy announcement in the Spring Budget was further cuts to National Insurance Contributions (NICs):
- the main employee (Class 1) NI rate is to be cut by 2 percentage points to 8% from 6 April 2024. This follows a cut from 12% to 10% in January 2024. There are some 625,000 people in Hampshire County Council area that pay tax on employment income and rising to 868,000 across Hampshire and Isle of Wight who should benefit from the additional cut to NICs. A typical worker in the County area on an average salary of £39,800 will save over £540 a year on average
  - the self-employed will also gain from a 2 percentage points cut to the main rate of Class 4 NICs to 6%. This is in addition to the 1% cut announced in the 2023 Autumn Statement, which also comes into effect in April 2024. Some 78,000 self-employed people in the County area stand to benefit from this measure rising to 109,000 in Hampshire and Isle of Wight. A typical self-employed worker in the County Council area on an average salary of £28,600 will save over £320 a year on average. The Government will also abolish class 2 self-employed NICs.
49. In late January the Government announced that Councils across England will receive a £600 million support package, in addition to funding outlined at the provisional settlement, to help them deliver key services. The extra resource will be earmarked for rising costs in children's services and adult social care. The support package will primarily see an additional £500 million added to the Social Care Grant to bolster social care budgets, a key concern raised by the County Councils Network (CCN).
50. Some £165 million of additional funding announced in the Spring Budget will be allocated for children's homes. The government will provide £45 million match funding to local authorities to build an additional 200 open children's home placements and £120 million to fund the maintenance of the existing secure children's home estate and rebuild Atkinson Secure Children's Home in Devon and Swanwick Secure Children's Home in Hampshire. The Government will also work with the Local Government Pension Scheme (LGPS) to consider the role they could play in unlocking investment in new children's homes.
51. The Household Support Fund (HSF), distributed by councils in England to directly help vulnerable households with expenses such as food, clothing, and utilities has been extended until September 2024. However, the Spring Budget did not address ways to ease the severe financial pressures faced by local government.
52. The chancellor has chosen to broadly maintain spending on public services at the same level announced in the Autumn Statement. Day-to-day departmental spending will increase by 1% in real (inflation-adjusted) terms



from 2025-26 with capital spending set to be frozen in cash terms. According to the OBR on a per-person basis, spending will be flat in real terms for the rest of the decade thus, heralding further pressure on public services.

53. Furthermore, once spending on the protected areas (NHS, defence, overseas aid, and education) are accounted for, then day-to-day spending in non-protected departments will need to be cut by over 2% on average per annum in real terms for the rest of the decade.
54. The government has confirmed the allocation of £100 million of the levelling-up funding for culture projects recognising the important role that culture and pride in place have to play in levelling up. No project from Hampshire or the South East will receive the funding thus again pointing to an imbalance between funds allocated to different parts of the country.
55. At Autumn Statement 2023, the government offered Level 2 devolution powers to some councils which cover a whole county or functional economic area. The government has finalised the first of these agreements with Surrey County Council, Buckinghamshire Council and Warwickshire County Council.
56. The Chancellor has announced a new Level 4 “trailblazer” devolution deal with the North East Mayoral Combined Authority, which will provide a package of new funding potentially worth over £100 million, including a new Growth Zone to support the region’s growth ambitions.
57. The total package of tax cuts announced in the Spring Budget amounts to £13.9bn (or 0.5% of GDP) in 2024/25. This mainly consists of additional cuts to National Insurance Contributions costing the exchequer £10.07bn in 2024/25. The two additional cuts to NICs combined are worth about £322.8 million to 625,000 tax paying workers in the Hampshire County Council area. Those tax cuts will partially be paid for by tax rises for non-doms, the introduction of a vaping products levy, by scrapping furnished holidays tax reliefs, extending the windfall tax on the profits of North Sea oil and gas companies for a year, and the increase in air passenger duty on premium economy and business class flights.
58. In January 2024 the Government announced that Councils will have to produce productivity plans by July. The plans will need to set out how Councils will improve service performance and reduce wasteful expenditure. These plans need to be short and draw on work councils have already done, identifying ways to unlock productivity improvements, and setting out the key implementation milestones.
59. It is expected that the plans will cover four main areas:
  - transformation of services to make better use of resources
  - opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design
  - ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and discredited staff Equality,

- Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter extremism
  - barriers preventing activity that Government can help to reduce or remove.
60. DLUHC officials will work with the local government sector on the approach to producing these plans. Productivity plans should be agreed by Council Leaders and members and published on local authority websites, by July 2021. Alongside this, the Government will establish a new productivity review panel, made up of sector experts including the Office for Local Government and the Local Government Association.
61. Hampshire County Council has secured funding from the Government's Skills Bootcamps programme (flexible training courses for adults aged 19 and over). DfE funding of £5.6 million is for 2023-25 and will be used to support individuals to access training and employment in sectors with skills gaps. Short, flexible courses with wrap around support developed alongside employers and targeted at areas highlighted as having skills gaps through the LSIP process. The activity will be delivered by local training providers.
62. Economic Development team are currently working with the Defence and Security Accelerator (DASA) to have the South East recognised by the Government as a Regional Defence and Security Cluster (RDSC). In November 2023 economic development team hosted a roundtable with regional stakeholders to discuss the appetite for an RDSC in the region. The team with the MOD, Airbus, Captec, DASA and Fareham Borough Council organised an 'SME Voice' event that took place on 5 February 2024.
63. At the first SME Voice event, 12 SMEs presented their company's capabilities to representatives from the Regional Defence and Security Cluster for the South East at the award-winning computers and systems manufacturer Captec's UK headquarters in Fareham. As a member of the steering group behind the event, in collaboration with Airbus, Hampshire County Council was instrumental in bringing organisations together.

## **LEP Integration**

64. Local Enterprise Partnerships have played an important role in supporting local economic growth since 2011. They have brought together businesses, education and local government with a clear strategy for economic success and have targeted funding to the areas that will benefit most at a local level, releasing economic capital.
65. The Levelling up White Paper set out the Government's commitment to extending devolution across England, empowering local leaders and integrating LEP functions into local democratic institutions. In August 2023 Government confirmed their expectation that those LEP functions carried out under current core funding agreements (business representation, strategic

economic planning, and responsibility for delivery of specific government programmes where directed, including Growth Hubs, and Careers Hubs) to now be exercised by Upper Tier Local Authorities where they are not already delivered by a Combined Authority, or in areas where a devolution deal is not yet agreed.

66. The County Council will therefore have accountability, funding and responsibility for these functions from 1 April 2024, and any future governance or partnership arrangement would need to reflect this.
67. Core funding of up to £240,000 has been confirmed by DLHUC per new governance area. The funding for Careers Hubs runs until the end of August 2024 with funding beyond August still to be allocated. At the time of writing the report there has been no allocation of funding from the Department for Business and Trade (DBT) for the delivery of a Growth Hub, but this is anticipated before the start of the next financial year.

## **Disaggregation Details**

### Assets

68. There are two Local Enterprise Partnerships covering the Hampshire Area. Enterprise M3, which covers North Hampshire and West Surrey, and the Solent LEP which covers the southern Hampshire districts and the unitary Councils of Southampton, Portsmouth and the Isle of Wight.
69. Since the announcement that LEPs were to be abolished and the functions to transfer to Upper Tier Authorities the Council has been working with partners (Surrey County Council in respect of Enterprise M3 and Portsmouth City Council in respect of Solent LEP) to agree how assets of the existing LEPs will be split between the Upper Tier Councils they currently cover. A simple form of disaggregation has been agreed that can be applied to most assets in the same way.
70. The disaggregation of Enterprise Zones is more complex due to the cross-boundary impact of the economic benefits. In the Enterprise M3 area there are three Enterprise Zones – Basing View (in Basingstoke and Deane), Tech Forest (in East Hampshire) and Longcross (in Runnymede, Surrey). It is proposed that the Enterprise M3 Enterprise Zones will be split on a geographical basis with any Business Rates Income Growth (BRIG) that is currently ring-fenced for the LEP going to the relevant County Council (after payment of any outstanding loans and in accordance with existing payment schedules).
71. The Solent LEP Enterprise Zone is based at Daedalus (crosses both Fareham and Gosport districts) and will fall into the County Council's area as part of the disaggregation of Solent LEP. A new MOU is being drawn up to include Hampshire County Council as one of the partners. In accordance

with the agreement under which the Solent Enterprise Zone was set up any BRIG generated will be reinvested in the Enterprise Zone.

72. As part of the disaggregation of Enterprise M3 the Funding Escalator investment fund managed by Finance South East (FSE) will be closed down and available funds will be split between Hampshire County Council and Surrey County Council in accordance with the working age population figures as above. The debt and equity investments made by FSE to a variety of companies within the geographical area of the LEP will take an estimated four years to be unwound. This period is linked to the debt arrangements which have an agreed repayment term and the equity investments which will be sold with a view to maximising return and once a viable market exists for the equity sale. The returned funds will be disaggregated annually.
73. By closing down the Funding Escalator there is an opportunity for the newly formed Hampshire Prosperity Partnership Board to re-evaluate the priorities for investment over an extended geographical area (the existing fund covering only north Hampshire), taking into account issues that affect the wider Hampshire area.

#### Staffing

74. The disaggregation of the LEPs has implications for the staff currently employed to undertake LEP functions. Hampshire County Council is the accountable body for Enterprise M3 and therefore is technically the employer of all permanent staff and directly employed temporary staff. Portsmouth City Council is the accountable body for Solent LEP and acts as employer of all staff in the same way as Hampshire County Council does for Enterprise M3.
75. The likely staffing arrangements for the economy and skills area post 1 April 2024 cannot be fully resolved until the new Economy and Growth Board has identified its priorities and agreed its delivery plan. It is anticipated that this will take place before the summer.

#### **Post LEP Governance**

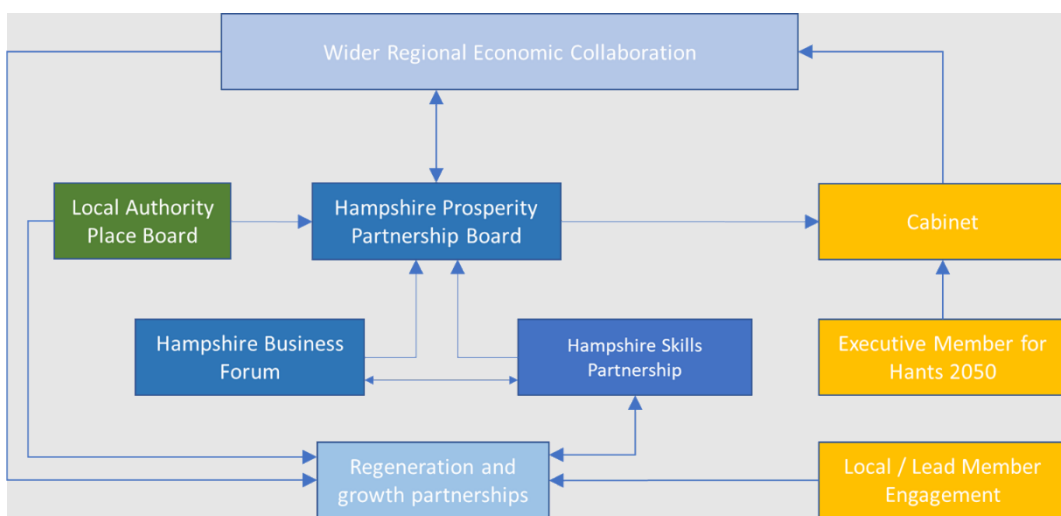
76. Government guidance encourages upper tier local authorities to create or continue to engage with an Economic Growth Board (or similar) made up of local business leaders and relevant representative bodies to (a) provide the view of local businesses as part of regional decision making and (b) work with local leaders to create a broad economic strategy for the area.
77. In accordance with the above guidance the Council has set up a Shadow Economic Growth Board now named as the 'Hampshire Prosperity Partnership Board' made up of businesses, business representative organisations, as well as education and local authority partners. The Shadow Board's role is to set up and recruit to the permanent Hampshire Prosperity Partnership Board. Providing an independent and mixed sector approach. The recruitment to Board will be carried out as follows:

- business representative organisations – Chamber of Commerce and Federation of Small Business to each nominate a representative
- businesses (direct representation) - to apply via a formal application process to be assessed by the independent Shadow Board
- Local Government – Hampshire County Council (Chair of Board) and three District Council representatives – to be nominated by the District Councils as a group
- Higher Education – representative to be nominated by universities within the pan-Hampshire area (the pan-Hampshire area was chosen in recognition of economic impact universities have which is wider than just the immediate area they are located in)
- Further Education – representative to be nominated by other FE colleges in the Hampshire County area (including those FE college groups that cross into the city areas, but not those that are solely based outside of the County Council area)
- Freeport – representative to be nominated by the Freeport.

78. Recruitment of the Hampshire Prosperity Partnership Board will be undertaken in March and April 2024 with membership of the Board agreed at the Executive Member for Hampshire 2050 Decision Day on 21 May 2024. The Shadow Board has agreed to remain in place until the permanent Board is in place.

79. The supporting Governance structure will comprise of the following:

- Place Board – made up of all Hampshire District Council Leaders
- Business Forum – made up of businesses (large, medium, small and micro and a cross-section of different sectors)
- Education and Skills Partnership made up of representatives from Higher and Further Education, private providers and Hampshire County Council



## **Decision Making and Democratic Accountability**

80. As the accountable organisation for the Hampshire Prosperity Partnership Board the formal governance arrangements need to form part of Hampshire County Council's formal decision-making process as specified in the Constitution. However, there is a desire to keep the Hampshire Prosperity Partnership Board agile and therefore wherever possible decisions will be taken by the Leader of the Council in his role as the Executive Member for Hampshire 2050 and Corporate Services. The Leader may also choose to refer some decisions to Cabinet where appropriate.
81. Therefore, Hampshire Prosperity Partnership Board and its subgroups are not formal decision-making bodies but will instead make recommendations with the decision being taken by either the Executive Member of Hampshire 2050 and Corporate Services or Cabinet. The intention is that wherever possible the recommendations of the Board will be agreed. However, Cabinet or the Executive Member for Hampshire 2050 may, after considering all relevant information, decide not to agree a recommendation from the Board.

## **Economic Strategy and Priorities**

82. The work of Hampshire Prosperity Partnership Board will be framed by the Hampshire Economic Strategy and based around strategic themes, for example Town Centre Regeneration, Enterprise Growth, Sector Support, and Skills Retention and Development. These themes will be identified by the new Board in discussion with partners and based on evidence of the issues affecting economic success in the area.
83. The October Cabinet report confirmed the County Council's intention that the LEP functions will be delivered at a County level. The unitary authorities of Southampton, Portsmouth and the Isle of Wight have indicated that they will not become part of any County-wide arrangements and will discharge their post-LEP duties directly, working together with Solent Partners. Therefore, the governance arrangements that the County Council is putting in place will include the whole county area minus the cities and the Isle of Wight.
84. At the current time the focus is on agreeing the governance structure for the Hampshire County area. Once this has been agreed, and the new Board is operational, arrangements for collaboration at a more regional level can be developed. However, it is the County Council's intention to engage proactively with neighbouring governance arrangements.

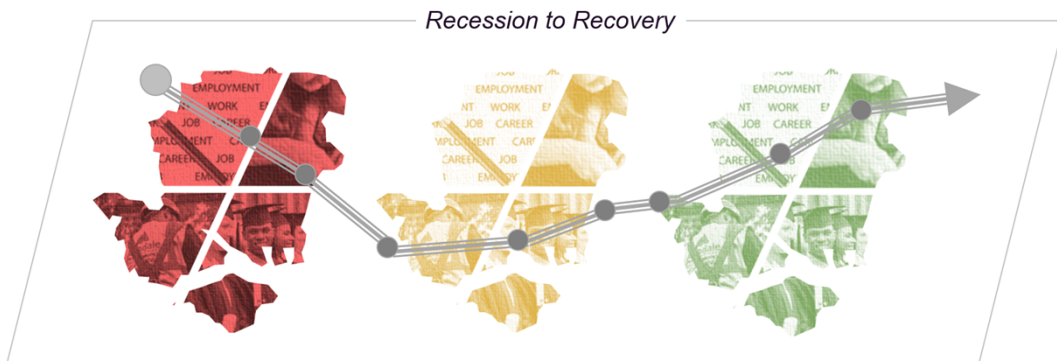
## **Next Steps**

85. The immediate priorities for LEP integration is to:
- recruit the members of the Hampshire Prosperity Partnership Board. The first meeting of the Shadow Board took place in early February
  - set up the supporting governance groups (Business Forum, Education and Skills Partnership)

- agree priorities and develop a strategic economic plan to be owned by the Hampshire Prosperity Partnership Board
- ensure the right resources are in place to deliver LEP functions from 1 April 2024, including staffing.

## **Conclusions**

86. Despite continued economic challenges Hampshire performed better than expected and slightly better than the UK average in first half of 2023. However, the UK economy fell into a technical recession in the second half of 2023 with the Hampshire and Isle of Wight economy also most likely falling into a mild recession at the end of last year.
87. Survey evidence suggests that a sluggish recovery started at the start of this year but despite falling inflation the outlook over the medium term is equally uncertain and presents significant challenges particularly in regard to business activity and growth.
88. Hampshire will benefit from the new financial support package introduced in February with social care being the main beneficiary, the new funding from the Government's Skills Bootcamps programme and some measures introduced in the Spring Budget, but greater investment is needed to ensure sustainable rates of economic growth that would lead to increases in living standards and economic prosperity over the medium-to-long term.
89. The work the Council is doing in the employment and skills arena is a key part of overcoming these challenges and the disaggregation of the LEPs and the moving of functions to Upper-Tier authorities provides an opportunity to consolidate this work and deliver the services in the most efficient way.
90. The Hampshire Prosperity Partnership Board will provide a structure to identify the actions needed to maintain Hampshire's economic advantage and to monitor outcomes and impacts to ensure that Hampshire is a place where all can benefit from its economic success.



## Hampshire Monthly Intelligence Dashboard

February 2024

Hampshire County Council  
Hampshire 2050



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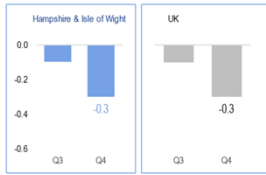
Theme	Indicators	
Business Activity	<ul style="list-style-type: none"> <li>Economic Growth</li> <li>Business Activity</li> <li>Business Prices</li> <li>Inflation</li> </ul>	Page 1
Jobs and Earnings	<ul style="list-style-type: none"> <li>PAYE Employees</li> <li>PAYE Earnings</li> <li>Labour Demand</li> <li>Jobs Demand by Skills Level</li> </ul>	Page 2-3
Unemployment	<ul style="list-style-type: none"> <li>Claimant Unemployment</li> <li>Local Claimants</li> <li>Youth Unemployment</li> <li>Local Young Claimants</li> </ul>	Page 4
Sentiment and Investment	<ul style="list-style-type: none"> <li>Business Investment</li> <li>Retail Sales</li> <li>Consumer Confidence</li> <li>House Sales</li> </ul>	Page 5



# Business Activity

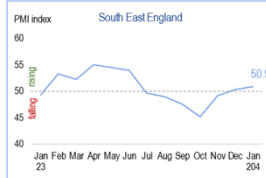
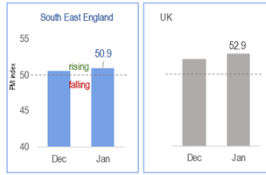
1

## Economic Growth



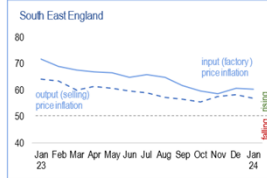
- The UK fell into a technical recession at the end of last year. Excluding 2020, last year marked the weakest growth in GDP since 2009 banking crisis.
- Hampshire's economy is also likely to have fallen into a mild recession, but timely data suggests that it may be already nearing an end.

## Business Activity



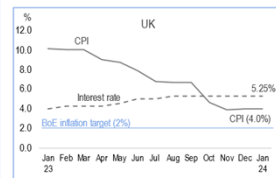
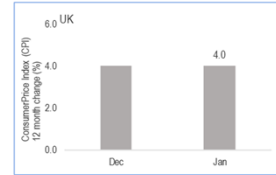
- Timely survey data from purchasing managers for Jan points to modest improvement in the region's private sector business activity (output) and quickest in seven months.
- Growth in business activity was encouraging but the volume of new work decreased with the current decline running to seven months.

## Business Prices



- Business cost burdens in the region eased slightly in January compared to the previous month. Increases were driven by rising wages and higher freight costs due shipping disruption in the Red Sea.
- The increase in charges to consumers last month was the least pronounced in three months.

## Inflation

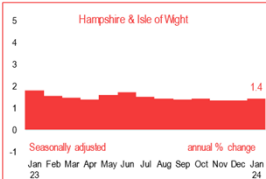
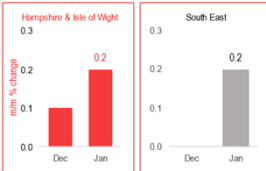


- Annual consumer price inflation (CPI) rose by 4% in Jan, softer than expected and unchanged on December. Food prices fell on a monthly basis for the first time since September 2021.
- Core inflation (ex. food and energy) held at 5.1% but services inflation increased to 6.5%.

# Jobs and Earnings

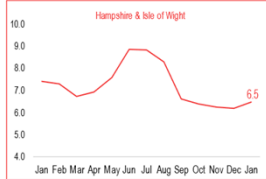
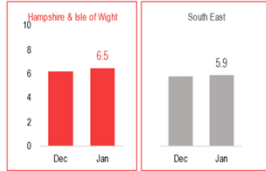
2

## PAYE Employees



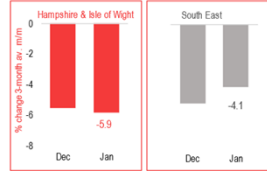
- Timely estimates from HMRC show small increase in PAYE employees in Hampshire and Isle of Wight at the start of this year. Early estimates saw monthly increase of 1,600 or 0.2% in January.
- Although annual PAYE employee growth was strong at 1.4%, quarterly growth was sluggish at just 0.2%.

## PAYE Earnings



- PAYE pay data continues to point to robust wage growth in Hampshire and Isle of Wight in January. Median PAYE pay growth increased by 6.5% compared to 5.9% in the South East.
- Tight labour supply in Hampshire could mean that high wage pressures remain entrenched in the economy for longer than anticipated.

## Labour Demand



- Labour demand as measured by the number of online job postings in Hampshire & Isle of Wight continues to ease in January, not following the typical seasonal bounce as employers ramp up hiring plans.
- According to ONS fewer than 1 in 10 (8%) businesses experienced worker shortages in late January 2024.

## Demand by Occupation

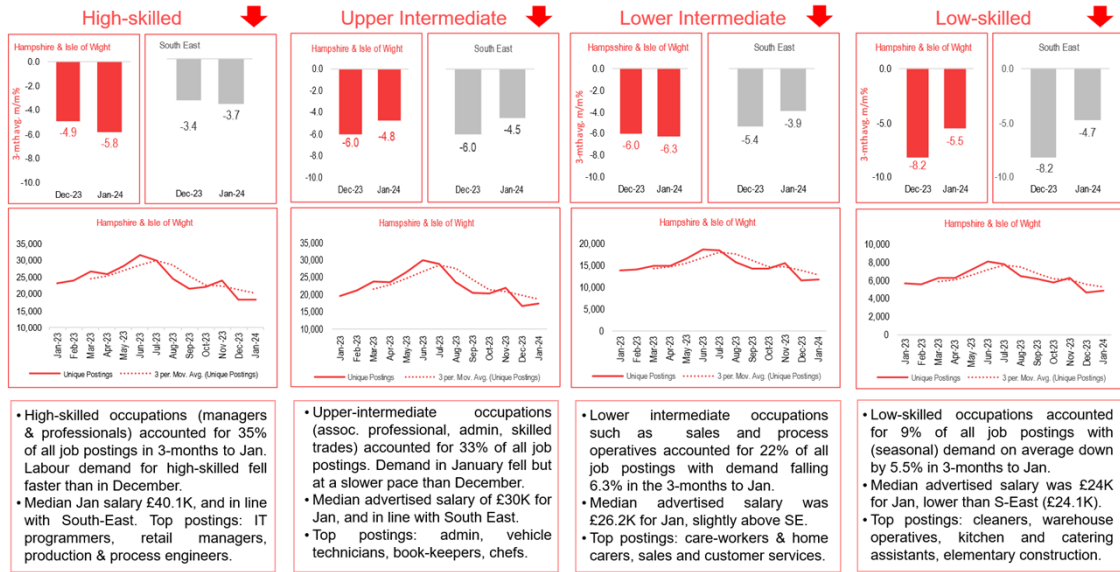
Unique job postings by Occupation (SOC)	Jan	% of total
Care Workers and Home Carers	2,123	7.2
Sales Related Occupations n.e.c.	1,581	5.3
Cleaners and Domestic	1,268	4.3
Programmers and Software Development Professions	1,034	3.5
Customer Service Occupations n.e.c.	1,009	3.4
Other Administrative Occupations n.e.c.	894	3.0
Managers and Directors in Retail and Wholesale	854	2.9
Vehicle Technicians, Mechanics and Electricians	828	2.8
Teaching Assistants	817	2.8
Social Workers	752	2.5

Unique job postings by Occupation (SOC)	Nov	% of total
Sales Related Occupations n.e.c.	2,990	6.0
Care Workers and Home Carers	2,899	5.9
Programmers and Software Development Professions	2,010	4.1
Customer Service Occupations n.e.c.	1,983	3.9
Cleaners and Domestic	1,900	3.6
Managers and Directors in Retail and Wholesale	1,654	3.4
Book-keepers, Payroll Managers and Wages Clerks	1,400	2.8
Warehouse Operatives	1,371	2.8
Other Administrative Occupations n.e.c.	1,359	2.7
Mechanical Engineers	1,312	2.6

- Top in-demand jobs in Hampshire & Isle of Wight in January broadly similar to November but fewer vacancies. Vehicle technicians, mechanics & electricians, teaching assistants, and social workers edged up in January compared to Nov.
- The top in-demand specialised skills in Project Management and Finance.

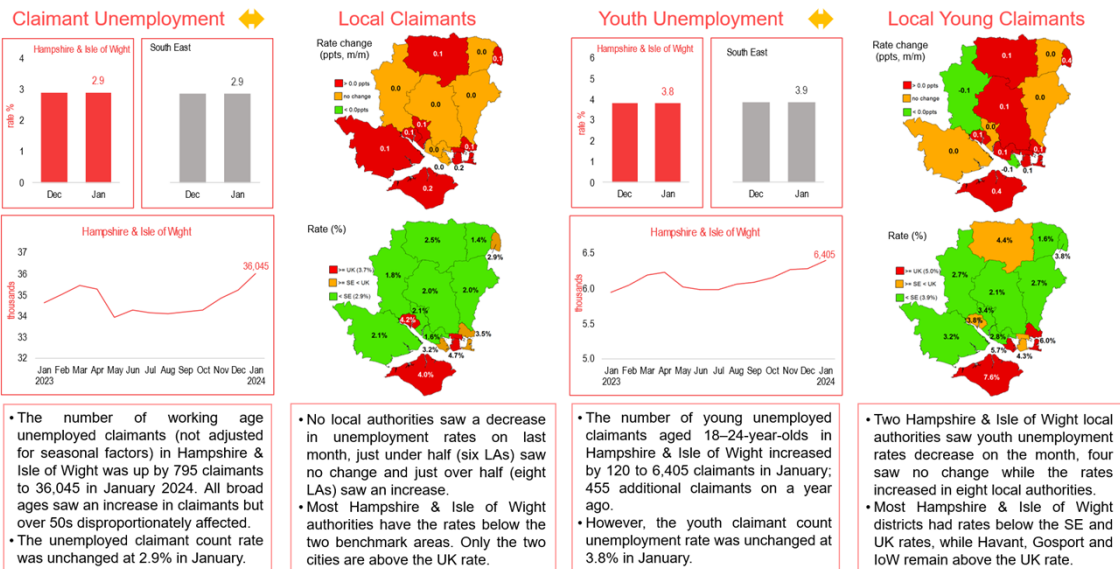
## Jobs demand by skills-level (occupational demand)

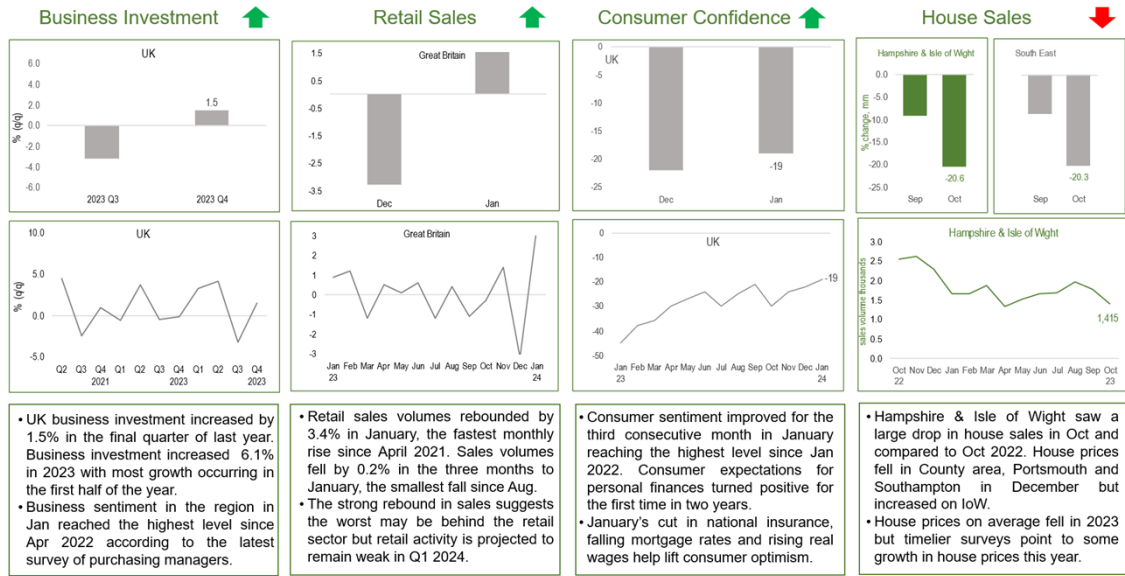
3



## Unemployment

4





How to read 'traffic lights':



Refers to decline or growth relative to the previous period (GVA, PMI business activity and business prices indicators, job postings, business investment, retail and house sales).

In the case of inflation, PAYE employment & earnings and consumer sentiment it refers to the direction of travel relative to the previous period.

For claimant count unemployment indicators, the change refers to the rate not the level. For example, a decrease in youth unemployment would see a downward green arrow.



Little or no change on previous period.

\* The local estimate is preliminary, and it needs to be treated with a high degree of caution since it is based on the sectoral mix of Hampshire and the Isle of Wight and the national sectoral impacts.

Sources:

The primary data sources are the Office for National Statistics (ONS) and HMRC, while additional data comes from several commercial sources such as S&P Global, Lightcast, CBI, BCC, HM Land Registry and the Bank of England.

Monthly/Quarterly data for Business Activity, Jobs & Earnings, Unemployment and Sentiment & Investment.

In the case of several monthly indicators, the South-East is used as a proxy geography for Hampshire.

Estimates of payrolled employees and their pay from HMRC Pay As You Earn (PAYE) Real Time Information are preliminary but seasonally adjusted. Employment figures differ from the ONS Labour Force Survey (LFS) data. Median pay figures differ from the ONS estimates and are based on gross PAYE earnings which do not cover other sources of income, such as self-employment.

For further information on Hampshire's labour market see Quarterly Labour Market Updates and Monthly Ward Claimant Count Reports available at: <https://www.hants.gov.uk/business/ebis/reports>

This publication is produced by the Economic and Business Intelligence Team, Hampshire County Council



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**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	no

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

Document

Location

None

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

No equality impacts have been identified arising from this Report.