

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	7 December 2021
<b>Title:</b>	Learning to live with Covid-19 and working towards Economic Recovery
<b>Report From:</b>	Chief Executive

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### Purpose of this Report

1. This regular report to Cabinet summarises the County Council's continuing responses to the COVID-19 pandemic. The focus is now on learning to live with Covid-19 and working towards economic recovery.

### Recommendations

It is recommended that Cabinet:

2. Note the position on economic recovery action taken and the opportunities that arise for the region through the prospects of a County Deal and the potentially significant contribution a Deal could make to both the strength and nature of that economic recovery as outlined in the report, as well as an opportunity to secure wider public services reform and enhanced place leadership at different spatial levels.
3. Notes the Statement of Common Ground attached at Annex 3 that was unanimously agreed by Pan-Hampshire Leaders.
4. Endorses the draft County Deal Prospectus attached at Annex 4 which is being further developed through engagement and collaboration with partners for submission to Government in due course.
5. Endorses the current direction of travel for the devolution/County Deal work as set out in this report and authorises further work with partners to explore and develop these ideas.
6. Note that through the implementation of the COVID vaccination programme the link between infection rates and hospitalisation and deaths has been

largely broken. Nevertheless, as a society and in our role as the public health authority there is a need to manage rates of infections.

7. Note the contents of this report as a further summary of the exceptional events and recovery actions taken by the County Council concerning the COVID-19 crisis, bearing in mind that this remains a high-level analysis of what continues to be such a substantial and potentially fast changing crisis.
8. Note the fuller analyses contained in this report of continued recovery work, through the Collective Wisdom project related particularly to the return to the office.
9. Continue to recognise the on-going exceptional commitment and flexibility of the staff of the County Council as the crisis has progressed.

### **Executive Summary**

10. This report, as its predecessor reports, attempts to provide Cabinet with a general update on the Covid crisis as it is affecting the County Council, as an organisation and for the residents of the county. Clearly every function and service, and every member of staff in the organisation, continue to be deeply affected by the pandemic and continue to sustain the highest levels of professional practice against what have been often extreme, if now more common place, conditions particularly as we now learn to live with Covid-19.
11. As before, inevitably there will be dimensions of this report which will be increasingly out of date immediately after publication. Officers will ensure any such issues are highlighted in the presentation of the report at the Cabinet meeting. This will particularly apply to the latest data on the transmission of the virus, the position of hospitals in Hampshire and the progress of the vaccination programme.
12. This report provides a full analysis of the economic impact and longer-term implications of the pandemic. It outlines those issues in more detail and sets out a framework for how the County Council should go about using its scale and influence to contribute to the county's and the sub-region's economic recovery going forward.
13. The report outlines the position on economic recovery and action taken alongside the opportunities that arise for the County through the prospects of a County Deal and the potentially significant contribution a Deal could make to both the strength and nature of that economic recovery as well as an opportunity to secure wider public services reform and enhanced place leadership at different spatial levels. The report presents a draft County Deal Prospectus that incorporates the initial work to develop an evidence base and possible high level asks. Annex 3 outlines a Statement of Common Ground in respect of the County Deal that was agreed by all Leaders on 23 November.

14. The implementation of the COVID vaccination programme and the link between infection rates and hospitalisation and deaths has been largely broken, with a strong push nationally regarding the Covid Booster and winter flu vaccinations. Nevertheless, as a society and in our role as the public health authority there is a need to manage rates of infections.
15. The report refers to the work of the County Council's Health Protection Board under the leadership of the Director of Public Health and in close liaison with the Leader-led Local Outbreak Engagement Board. That includes now routine and effective communications channels set between those boards and the leadership of district and borough councils within Hampshire County. While the pandemic will undoubtedly continue, as the crisis elements to the pandemic abate, there will be future consideration about a proposal to merge the role of the LOEB with the Health and Wellbeing Board, to be determined.
16. The report involves a detailed service by service analysis of the work of the County Council in terms of the pandemic. For the sake of clarity and brevity, those issues are drawn out here more on an exceptional basis for issues or circumstances that need to be highlighted
17. Our communications and engagement activity has focused on vaccinations and promotion of regular asymptomatic testing. This has involved continuing to promote a range of key messages as part of the Government's 'keep life moving' campaign as well as amplifying the messages from the NHS 'Stay Well This Winter/Choose Well' campaign.
18. Members are aware that CMT has initiated a project called "Collective Wisdom" to help steer the organisation's operating model as we progress out of the crisis. The title of this project is in recognition of the need for wholesale engagement and problem solving going forward. The report expands on that work so far, which focussed necessarily on accommodation changes, staff have now returned to the office through 'New Ways of Working', with this aspect of the initiative considered complete as at the end of October.
19. Once again it is important that this report to Cabinet should pay regard to the continuing and unflagging commitment of the staff and managers of the County Council to sustain the highest levels of performance and service throughout this long and punishing crisis. As the crisis continues so too does the need for this commitment to be acknowledged and applauded.

### **Economic Impact and Recovery from Covid-19**

20. The impact of the pandemic on Hampshire's (Hampshire & the Isle of Wight) economy in 2020 was enormous and most likely greater than nationally, due to its greater exposure to a range of consumer facing services, education and transport related activities. The impact on the labour market and Hampshire businesses has been significant but far more modest than the impact on economic output.

21. A wide range of business support measures that have been made available to businesses meant that the impact of the pandemic on businesses insolvencies in Hampshire has been relatively modest to date but nevertheless greater than the regional and national average. In March 2021 Hampshire had 0.3% fewer enterprises (about 265 enterprises) and 0.5% fewer local business units (about 490 local business units) than in March 2020.
22. In absolute terms the greatest impact to date in Hampshire has been on the micro and small enterprises but in relative terms the greatest impact has been on large and small enterprises. The number of medium sized enterprises (50 to 249 employees) increased on the year.
23. The economy's reaction to the third lockdown introduced in the first quarter of this year was less severe than expected as consumer spending and business activity proved more adaptable to the restrictions than anticipated. Lifting of public health restrictions unleashed a stronger than expected rebound in economic growth in the second quarter
24. Business investment increased faster than previously thought in the second quarter and survey evidence from the Bank of England suggests that growth in investment in the third quarter could be faster than in the second quarter. However, significant product shortages and rising prices point to subdued growth in business investment over the short-term (next six-months). A greater focus on the 'levelling-up' agenda points to relatively strong growth in public investment in the UK.
25. Economic recovery in Hampshire and the UK came to a sudden halt in July as the 'pingdemic' hit consumer spending and staffing in the dominant services sector. Economic output contracted slightly in July, but August saw a bounce back in economic growth. Estimated growth in Hampshire was faster than the national average in the second quarter but Hampshire's growth in July and August is estimated to have slightly lagged the national average.
26. Retail sales in the UK fell for the fifth consecutive month in September, adding to the evidence of a slowdown in spending and economic growth. Leading economic indicators have remained mixed towards the end of the third quarter with increasing evidence of shortages of materials, fuel, and labour.
27. HMRC data points to strong growth in the number of payrolled employees in Hampshire in the third quarter - up 15,840 on the previous quarter. Preliminary data for September suggests that payrolled employment stood at 1.5% (over 12,800 employees) above February 2020 levels.
28. Hampshire & Isle of Wight had 27,200 furloughed residents in September and 35,300 residents on the self-employed job support scheme in October. Furlough and SEISS job support schemes have ended, and this could affect employment levels in the final quarter but labour demand in Hampshire remains strong. Job vacancies in Hampshire in early October were 50% higher than at the same time last year and above February 2020 levels. The jump in the number of job vacancies (online job postings) already implies that the labour market might be tighter than the unemployment rate of 3.8% suggests.

Labour shortages in Hampshire appear worst in nursing & care, hospitality and among HGV drivers.

29. Limited labour supply appears to be generating faster wage growth. Annual growth in median pay among employees in Hampshire increased by about 5% in September but annual growth has been affected by temporary factors such as the impact of Covid on pay a year ago and a fall in the number and proportion of lower-paid employee jobs, therefore increasing average earnings.
30. UK inflation increased by 3.1% in September with OBR now expecting inflation to peak at 4.4% in the second quarter of next year. With temporary shortages restraining economic growth and boosting inflation the UK economy is experiencing a temporary taste of 'stagflation' but this is on a different scale than back in the 1970's.
31. The OBR in its latest Economic and Fiscal Outlook (October 2021) has upgraded the outlook for the UK economy for this year to 6.5% from 4.1% in their March forecast but it has downgraded its forecast for 2022 to 6%. Its forecast for unemployment has been revised down to peak at 5.2% in the final quarter of this year from 6.5%.
32. The favourable outcome including forecast upgrade by the OBR meant that the Chancellor was able to say that he has reduced government borrowing much quicker than expected. Public sector net borrowing is expected to reach £183 billion or 7.9% of GDP in this fiscal year, before falling to 3.3% of GDP (£83 billion) next year, and steadily falling to around 1.8% of GDP by 2024-25.
33. Positive developments in economic data in the first half of the year have led the OBR to reduce estimates of the long-term 'scarring' impact of the pandemic. The pandemic is now expected to permanently reduce the size of the economy by 2% and not 3% as previously thought.
34. According to OBR labour supply will face a slightly reduced shortfall thanks to better participation and lower structural unemployment. Capital stock losses are smaller than previously thought as business investment has outperformed expectations and estimated impact on total factor productivity is smaller than previously thought thanks to a smaller impact of the pandemic on corporate balance sheets, FDI and intangible investment.
35. Sustained recovery is needed for the smaller 'scarring' effect to materialise which will in turn imply larger economy, higher revenue and improved fiscal position. A temporary taste of 'stagflation' in the UK and most major developed economies implies that the strong growth observed in the second quarter has not been sustained and that there are several uncertainties associated with the latest economic and fiscal forecasts.
36. Over the short-term global supply shortages might persist longer than anticipated and this will act as a break on demand and output growth. Rising inflation might prove more longer lasting than originally anticipated which could prompt the MPC to tighten monetary policy beyond market expectations which would in turn constrain economic growth. The OBR has also acknowledged

that there is uncertainty about whether government spending will have the same impact on output as usual if labour shortages and supply bottlenecks persist.

37. Investment in infrastructure, skills and innovation (the most important drivers of productivity growth) is needed for sustained and inclusive recovery. Government's 'Build Back Better: our plan for growth' sets out the government's plans to support growth through significant investment in infrastructure, skills, and innovation, and to pursue growth that levels up every part of the UK, enables the transition to net zero, and supports its vision for Global Britain.
38. In the Autumn Budget and Spending Review, the Chancellor announced that day-to-day departmental spending will rise by £24.8bn next financial year (about 1% of GDP). Total managed expenditure will grow in real terms at 3.8% a year on average over this Parliament which represents a cash increase of £150bn (£90bn in real terms) by 2024-25. All departments are to receive real-time increases in their budget over the course of the parliament with significant rises allocated to health and social care.
39. The Autumn Budget and Spending Review have placed focus on investment and the transition to net zero with the principle of levelling up being 'at the heart of commitments' made in the Spending Review. Total departmental expenditure limit for DLUHC Local Government will increase by 9.4% over the period 2021-22 to 2024-25 and billions of additional funding has been allocated to skills, innovation, and the government's plans to build back greener (its Net Zero Strategy).
40. Hampshire County Council as the lead authority submitted eight bids to Government for the Community Renewal Fund (CRF). The only application that secured funding was the County Council's application for 'Community Engagement for Household and Community Energy Scheme Development in Hampshire worth £211,861. Three bids from Portsmouth City Council were also successful. The first bidding round of the Levelling Up Fund has been completed with two successful bids from Hampshire worth £25.84 million. The successful bids were 'Transforming the Visitor Economy' in Portsmouth worth £20 million and 'East Cowes Marine Hub' on the Isle of Wight worth £5.84 million.
41. Eastleigh Borough Council is the only Hampshire County area authority to benefit so far from the Brownfield Land Release Fund (The Arch, Chandlers Ford, £260,000), while Portsmouth has 13 sites worth just over £2million, and the Isle of Wight have three sites worth collectively approximately £950,000.
42. Hampshire will also benefit from the Community Ownership Fund with two projects selected in the first bidding round - £250,000 has been allocated to East Boldre Community Stores in New Forest and £986,000 to the John Jenkins Stadium in Portsmouth. Other Hampshire-specific Spending Review announcements include £7 million to develop proposal (the final business case) to reinstate passenger services between Totton and Fawley in New Forest.

43. In short, the impact of the Covid-19 pandemic on economic output has been unprecedented but the impact on business insolvencies has been relatively modest to date. The labour market in Hampshire has performed much better with rising labour demand and strong growth in employment in the third quarter.
44. The economy experiencing a temporary taste of 'stagflation in the third quarter driven by the supply chain disruptions, shortages of fuel and increasing staff shortages implies that the strong recovery observed in the second quarter has not been sustained but the government's growth strategy, 'Build Back Better: our plan for growth' and its spending announcements are aimed at supporting sustained and inclusive economic recovery.
45. A handful of local authorities in Hampshire have been successful in accessing government funding through bidding rounds but the short-term economic recovery action planning continues to be undertaken by the County Council. The County Council in collaboration with major partners and partnerships, including working with other local authorities, the Local Enterprise Partnerships and local businesses, is now being used as the basis for the development of a longer-term economic strategy and place-based approach to secure a locally inclusive, green, innovative and globally competitive pan-Hampshire economy.
46. A new monthly Economic Intelligence Dashboard has been developed for Hampshire County Council to keep abreast of the economic activity and to help inform progress. Attached as Annex 1 is the second issue of the Economic Intelligence Dashboard produced in November that includes an overview of the current economic trends and business intelligence (the most up to date at the time of writing). Also attached at Annex 2 is an economic briefing on the Autumn Budget and Spending Review.

### **County Deal**

47. A County Deal has the potential to strengthen the economic recovery across Hampshire as a whole and deliver major strategic economic initiatives and programmes. It also provides the opportunity for major public services reform as well as the scope to secure new functions, powers and resources and enhance place leadership at regional, sub-regional and local levels for the benefit of local residents.
48. The complex process of developing proposals and engaging with potential partners is currently underway, and discussions are taking place across a Pan Hampshire geography, including the Unitary Authorities in Southampton, Portsmouth and the Isle of Wight, with initial exploratory discussions also taking place with Bournemouth, Christchurch and Poole Council and with Surrey County Council.
49. Following the initial expression of interest process earlier this year, it is important to maintain momentum in developing ideas and working up proposals for a potential County Deal to ensure Hampshire residents are not disadvantaged by missing out on potential additional Government funding or more local say and control on important programmes such as skills training, health and social care integration or provision and funding for new

infrastructure. The Government has committed to publishing a White Paper on 'Levelling Up' later this year which is widely expected to provide further guidance on devolution and county deals. In the meantime, the County Council will take every opportunity to ensure that the Government are clear and well sighted on the 'levelling up' issues and opportunities for communities like those in Hampshire as well as the metropolitan cities of England, which have been the focus of Government devolution thinking to date.

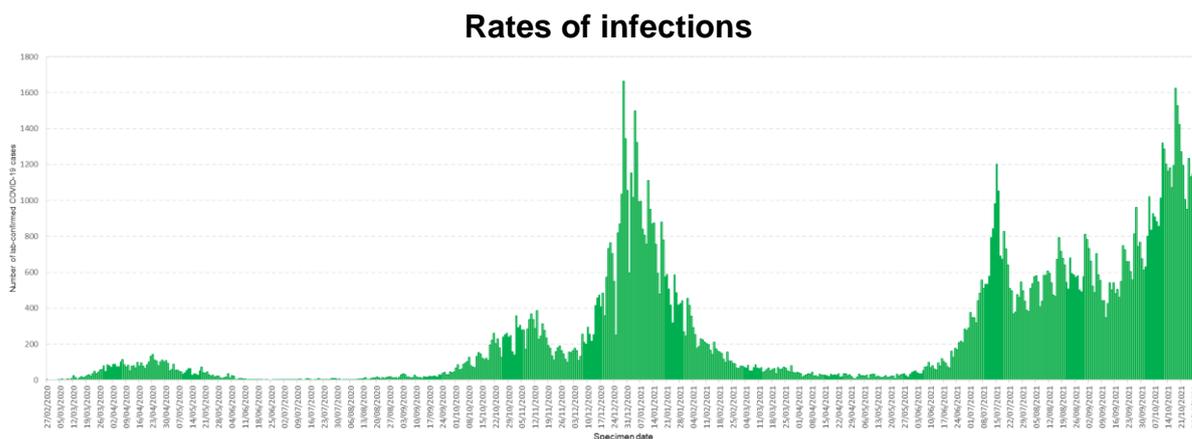
50. Significant ongoing dialogue has been taking place at both an Officer and Member level over the last few months to consider what might be included within a County Deal, its geography and the potential timescales for publication, consultation and submission of a Deal to Government.
51. Clearly, with the number of different authorities involved there are differing views on how best to proceed with this important issue, but everyone is agreed that this represents a considerable opportunity to improve the lives of residents across the region. A Leaders' meeting was held on 23 November and three key decisions were made:
  - A Statement of Common Ground was agreed unanimously.
  - A timetable for taking the work forward was agreed, which included detailed workshops in late November and early December with the expectation that the White Paper will be available in mid-December to guide future thinking. Final proposals will be considered by County Council in February and wider engagement and public consultation, if agreed, would start from this point.
  - Chief Executives were asked to look at a full range of potential governance models in the context of the ambitions and asks that we are likely to want to pursue.
52. The Statement of Common Ground is attached at Annex 3 and the draft Prospectus is attached at Annex 4 and Cabinet are requested to endorse this latter document which will be further developed through engagement and collaboration with partners for submission to Government in due course.
53. No options are being dis-regarded at this stage and constructive and positive discussions have already been (and will continue to be) progressed with neighbouring authorities with a view to further explore possible opportunities for working together on devolution ideas.

### **Living with COVID**

54. Following the implementation of the COVID vaccination programme the link between infection rates and hospitalisation and deaths has been largely broken. Nevertheless, as a society and in our role as the public health authority there is a need to manage rates of infections which in turn will reduce hospitalisation and deaths.
55. Through the pandemic we have seen rates rising and falling in line with the timing of increasing national control measures and subsequent easing. The

current 7-day rate (05.11.21) for Hampshire is 537.9 per 100,000 compared to an England rate of 412.7 per 100,000 which is rising due to the increased mixing of population including in educational settings. It is essential that the community, with the County Council's leadership, continues to manage infection rates, outbreaks and supports the continued rollout of the vaccine programme.

56. The modelling predictions set out a rise in cases in the Autumn, this has found to be correct. The rise in hospital cases is also in line with modelling predictions at a lower rate than wave 1 and wave 2. However, each wave of cases is different and a watchful eye on the data needs to continue.



### Health Protection Board and Local Outbreak Engagement Board

57. The arrangements for oversight, management and community engagement are now securely in place in the County Council, with the Director of Public Health continuing to chair the Health Protection Board which now meets on at least a monthly basis. This remains important due to the situation as outlined in this report.
58. The Leader chairs the Local Outbreak Engagement Board as a political sub-committee of this Cabinet which is also joined by members of the County Council's main opposition party, representatives from district councils and an NHS non-executive director.

### COVID programmes of work

59. Testing of symptomatic people remains a priority for management of the pandemic locally, although responsibility for the delivery of the majority of the testing programme remains at a national level. The Council continues to have the lead role in the organisation and oversight locally.
60. A well-developed programme of asymptomatic testing is in place to support early identification of disease in people. This also continues with a Community Collect model where people can collect tests kits from community pharmacies for home testing.

## **Tracking and Tracing**

61. Case testing investigation and contact tracing are fundamental public health activities in the management of all infectious diseases. This involves working with an individual (patient or resident) who is either symptomatic or asymptomatic and has been diagnosed with an infectious disease. The aim is to identify and provide support to people (contacts) who may have been infected through exposure to the infectious individual. This process prevents further transmission of the disease by separating people who have (or may have) an infectious disease from people who do not.
62. For Hampshire County the contact tracing programme continues successfully and since August the programme has changed as people who are fully vaccinated don't need to isolate. The programme checks vaccination status to provide correct information and ensure contact know what course of action is required. The service contact approximately X per day

## **Vaccination**

63. The development and rollout of the vaccination for covid-19 is the most effective public health measure to prevent illness and transmission of the virus. The programme is led by the NHS with strong input and supportive leadership from The Council. Latest data at time of writing (and to be updated verbally at Cabinet) was that around 79% of the Hampshire over-12 population has received first vaccination. With 85% having had two doses.
64. The programme continues to see a number of changes. The latest developments include vaccination for 12–16-year-olds and a booster programme alongside the annual flu programme for those over aged 50 or with an underlying health condition.
65. A programme of work continues on inequalities to ensure those groups least likely to take up the vaccine can be engaged with. There is some variation in uptake across Hampshire, unsurprising given the size and complexity of the county, due to a number of factors including demographics, with the younger populations and some communities being more hesitant to taking up the vaccination.

## **Adults' Health and Care**

66. The Government introduced legislation on 17 July 2021 specifically requiring staff working in Care Quality Commission (CQC) registered residential care or nursing homes to have had both COVID-19 vaccines by no later than 11 November 2021 to help protect both the workforce, as well as the many vulnerable people being cared for. This is now the law and means that anyone working in any care home, and those visiting any CQC registered care home in a professional capacity (including maintenance or other contractors), must be fully vaccinated by 11 November 2021. The legislation and guidance set out criteria for exemptions to this requirement, but these are extremely limited.

Individuals will be required to provide evidence of vaccination status (or exemption) on arrival at each site, as has been for the requirement for a negative Lateral Flow Test result in recent months. For vaccination, this must be evidenced using the NHS Covid Pass available via NHS COVID Pass - NHS ([www.nhs.uk](http://www.nhs.uk)). Consequently, Adults' Health and Care has been coordinating a response and working closely with the NHS to support the residential provider market alongside working directly with HCC Care. Overall, across Hampshire 442 (less than 3%) of the total staff in this sector and any temporary agency workers as well as contractors are likely to be unvaccinated on 11<sup>th</sup> November, and therefore, unable to continue working in the sector.

67. In addition, the 2021 Flu Campaign has been proceeding, with close to some 50% of residents having received vaccination. Flu vaccination is important as more people are likely to get flu this winter as fewer people will have built immunity to it during the COVID-19 pandemic, they are therefore more likely to be seriously ill and getting vaccinated will protect everyone who is vulnerable to both COVID-19 and the flu. Flu vaccine - NHS ([www.nhs.uk](http://www.nhs.uk)). Additionally, COVID-19 booster jabs are being delivered across the care sector; for residents and staff. As of 2 November, 52% of care home residents and 23% of care home staff have received booster vaccinations.
68. Over the past 15 months we have distributed nearly £60m of grant out to the care sector through successive rounds of Infection Prevention and Control funding and other national grant schemes. Distribution of funding has included payments to care homes, the domiciliary care, care homes, Extra Care and supported housing facilities, mental health services, carers, day services and people receiving a personal budget. This is the equivalent of £2,381 for every person receiving care in their own home, and every care home bed across Hampshire. Furthermore, as reported in previous reports to Cabinet additional payments were made by HCC for commissioned care, totalling some £17m in the last financial year. Recently in October further care sector grants were announced and allocations identified. Hampshire care providers are currently receiving some £11.3m of further Infection Prevention & Control and Testing funding, through two payments, in November and January. Alongside this additional workforce grant monies are being received (£4.7m) to support workforce resilience, workforce absence and recruitment.
69. The most current pressing issue for services is maintaining safe staffing levels. A combination of a diminished labour market causing recruitment difficulties, the age demographic of the care workforce and the effects of people feeling exhausted by the pandemic causing them to choose to exit the service, and the challenges of a fully vaccinated workforce for various reasons, usual absence, and attractions of other economic sectors (such as hospitality) has created a challenging environment. These factors when combined with low occupancy in many care settings, which is a national issue, means that future consolidation of care home settings across our Hampshire care home economy, as we head into the autumn and winter, seems inevitable. Alongside this domiciliary care services are under extreme pressure, and we are seeing significant challenges in some parts of our geography to secure timely ongoing support for people. Activity has also increased markedly in terms of safeguarding initial referrals (up some 20%+) in comparison to previous years.

70. Beyond the care sector provider challenges, detailed above, services to maintain positive admission avoidance and discharge support around our acute hospitals have for the last three months never been busier. The NHS elective care waiting lists, more people generally coming forward to all health and social care services and the overall capacity and service fatigue issues are all major risks as we head into the autumn and winter. Indeed, we have seen hospital attendances rising exponentially. The recently announced Winter Pressures funding for the NHS announced by Government is welcome and will continue to support dedicated commissioned services. However, it is important to recognise the impacts upon residents through increased waiting times, ambulance handover delays and the general high acuity levels and stretch across all organisations in the health and care sector. These consequences of pressurised services will continue to manifest over the coming months.
71. Alongside responding to recovery and increased service pressures we have also seen additional, new calls upon services. For example, the Afghan evacuee response has prompted a huge response, from Adults' Health and Care and other colleagues / partners. Again, the activity and resource being required to safely and appropriately provide a range of welfare and associated support to these Home Office programmes, bridging hotels and long-term resettlement, cannot be underestimated.
72. However, the overall challenges faced by the sector; more people coming forward with health and social care needs and the extreme staffing challenges being faced to respond to both those already receiving support and those needing support are all creating an environment of heightened service continuity risks and sustained pressures. Staff and managers across the entire department and whole sector continue to demonstrate exemplary resilience and commitment to supporting our residents.

### **Schools and Children's Services**

73. Schools are following the DfE published guidance to all educational settings which sets out the current arrangements. The local authority does not issue separate guidance, as the information and expectations are already clearly set out within the DfE materials
74. Webinars were set up at the end of August / early September for early years settings, schools of all phases and colleges so that the guidance could be exemplified, and educational leaders had an opportunity to explore best practice with the School Improvement Team and Public Health colleagues. The DfE guidance is amended periodically to reflect the latest public health intelligence. When changes are made the local authority communicates with schools so that their risk assessments and contingency plans are based on the most up to date guidance. Where schools are unsure about the guidance, they are encouraged to contact the School Improvement Team who ensure the correct advice is given including the involvement of Public Health colleagues where necessary.
75. The priority for this term has been for schools to revert to providing face-to-face, high-quality education within an environment which is as 'normal' as

possible, enabling flexibility in curriculum delivery and the most effective teaching and learning modes, not least interaction in person with others. Schools have reported that children have relished the opportunity to be with their friends again, learning from each other, playing, and socialising with each other and being a physical part of a community again.

76. Schools need to continue to have a risk assessment/mitigation plan in place, including a focus on good hygiene, cleaning regimes, ventilation, regular testing arrangements in secondary schools, promoting the vaccination programme and encouraging positive cases to self-isolate.
77. Beyond that, there is also an expectation that additional measures are planned for on a contingency basis in response, for example, to an outbreak. Schools have a range of measures they can introduce in the event of an outbreak occurring. These are set out in DfE guidance and include re-introducing of the wearing of face coverings in indoor or communal spaces in secondary schools, introduction of more regular testing arrangements for defined groups for specific periods in secondary schools, encouraging parents of primary aged school pupils identified as close contacts or household contacts to use LFDs in some circumstances, staggering start, and end of school days, limiting residential visits, open days, and transition days.
78. In primary schools, attendance has been around 93% so far this term which is about 3% below pre-pandemic rates. Schools have been reporting that this additional absence is largely accounted for by children either testing positive for Covid-19 or being suspected of having Covid-19. In secondary schools the number of positive cases being reported are higher, which is partially explained by the additional testing taking place. Consequently, attendance has been lower in secondary schools at around 89%. Pre-pandemic attendance in secondary schools was about 94.5% and schools report that the additional absence is largely explained by either positive Covid-19 tests or children absent as they are suspected as having Covid-19. Attendance appears be higher in Hampshire than that seen nationally with available data suggesting primary attendance is 2% higher and secondary attendance 4% higher.
79. The home to school transport service runs approximately 1,300 transport arrangements each morning and afternoon supporting over 3,000 students with special educational needs (primarily in taxis and minibuses) and 9,000 mainstream pupils (mostly in coaches and buses). Many children with SEN are clinically exceptionally vulnerable.
80. Since March 2020, the service has been significantly affected by lockdowns, Covid cases and self-isolation requiring daily reconfiguration of transport arrangements. Support was provided to the transport sector to ensure the viability of the market. During lockdowns, home to school transport arrangements were extended to vulnerable and essential worker children. Transport arrangements continue to be reorganised each time a driver and/or school escort tests positive for Covid.
81. From September 2021, home to school transport arrangements will be operating without restrictions or the additional Covid capacity that has been in place since March 2020. There have been some late applications for transport

from schools which have resulted in some delays to setting up transport arrangements.

82. Children's Services continue to support the childcare sector, prioritising support to recruitment into childcare roles; though development and learning resources; Covid information; and also, through financial support through sustainability grants. Over £56,000 has been issued in sustainability grants to date.
83. It should also be noted that children's social care services still remain extremely busy with the average number of referrals into the service consistently reaching 1100 per week and in some cases 1200 per week, at least 20% up on the pre-Covid period. Those referrals include increasingly complex and difficult casework at least some of which has been masked during the crisis if not caused by it.
84. However, as we enter the period of Covid recovery, this increased activity is now mainly at the front door in the Multi Agency Safeguarding Hub (MASH) and in the social work assessment teams. In the first twelve months of the pandemic numbers of children coming into care had increased though this has since stabilised; numbers of children on child protection plans had risen but have since started to reduce; numbers of open cases had increased but are now broadly static. This suggests the rise in referrals appears to (rightly) reflect professional anxiety for vulnerable children and the need for social workers to assess and quantify the risk, rather than longer term demand for higher cost services such as placements for children coming into care. The long-term unsupported costs of caring for Unaccompanied Asylum Seeking Children (UASC), particularly when they turn 18 and become care leavers continues to be of concern. Please see item 8 on this Cabinet agenda for more details.

### **Corporate Services**

85. As previously reported, the majority of Corporate Services staff provide support to the front-line Departments and the majority have been working effectively from home since the beginning of the pandemic.
86. Recovery activity has been centred on providing help, support, and guidance to Departments in areas of HR, wellbeing, and finance in response to the rapidly changing environment and government announcements.
87. More recently, significant effort across the Department has been put into considering what our accommodation and equipment requirements are to support our new ways of working. Staff returned to the offices on 13 September and the new arrangements are working very well, with staff positive about the ability to interact directly once again with colleagues on a formal and informal basis. The IT Department have also been supporting FM and Property Services colleagues in 're-stocking' the offices with IT kit and other equipment to facilitate the phased return to offices across the whole of the County Council.
88. HR have worked, with EHCC approval, alongside Departments and Trade Union representatives to implement our new 'Open Working Policy'. The policy places a continued emphasis on service delivery and performance requirements at the

same time as affording our staff more flexibility in their working arrangements. Early indications are that the policy is being well received however we continue to monitor its efficacy over the months ahead.

89. HR have also worked closely with colleagues from the Adults Health and Care and the IBC to introduce a new Mandatory Vaccination Policy in light of the new legislation which comes in to force during November.

### **Communications and community engagement**

90. Since the last report, communications and engagement activity has focused on encouraging the public to continue choosing the right behaviours to minimise the spread of infection as we head into the winter. This has involved promoting a variety of key messages to enhance the Government's '*Keep life moving*' campaign via a wide range of communication platforms – examples are highlighted below. The COVID-19 specific communications activity continues to take place within the wider context of the County Council's amplification of the NHS '*Stay Well This Winter/Choose Well*' campaign messaging.
91. Under the theme '**Your choices still count**', the County Council's flagship autumn campaign has promoted the adoption of safe behaviours – primarily hand hygiene, face coverings and testing - via outdoor media, including shopping centres, community billboards and bus sides, as well as through radio and a wide range of digital channels. These messages have also been carried through into the promotion of COVID-safe seasonal events such as summer-end festivals, half term, Halloween, and Diwali.
92. **COVID-19 vaccination** – in addition to encouraging residents to ensure they are fully vaccinated for best protection, including a particular focus on the mandated vaccine for care home staff, both County Council and private sector, communications activity has focused on the roll-out of the booster jab for eligible cohorts – urging those who qualify to take up the offer as soon as it is made. Promoting the booster vaccination forms part of a wider, integrated communications and marketing campaign to publicise the roll-out of the free seasonal flu vaccination to those aged 50+, plus additional cohorts.
93. Targeted campaigns aimed at 25–29-year-olds, and 16–17-year-olds and their parents, have further urged local residents to prioritise immunisation to protect themselves and those around them.
94. **Regular asymptomatic testing** 'before you socialise' has remained a prominent theme throughout the autumn with promotion via social media postings, alongside news media and social media campaigns to signpost to routes for symptomatic testing. In addition, targeted messaging to school and university communities, both students and parents/carers, has urged the need for ongoing and regular testing to keep local populations safe.
95. A targeted campaign urging adherence by those aged up to 55 to self-isolation rules, signposting to the support available, was further incorporated into the overarching communications strategy.

96. **Hampshire Perspectives** online residents' forum has continued to monitor people's confidence and attitudes as COVID-19 restrictions eased, and to understand the rationale behind participation/non-participation in the regular asymptomatic testing programme. This has informed the development of communication campaigns.
97. In addition, work with the Community Researchers Network has identified broader opportunities to encourage targeted community testing amongst ethnic minority groups in Hampshire.
98. During September and October, bespoke communications support has also been provided to partners as part of the Afghan Resettlement Programme, ensuring information relating to safe behaviours, testing and vaccination has been sourced and translated for evacuees to support their stay in short-term accommodation in Hampshire before long-term resettlement.
99. Looking ahead, as infection rates rise, so the country understands that Government has a Plan B to help protect the NHS and reduce the prevalence of the virus. This could see the introduction of a wider range of restrictions. Appropriate local messaging is therefore being considered should a decision be taken nationally to invoke the plan.

#### **Staff returning to the office**

100. As previously reported our EII Court Office accommodation was safe for staff to return to from 19 July and since then we have been implementing a programme of 'phased returning to the office' across the organisation. By the end of October all departments had confirmed that their return plans were implemented on schedule.
101. Each Department has different working arrangements in place for their staff, all in accordance with our Open Working Policy, and with variations relating to differing nature of our work across the Council. Early anecdotal indications are that the low levels of nervousness that we expected from some of our staff has indeed been observed and support provided to those staff in line with our wider HR policies and wellbeing practices. In the main however most people seem to be enjoying the opportunity to connect with their colleagues and teams on an 'in person' basis. We will consider means of more formally evaluating our return to the office in the new year once arrangements have had time to embed and staff had an opportunity to settle into new routines.
102. It goes without saying that across Directors are working with their DMTs to ensure that plans are in place to adapt to any further changes to the Government guidelines, for example, should 'Plan B' be implemented which would see staff required to revert to working from home and for those required to attend the office a reintroduction of mandatory face coverings.

## **Conclusion**

103. This Covid report to Cabinet focusses upon recovery and learning to live with Covid. Restrictions were largely lifted through the summer and the County Council's crisis management mechanisms were wound down accordingly. Following the implementation of the COVID vaccination programme the link between infection rates and hospitalisation and deaths has been largely broken, with a strong push nationally regarding the Covid Booster and winter flu vaccinations. Nevertheless, as a society and in our role as the public health authority there is a need to manage rates of infections. While the phases of the pandemic may be changing now in welcome ways, the impact, on the community and on HCC, will remain profound for years to come. The Collective Wisdom project successfully prepared the organisation for new ways of post-pandemic working and the work on economic recovery and in particular the opportunity presented through the County Deal initiative are core to the way forward for the community as well as the economy. All of these points noted, there will remain a strong emphasis on constant vigilance, subject to whatever roadmap decision is taken by Government in the very near future.

## REQUIRED CORPORATE AND LEGAL INFORMATION:

### Links to the Strategic Plan

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes/no
<b>People in Hampshire live safe, healthy, and independent lives:</b>	yes/no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	yes/no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	yes/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 protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are 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 in which participation by such persons is disproportionately low.

### 2. Equalities Impact Assessment:

See guidance at <https://hants.sharepoint.com/sites/ID/SitePages/Equality-ImpactAssessments.aspx?web=1>

Insert in full your **Equality Statement** which will either state:

- (a) why you consider that the project/proposal will have a low or no impact on groups with protected characteristics or
- (b) will give details of the identified impacts and potential mitigating actions



## Hampshire Economic Recovery Dashboard

November 2021

Hampshire County Council  
Economy, Transport and Environment



### Contents

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## Summary of Economic Conditions

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- Economic recovery in Hampshire (Hampshire & the Isle of Wight) and the UK came to a sudden halt in July as the 'pingdemic' hit consumer spending and staffing in the dominant services sector. Economic output contracted slightly in July but August saw a bounce back in economic growth. Estimated growth in Hampshire was faster than the national average in the second quarter but Hampshire's growth in July and August is estimated to have slightly lagged the national average.
- Retail sales fell for the fifth consecutive month in September, adding to the evidence of a slowdown in spending and economic recovery. Leading economic indicators have remained mixed in the third quarter with increasing evidence of shortages of materials, fuel, and labour. These imbalances are holding back business activity and they might put the break on the recovery in Hampshire and across the country.
- A wide range of business support measures that have been made available to businesses meant that the impact of the pandemic on businesses insolvencies in Hampshire has been relatively modest to date. In March 2021 Hampshire had 0.3% fewer enterprises and 0.5% fewer local business units than in March 2020. The impact has been relatively modest but nevertheless greater than the regional and national average.
- Business investment increased faster than previously thought in the second quarter and survey evidence from the Bank of England suggests that growth in investment in the third quarter could be faster than in the second quarter. However, significant product shortages and rising prices point to subdued growth in business investment over the short-term (next six-months). A greater focus on 'levelling-up' agenda points to relatively strong growth in public investment in the UK but fewer trips to the office suggest that transport might remain subdued.
- HMRC data points to strong growth in the number of payrolled employees in Hampshire in the third quarter - up 15,840 on the previous quarter. Preliminary data for September suggests that payrolled employment stood at 1.5% (over 12,800 employees) above February 2020 levels. Hampshire & Isle of Wight had 27,200 furloughed residents in September and 35,300 residents on the self-employed job support scheme in October. Both job support schemes have now ended and whilst that could affect employment levels in the final quarter of the year labour demand in Hampshire remains strong.
- Job vacancies in Hampshire in early October were 50% higher than at the same time last year and above February 2020 levels. The jump in the number of job vacancies (online job postings) already implies that the labour market might be tighter than the unemployment rate of 3.8% suggests. Labour shortages in Hampshire appear worst in nursing & care, hospitality and among HGV drivers.

## Summary of Economic Conditions

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- Limited labour supply appears to be generating faster wage growth. Annual growth in median pay among employees in Hampshire increased by about 5% in September but annual growth has been affected by temporary factors such as the impact of Covid on pay a year ago and a fall in the number and proportion of lower-paid employee jobs, therefore increasing average earnings.
- UK inflation increased by 3.1% in September with OBR now expecting inflation to peak at 4.4% in the second quarter of next year. With temporary shortages restraining economic growth and boosting inflation the UK economy is experiencing a temporary taste of 'stagflation' but this is on a different scale than back in the 1970's.
- The OBR in its latest Economic and Fiscal Outlook (October 2022) has upgraded the outlook for the UK economy for this year to 6.5% from 4.1% in their March forecast but it has downgraded its forecast for 2022 to 6%. Its forecast for unemployment has been revised down to peak at 5.2% in the final quarter of this year from 6.5%. The OBR now believes that the pandemic would permanently reduce the size of the economy by 2% (from 3% in their March forecast). Smaller 'scarring' effect implies larger economy, higher revenue and improved fiscal position.
- The Chancellor announced that day-to-day departmental spending will rise by £24.8bn next financial year (about 1% of GDP). Total managed expenditure will grow in real terms at 3.8% a year on average over this Parliament which represents a cash increase of £150bn (£90bn in real terms) by 2024-25. All departments are to receive real-time increases in their budget over the course of the parliament with significant rises allocated to health and social care. Lots of focus in the Spending Review 21 has been placed on the 'levelling-up' agenda.
- The favourable outcome including forecast upgrade by the OBR meant that the Chancellor was able to say that he has reduced government borrowing much quicker than expected. Public sector net borrowing is expected to reach £183 billion or 7.9% of GDP in this fiscal year, before falling to 3.3% of GDP (£83 billion) next year, and steadily falling to around 1.8% of GDP by 2021.
- There are several uncertainties associated with the latest economic and fiscal forecasts. Global supply shortages might persist longer than anticipated and this will act as a break on demand and output growth. Rising inflation might prove more longer lasting than originally anticipated which could prompt the MPC to tighten monetary policy beyond market expectations which would in turn constrain economic growth. The OBR has acknowledged that there is uncertainty about whether government spending will have the same impact on output as usual if labour shortages and supply bottlenecks persist and then there is the long-run impacts of Brexit, and productivity growth.

### Government Funding

- Hampshire County Council received 19 bids for the Community Renewal Fund, totalling £9.6 million and following internal assessment process a shortlist of eight bids totalling £3.3 million was submitted to Government for assessment. The only application that was successful was the County Council's application for 'Community Engagement for Households and Community Energy Scheme Development in Hampshire' worth £211,861. Three bids from Portsmouth submitted through Portsmouth City Council worth £1.59 million were also successful – 'Decarbonisation Skills Support Scheme', 'Enabling XR Enterprise (eXRe): Creating Skills, Boosting Communities and Benefitting Visitor & Cultural Economy' and 'Portsmouth Start and Grow'.
- The first bidding round of the Levelling Up Fund has been completed with 94 successful bids to upgrade local infrastructure across Great Britain. There were two successful bids in Hampshire worth £25.84 million. The successful bids were 'Transforming the Visitor Economy' in Portsmouth worth £20 million and 'East Cowes Marine Hub' on the Isle of Wight worth £5.84 million.
- Almost £58 million from the £75 million Brownfield Land Release Fund has been allocated to 53 councils, with Eastleigh Borough Council the only Hampshire County area authority to benefit so far (The Arch, Chandlers Ford, £260,000), while Portsmouth has 13 sites worth just over £2million, and the Isle of Wight have three sites worth collectively approximately £950,000.
- The Government has committed £500m through the Household Support Fund to help households with the cost of essentials such as food, clothing and utilities - £421m will be allocated to Local Authorities in England. Hampshire will receive £7.12 million, Southampton £2.22 million, Portsmouth £1.88 million and Isle of Wight £1.13 million.
- The SR21 announced the first 21 projects to benefit from the £150 million Community Ownership Fund – the aim of the fund is to help communities protect and manage their most treasured assets. Two projects in Hampshire have been selected in this first bidding round worth £5.3 million. Some £250,000 has been allocated to East Boldre Community Stores in New Forest and £986,000 to the John Jenkins Stadium in Portsmouth. The second bidding round will be announced shortly.
- The government will continue to progress with the £500 million commitment to restore transport links previously lost in the Beeching cuts of the 1960s. This includes £7 million to develop proposal (the final business case) to reinstate passenger services between Totton and Fawley in New Forest.

### Government Funding

- The Budget and SR21 will create thousands of green jobs across the UK. Some £315 million has been set aside for the Industrial Energy Transformation Fund which will help firms cut their carbon emissions and reduce energy bills. This will support Southampton's industrial cluster.
- Local authorities will benefit from an estimated average real-terms increase of 3% a year in core spending power. English councils will receive £1.6 billion of new grant funding in each of the next three years, on top of the funding to implement social care reform. The Government confirmed billions of extra spending on skills, social care, transport, the Shared Rural Network and other areas.
- In August 2021, Hampshire County Council registered a formal expression of interest to the Secretary of State for the Ministry of Housing, Communities and Local Government, to be one of the early pilots for a County Deal - part of Government's vision for 'levelling up' across the UK with the aim of benefitting local communities, by bringing decisions and powers closer to people and places.
- A summary 'prospectus' document, which sets out the ambition, priorities and options for taking forward a County Deal for the Pan-Hampshire area (covering Hampshire County Council, the 11 district and borough councils within the County Council administrative area, Portsmouth and Southampton City Councils and the Isle of Wight Council) has since been developed and will form the basis of further discussions with the area's borough, district and unitary authorities during the autumn, as well as wider consultation with other stakeholders.

## Policy and Sector Headlines

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### Skills and Labour Shortages

- Businesses in Hampshire are increasingly reporting skills and labour shortages and rising wages in hard-to-fill occupations and this is causing increased pressures on supply chains in several sectors. Occupations most affected are nursing & care, hospitality and among HGV drivers. There were over 2,000 online jobs postings for nurses and over 1,550 online job postings for van drivers in Hampshire in September.
- The global shortage of semi-conductors implies that some firms are seeing their turnover reduced by over 30%. Some manufacturers like Daimler are planning to introduce carbon neutral strategies from their supply chains by 2030 which is prompting a radical rethink for design and manufacture.

### Aerospace and Space

- In response to a pause in funding through the Aerospace Technology Institute (ATI), one of the main vehicles for R&D funding in the UK, the aerospace industry highlighted the risk of new green tech projects leaving the UK unless R&D spending is increased.
- In the SR21 the Government pledged to increase public R&D investment to £20 billion by 2024-25. InnovateUK will receive at least £2.5bn in core funding to support companies to innovate - a 36% increase across the SR21 period.
- Legal challenges to the extension of Southampton Airport runway by Bournemouth International Airport and a local protest group were rejected by High Court in October.

### Green Economy

- UK Government published its Net Zero Strategy: Build Back Greener. The Budget and SR21 confirmed that since March 2021 the government will have committed a total of £30 billion of public investment for the 'green industrial revolution' in the UK.
- A range of new initiatives and funding to support the switch to a greener economy has been announced in the Budget and SR21. Among these there are plug-in grants to support the uptake in electric vehicles and infrastructure investment for public charging in residential areas.
- In its Heat and Building Strategy the Government set out policies to decarbonise energy used in buildings with almost £4bn of funding announced in the Budget and SR21. Households will also benefit from new government grants via Boiler Upgrade Scheme.

## Policy and Sector Headlines

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### Marine and Maritime

- The Southampton International Boat Show was able to reopen in September 2021 after Covid led to the event being cancelled in 2020, while in August Cowes week was able to resume the annual regatta although strong winds meant racing was abandoned with Cowes 2022 set for July 30th.
- International cruising is now permitted, although rules in different countries apply which means some companies do not have international cruises scheduled for the next few months. However, P&O, Princess Cruises, Celebrity and Saga Cruises are leaving Southampton in September and October, mostly to European locations.

### Lifesciences

- The Budget and SR confirmed the £1.4bn Global Britain Investment Fund to support investment in life sciences, offshore wind and automotive manufacturing sectors. Business specific intelligence points to the increase in merger and acquisition activities in Hampshire.

### Commercial Property

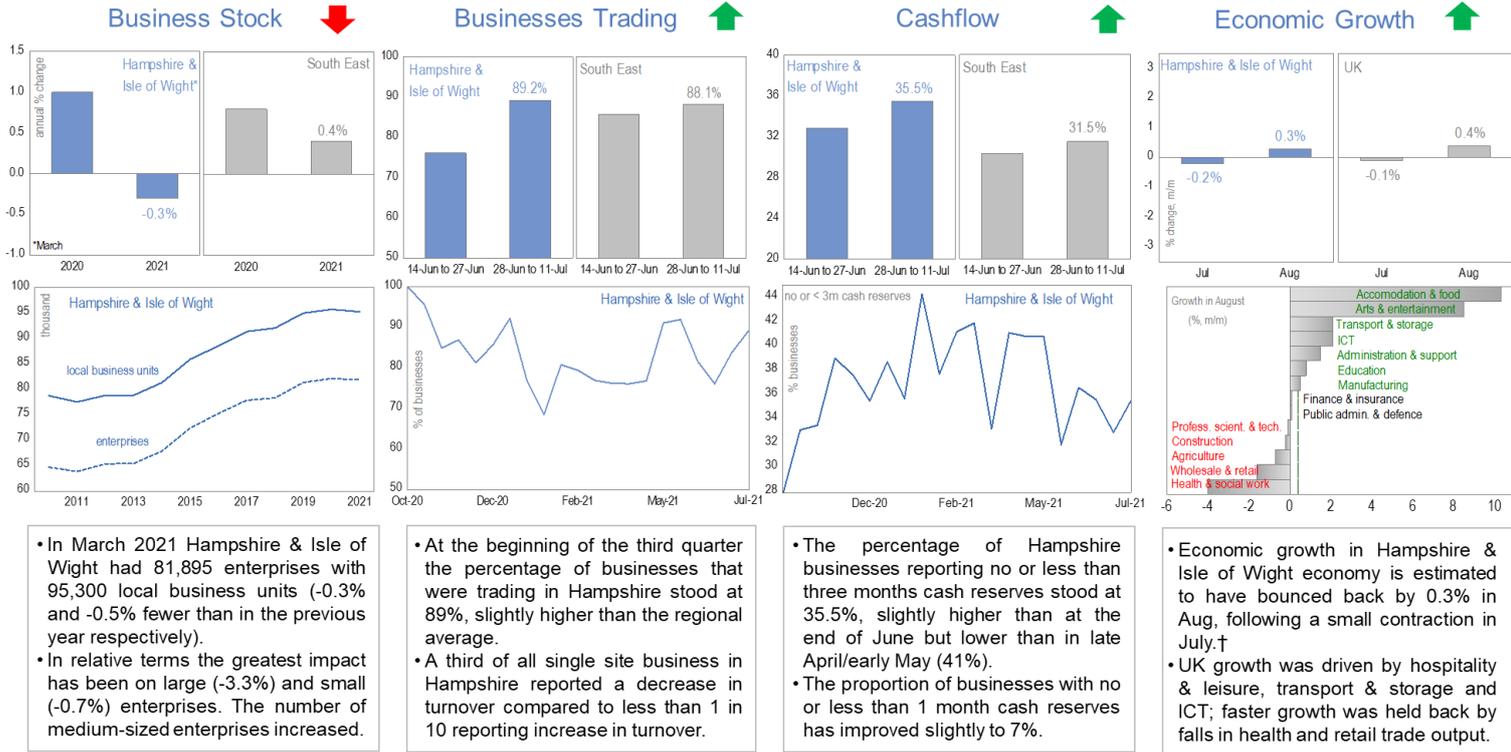
- Investor demand for commercial property in Hampshire in Q3 remains mixed, with demand centred on industrial and retail, leisure & hotels but there are reports of shortages due to planning processes and construction sector shortages.
- Total floorspace of all new lettings or sales to occupiers (take-up) in Hampshire & Isle of Wight decreased in Q3 but this reflected weaker economic data in Q3 and the usual seasonal dip. Retail, leisure & hotels increased by 134% on the quarter.

### Tourism and Hospitality

- Staycations and day trips continued to drive demand for rural and coastal destinations over the summer and into Autumn. Most of Hampshire's visitor attractions have had a strong summer/early autumn. Forward bookings for 2022 are looking strong.
- Labour shortages and staff self-isolating continue to affect the hospitality sector as a whole. Hampshire's rural providers are particularly affected as they are more remote from pools of labour, particularly students. Southampton Port opened its new £55m Horizon Cruise Terminal in July 2021. The renowned Winchester Cathedral Christmas Market is due to go ahead in 2021.

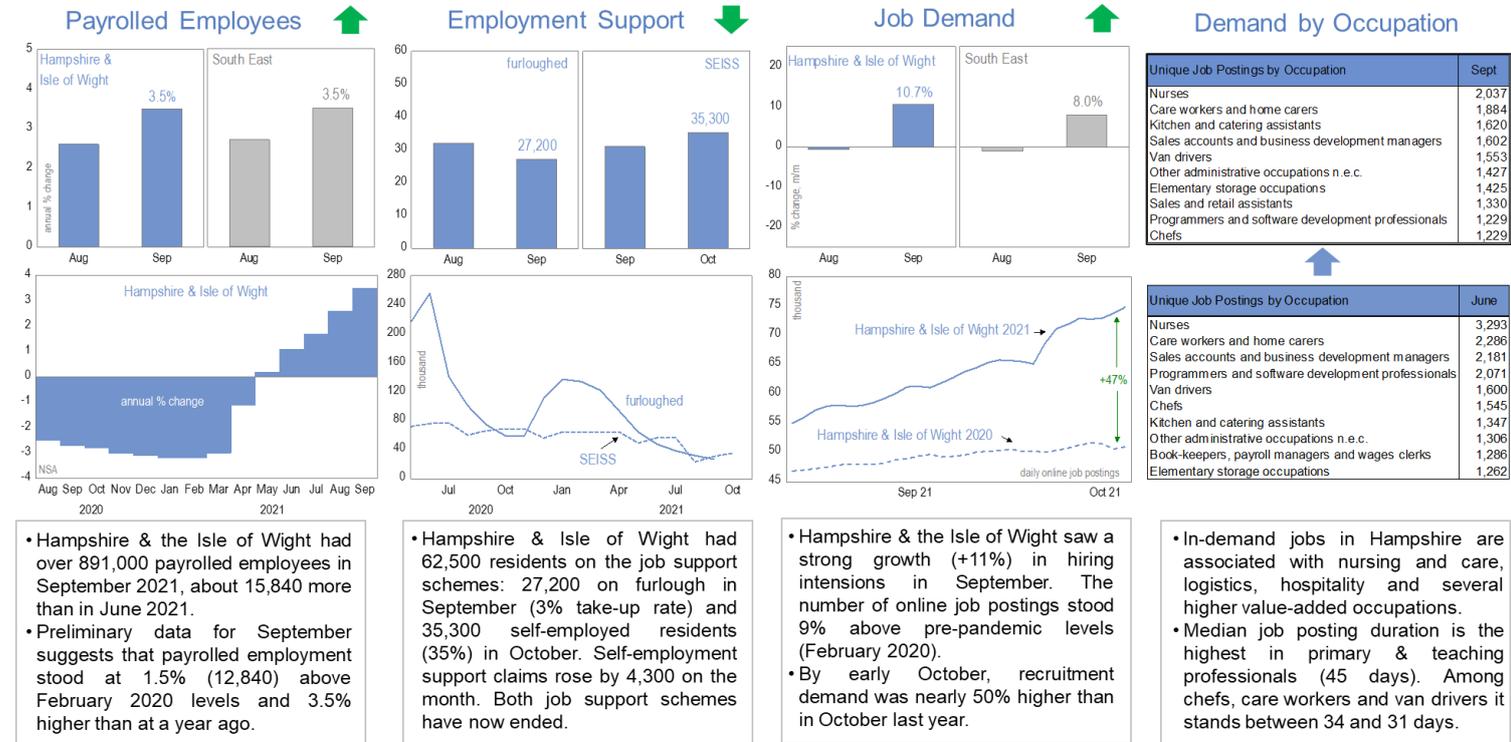
# Business Activity and Growth in Hampshire

1



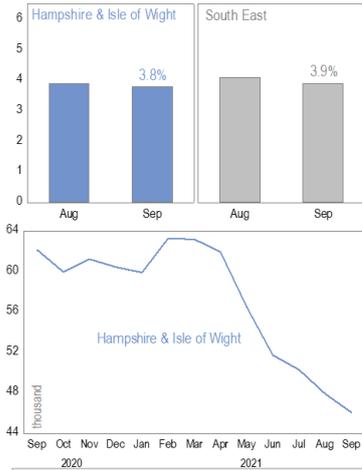
# Employment and Jobs in Hampshire

2



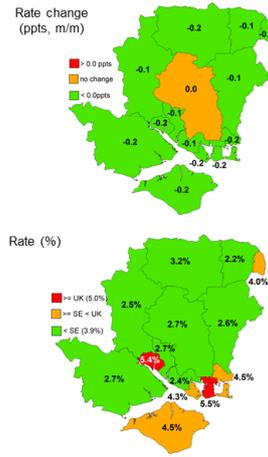
# Unemployment in Hampshire

## Claimant Unemployment



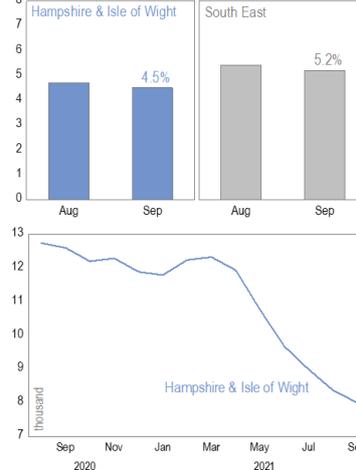
- Claimant count unemployment in Hampshire & Isle of Wight not adjusted for seasonal factors fell by 1,840 to 46,100 in September, but it remains 1.8 times higher than pre-pandemic levels. The decrease was relatively concentrated in the under 25's and over 50s age groups.
- The working age rate fell to 3.8%.

## Local Claimants



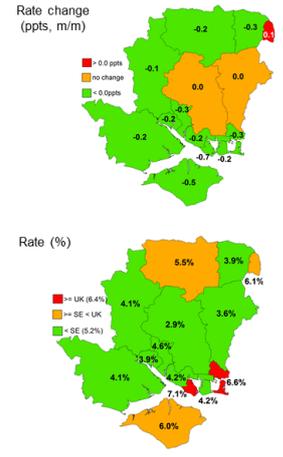
- All Hampshire & Isle of Wight local authorities saw a decrease in the monthly working age claimant count rates, except for Winchester with no change in September.
- With the end of furlough, there are expectations of a small increase in benefit claimants in the November publication (October counts).

## Youth Unemployment



- The number of young (18-24 year old's) unemployed people on the claimant count measure in Hampshire & Isle of Wight decreased by 375 to 8,010 in September. Hampshire had 4,595 fewer claimants than last Sept.
- The rate decreased from 4.7% in August to 4.5% in September, faster than the fall in the overall rate.

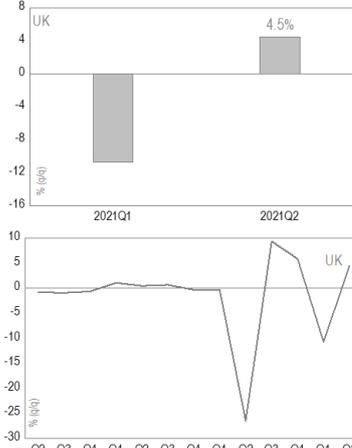
## Local Young Claimants



- The youth unemployment rates edged higher in Rushmoor, remained unchanged in Winchester and East Hampshire and decreased in all other local authorities in Hampshire & Isle of Wight in September.\*
- Havant and Gosport had the rates above the UK average in September.

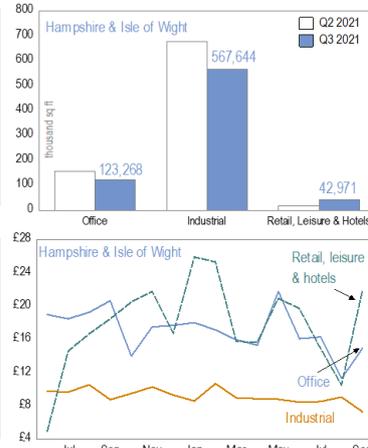
# Sentiment and Investment in Hampshire

## Business Investment



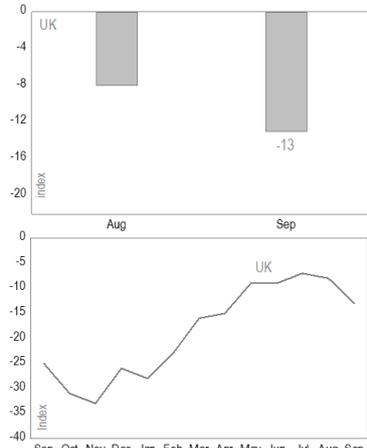
- Business investment grew by 4.5% in Q2, faster than previously thought. Investment intentions in Q3 continued to be positive, supported by new spending as well as paused projects being reinstated according to BoE but significant product shortages and rising prices point to subdued growth over the short-term.

## Commercial Property



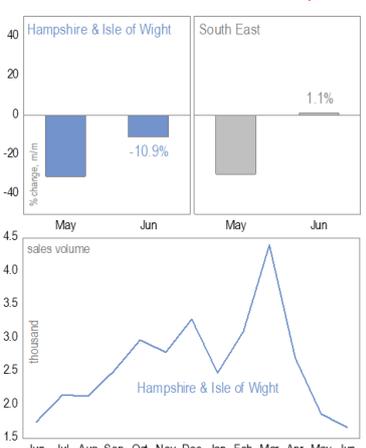
- Total floorspace of all new lettings or sales to occupiers (take-up) in Hampshire & Isle of Wight amounted to 733,903 sq ft in Q3.
- Offices and industrial decreased by 21% and 16% on the quarter but retail, leisure & hotels increased by 134%. Office rents in September were lower than in June this year.

## Consumer Confidence



- Consumer confidence fell back in September to the lowest reading since April amid growing worries over inflation, tax hikes, energy bills and the end of furlough. Consumers became more downbeat about the economic outlook and personal finances (GfK), while retail sales fell for the fifth month in a row (ONS).

## House Sales



- House sales, not adjusted for seasonal factors, in Hampshire & Isle of Wight decreased in June but at a slower pace than in May.
- Nearly 1,700 residential property transactions took place in June, almost 11% lower than in May.
- Property sales were about 23% below February 2020's level.

### Manufacturing

- Manufacturing output increased by 0.5% in August 2021. Manufacturers have reported record output and expansion rates in Q3 according to Make UK, and mostly down to growth in domestic orders. Supply bottlenecks and labour shortages continue to constrain production in several sectors according to the Bank of England.
- Demand for manufactured food products remains robust but hampered by labour shortages has led manufacturers and trade bodies to call for a temporary easing of migrant visas.
- Evidence of supply-chain problems constraining growth in exports, with anecdotal intelligence suggesting that EU customers moving away from UK suppliers following Brexit. In contrast there appears to be only limited evidence of UK producers moving away from EU imports.
- As manufacturing confidence returns employment and investment intentions have expanded for two quarters in a row which bodes well for jobs.

### Aerospace, defence, and space

- In response to a pause in funding through the Aerospace Technology Institute (ATI), one of the main vehicles for R&D funding in the UK, the aerospace industry highlighted the risk of new green tech projects leaving the UK unless R&D spending is increased and long-term commitments made from UK government.
- In the SR21 the Government pledged to increase public R&D investment to £20 billion by 2024-25, an increase of around a quarter in real terms over the Spending Review period, part of the government's ambition to spend £22 billion on R&D by 2026-27.
- InnovateUK will receive at least £2.5bn in core funding to support companies to innovate - a 36% increase across the SR21 period.
- Legal challenges to the extension of Southampton Airport runway by Bournemouth International Airport and a local protest group were rejected by High Court in October.

### Green Economy

- UK Government published its Net Zero Strategy: Build Back Greener which inter alia includes support for 190,000 jobs by 2025, and 440,000 jobs by 2030, and seeks £90 billion of private investment by 2030. The Budget and SR confirmed that since March 2021 the government will have committed a total of £30 billion of public investment for the 'green industrial revolution' in the UK.
- £620 million of new investment for public charging in residential areas and plug-in vehicle grants was announced in SR21 to support the uptake in electric vehicles. This additional commitment builds on the £1.9bn committed in SR20. Additional funding has been allocated to electrification of UK vehicles and their supply chains.
- UK Government sets out policies to decarbonise energy used in buildings in its Heat and Buildings Strategy, and in so doing support net-zero and levelling up (creating new highly-skilled jobs, products, markets, and supply chains). The Budget and SR21 provided £3.9 billion to decarbonise buildings by making them warmer and more environmentally friendly.
- As part of reducing green house gas emissions households can benefit from £5,000-£6,000 in government grants through a £450 million Boiler Upgrade Scheme to help install low-carbon heating systems (switching from gas to air or ground heat-pumps), with a third of all heat-pumps expected to be installed in new builds.

### Marine & Maritime

- Showcasing the leisure marine industry, the Southampton International Boat Show was able to reopen in September 2021 after Covid led to the event being cancelled in 2020.
- In August, Cowes week was able to resume the annual regatta although strong winds meant racing was abandoned with Cowes 2022 set for July 30th.
- International cruising is now permitted, although rules in different countries apply which means some companies do not have international cruises scheduled for the next few months. However, P&O, Princess Cruises, Celebrity and Saga Cruises are leaving Southampton in September and October, mostly to European locations.

## Lifesciences

- The Budget and SR confirmed the £1.4bn Global Britain Investment Fund to support investment in life sciences, offshore wind and automotive manufacturing sectors.
- Biotage has acquired Southampton based DNA synthesis and purification company ATDBio for £45 million. The acquisition is expected to strengthen Biotage as a leading life science tool and impact tech service provider.
- Hampshire based Aspire Pharma provider of niche generic and branded specialty pharmaceuticals has been acquired by an affiliate of alternative investment firm H.I.G Capital, alongside founder Graham Fraser-Pye.

## Construction

- Construction output has fallen for the second consecutive month with September's output down 0.2% on August. Overall, in the three months to August 2021, construction output fell by 1.3%.
- Sectoral demand for construction was weaker among those sectors disproportionately affected by the pandemic (retail, hospitality and higher education) but more robust in logistics, warehousing and IT.
- Construction of private housing remained strong but growth in new builds and repairs and maintenance were both hampered by material shortages. Construction material shortages reflect several factors including congestion at ports, a shortage of HGV drivers, and depleted inventories. As shown by the latest construction outputs data it is increasingly clear that shortages are not only pushing up costs, but also limiting output.
- Shortages of construction materials are unlikely to ease for at least another 6-12 months, restraining activity in the renovation sector and among smaller housebuilders. That is likely to cap housing starts for the next year according to Capital Economics, a London based consultancy.
- The property market remains buoyant as housing demand out-paces supply, although evidence of sales easing as property transaction tax holiday came to an end. Lack of housing sustains a strong rental market for most of the UK causing rents to rise.

## Commercial Property

- Investor demand for commercial property in the UK mixed, with investor sentiment just below pre-pandemic levels according to Bank of England, with demand centred on prime office and industrial properties and shifting away from retail and non-prime office premises. Demand from overseas investors was reported to be strong.
- Total floorspace of all new lettings or sales to occupiers (take-up) in Hampshire & Isle of Wight amounted to 733,903 sq ft in Q3 compared to 852,433 sq ft in Q2. This reflected weaker economic data in Q3 and the usual seasonal dip. Offices and industrial decreased by 21% and 16% on the quarter but September was a good month for industrial. Retail, leisure & hotels increased by 134% on the quarter with the strong growth in July and August.
- Office rents in Hampshire in September were lower than in June this year but better than in August. Retail, Leisure & Hotels saw strong growth in rents in September. Tenant demand for newer office premises is robust, especially for buildings with good ESG (environmental, social and governance), but acceleration of flexible working going forward likely to see downsizing of office space posing a downside risk to investors.
- Tenant and investor demand for industrial, logistic and science-related properties remains above pre-pandemic levels, but falling demand for high-street retail premises and shopping centres with declining values, and increasing rent arrears (*Business Specific Intelligence, page 10*).

## Retail

- Following the strong bounce back in retail sales in April, with the opening up of non-essential retail, there have been consecutive falls in retail sale volumes according to ONS data. However, sales remain above pre-pandemic levels (February 2020).
- According to the Bank of England consumer demand remains strong in Q3 2021, supported by online sales and tourism – with a staycation effect boosting domestic spending in rural and coastal areas but subdued in cities in part due to lack of international tourists. Spending was also strong on non-essential goods (furniture, sports and outdoor equipment) and used cars.
- Material shortages and haulage bottlenecks are limiting the availability of some goods (furniture, new cars and electrical items), and further reports of streamlining product ranges that are further exacerbated by concerns over the availability of goods leading up to Christmas.

## Tourism and Hospitality

- Output in accommodation service activities grew by 10.3% in August, followed by 8.5% growth in arts, entertainment & recreation in response to the first full month of coronavirus restrictions on social distancing being lifted in England.
- Staycations and day trips continued to drive demand for rural and coastal destinations over the summer and into Autumn. Perceived risks and complexities around international travel have helped drive domestic tourism. Most of Hampshire's visitor attractions have had a strong summer/early autumn. Forward bookings for 2022 are looking strong.
- Labour shortages and staff self-isolating continue to affect the hospitality sector as a whole. Hampshire's rural providers are particularly affected as they are more remote from pools of labour, particularly students. Social-distancing measures are still limiting capacity and therefore profitability. Supply issues/inflated input costs are still a concern.
- International visitors and group/school bookings are very limited. Visit Britain forecasts a full recovery in international travel by 2025, with 75% of European travellers returning by 2022 and 50% of US. Remaining long-haul markets will mainly return more slowly.
- International cruising re-started on 2 August 2021 following a 16 month break. Southampton Port opened its new £55m Horizon Cruise Terminal in July 2021, providing additional capacity to deal with an anticipated doubling of its passenger numbers to 4 million over the next 30 years. Portsmouth Port has been awarded £11.25m of Government funding towards expanding its cruise terminal to manage an additional 250,000 passengers each year.
- Hotel investment in Hampshire continues with Another Place: The Garden (Amport House), Andover (50 room), Headley Park Hotel, Bordon (20 room), South Lawn Hotel, Milford (24 bed extension) at or near planning application. Bombay Sapphire distillery opened a new cinema room and interactive cocktail bar to upgrade its visitor experience
- After last years cancellation, the renown Winchester Cathedral Christmas Market which attracted over 350,000 visitors is due to go ahead in 2021 from mid-November to December 22<sup>nd</sup>.

## Business Specific Intelligence

## Commercial Property – Significant Occupier Transactions

Sector	Property	Size (sq ft)	Tenant
Office	Omega Park, Alton	11,250	In-Space Mission Limited
Office	Solent Business Park	9,117	M12 Solutions Limited
Office	Belvedere Point, Havant	5,328	EcoGenR8 Limited
Industrial	Murrills Industrial Estate, Porchester, Fareham	20,452	Autonomous Surface Vehicles Limited
Industrial	Mountpark, Southampton	74,390	Global E-Commerce Experts
Industrial	Chandlerrs Ford Industrial Estate	44,882	Ecommerce Supply Chain Limited

## Investment and Job Creation

- Solent Gateway submits plan to upgrade Marchwood Military Port. Transform a Hampshire military base that forms part of the proposed new Solent Freeport could cost £300m and create hundreds of jobs.
- Amazon lined up for new distribution centre in Havant on former Pfizer site in Havant creating up to 1,000 jobs.
- Lumenity Ltd has confirmed the new multi-million-pound, 40,000 square ft purpose-built factory will open in January 2022 at the Abbey Park Industrial Estate, Romsey, and it will create a significant number of job vacancies.
- Plans have been given the green light for new hotel on the former Ordnance Survey site in Southampton which will create 70 new jobs (30 permanent jobs and 40 direct and indirect jobs).
- Panattoni, the largest industrial real estate developer in Europe, and Legal & General's Industrial Property Investment Fund (IPIF) have begun speculatively developing three targeted net zero carbon logistics facilities, totalling 213,350 sq ft, at V Park, Basingstoke
- A total of 50 new positions are being made available in local co-operative retail stores as part of the Government's scheme to kickstart youth employment at sites across Hampshire.

## Mergers and Acquisitions

- Oxfordshire-based Sci-Net Business Solutions recently acquired the Microsoft Dynamics division of Blue Rock Systems, which was based in Southampton's Shamrock Quay Marina. The launch of Sci-Net's Southampton office, at Enterprise House in Ocean Village, is part of a growth plan that has seen it appoint 30 staff across the two sites.
- Hampshire-based Onecom, backed by LDC private equity, has brought Exeter-based IP Office works with networking and connectivity, voice, video, messaging, storage, security, call control, compliance and mobile telecommunication.

## Closures, Administration and Job Losses

- Fears raised that 100 jobs are at risk as Portsmouth pension centre is to be closed by DWP. More than 100 jobs are at risk following the announcement of the closure of a Cosham pension centre by the Department for Work and Pensions (DWP).
- Hythe (New Forest) is to lose its branch of Lloyds after the banking group announced plans to shut 48 sites. The branch at the Marsh will close on February 7 next year, with the bank blaming declining customer visits.
- The Leader of Portsmouth City Council has publicly stated that the Lennox Point (Tipner Point) development is 'dead in the water' following a successful motion at full council calling for all work to be 'paused and rethought'.

## Guidance and Sources

### How to read 'traffic lights':

 Refers to decline or growth relative to the previous period (business activity indicators, PMI employment, job postings and business investment).

In the case of business and consumer sentiment it refers to the direction of travel relative to the previous period.

For labour market indicators the change refers to the rate not the level. For example, a rise in the employment rate would see an upward green arrow, while a decrease in 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), HMRC and the Bank of England while additional data comes from several commercial sources such as IHS Markit, Emsi, G Radius Data, CBI and BCC.

Fortnightly data for Trading Status, Turnover and Cashflow.

Monthly data for Payrolled Employment, Government Job Support Schemes, Job Demand, Demand by Occupation, Unemployment, Consumer Sentiment, House Sales, Commercial Property, UK GVA and a proxy estimate for Hampshire.†

Quarterly data for business investment.

\*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>

## Autumn Budget and Spending Review 2021: Economic Development Briefing

This brief note sets out a summary of the key points from the October 2021 Autumn Budget and Spending Review and the latest economic forecasts from the OBR. Where possible, the note includes a rough estimate of the potential impact of some of the policy measures on Hampshire.

### Headline Macroeconomic Announcements

**Economic Outlook** - GDP in Q2 2021 was 3.7 per cent above the OBR forecast in March, with Q2 2021 growth fastest among the G7. Inflation is expected to rise further to 4.4% in Q2 2022 remaining high over 2022 and 2023 (reflecting the lagged effects of recent increases in wholesale energy and input prices) before returning to target by the end of 2024.

In 2021 the economy is expected to expand by 6.5% in real (inflation adjusted) terms, the fastest growth in nearly half a century, and some 2.4 percentage points faster than the OBR's forecasts in March 2021. However, beyond the fourth quarter of this year the OBR have downgraded their forecasts in 2022 but higher in 2023. In the near-term higher energy prices, supply bottlenecks, and labour shortages will dampen the recovery. In 2022 the UK economy is expected to expand by 6.0% before slowing to 2.1% in 2023. The outlook for next year is weaker than expected in March 2021 but the outlook is now stronger for 2023 than previously forecast.

Table 1: Headline forecasts for GDP (central forecast), unemployment and inflation

	2020	2021	2022	2023	2024	2025	2026
GDP growth	-9.8%	6.5%	6.0%	2.1%	1.3%	1.6%	1.7%
Unemployment rate	4.6%	4.9%	4.8%	4.3%	4.2%	4.2%	4.2%
CPI inflation	0.9%	2.3%	4.0%	2.6%	2.1%	2.0%	2.0%

Source: OBR 2021

There is still a degree of uncertainty around the economic outlook with risks from further pandemics, higher inflation, sustained labour market shortages, a rise in real interest rates, and continuing tensions over post-Brexit trade with the EU.

The OBR is more optimistic about the economic scarring effect of the pandemic (associated lower investment, lower productivity and lower labour supply) with unemployment at a lower rate than expected and better productivity (mainly R&D and new ways of working) which saw the estimate reduced from 3% to 2% suggests a larger economy, higher revenue and improved fiscal position. However, concerns over the long-term of older workers not returning to the labour market, as well as greater proportion of young people locked into higher education.

Impact on Hampshire: the official estimates of the impact of the pandemic are not available but a preliminary local estimate suggests that in terms of Gross Value Added (GVA) the economy of Hampshire and the Isle of Wight ('Hampshire') contracted faster than the UK economy but as shown by the recovery that followed the great financial crisis of 2008/9 Hampshire's recovery is likely to be faster than the national average.

**Unemployment** – OBR forecast for unemployment has been revised down to peak at 5.2% in the final quarter of this year from 6.5%. The unemployment rate is then expected to fall to 4.2% in 2024 and remain there for the remainder of the forecast period. The reopening of the economy has seen 3.2 million workers off furlough since March, leaving only 1.3 million on the coronavirus job retention scheme which closed at end of September. Expectations are for a small uptick in unemployment given that business and job support schemes kept unemployment largely in check.

Impact on Hampshire: since the March and gradual reopening of the economy following the third national lockdown the number of people claiming unemployment related benefits in Hampshire has fallen by about 17,100 to approximately 46,100 and the rate decreased from 5.2% in March 2021 to 3.8% by September 2021, still some way off pre-pandemic levels (although claimant eligibility criteria was relaxed which inflated the count).

## **Headline Fiscal Announcements**

The Chancellor was gifted £141 billion over the next four years from a lower borrowing windfall by improved OBR forecasts, reflecting faster growth, smaller permanent economic damage from the pandemic and higher inflation (fiscal drag with frozen income tax thresholds). The chancellor chose to bank most of this £30 billion a year windfall, building in a cushion of over £25 billion against his self-imposed fiscal rule to ensure day-to-day spending is covered by tax revenues from 2024/25, with approximately £5 billion a year as give aways.

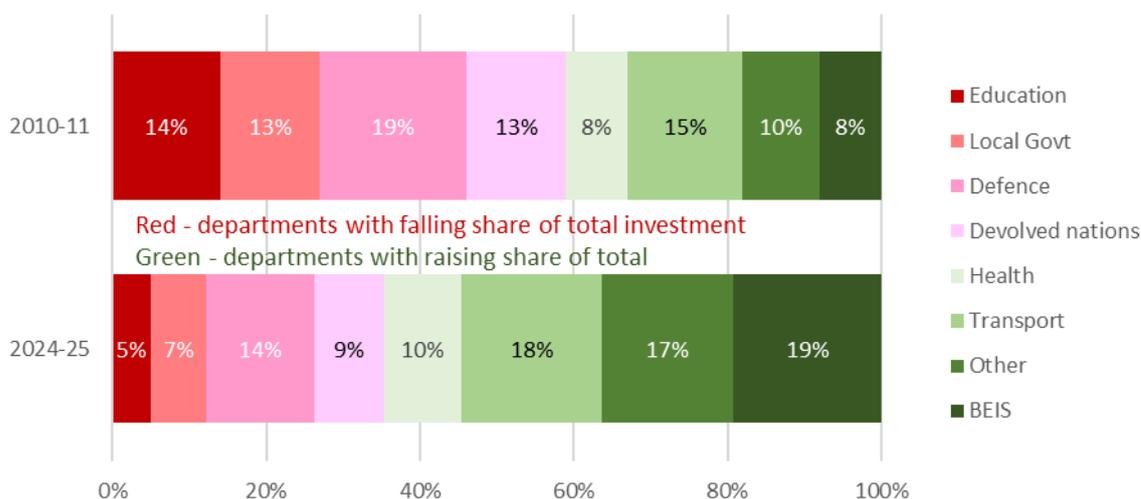
Estimated government borrowing reached a peacetime record of approximately £320 billion (15.2 per cent of GDP) in 2020-21 but it was £35 billion (1.7 per cent of GDP) lower than the OBR estimated in March. Borrowing in 2021-22 would be 7.9% of GDP falling to 3.3% in 2022, to reach £44.0 billion (1.5 % of GDP) in 2026-27.

According to the IFS, borrowing in the first half of 2021/2 was £108bn, half that of last year, leaving debt at 95.5% of GDP. However, since 40% of debt is held by the Bank of England, net government debt is less than 60% of GDP.

According to IfG the government plans to increase total day-to-day public spending by 10% in real terms between 2021/22 and 2024/25, but with some of these funds ringfenced to address health backlogs. Departmental spending in the current parliament would rise by £150 billion (£90 billion in real terms), with spending growing in real terms by 3.8% per annum.

**Public services:** The CSR announced real growth in public spending across most departments, although dominated by health given the new health and social care levy announced in September. An additional departmental spending of £25 billion in 2022-23, declining to £19 billion in 2023-24 and £12 billion by 2024-25.

Figure 1: Investment spending priorities have shifted markedly since 2010 Share of departments in total capital spending (capital DEL): UK, 2010-11 and 2024-25



Source: Resolution Foundation 2021

Cumulatively this is a £56 billion increase in forecast departmental spending. The big winner is health and social care mostly because of the levy with the budget is set to be over 40 per cent higher in real terms by 2024-25 than in 2009-10. Education spending is set to rise by about 2% per year, half that of health and social care (4% per year) and above 2010 funding levels for day-to-day spending but lower as a share compared to Resolution Foundation<sup>1</sup> estimates for 2010-11 against 2014-2025 (Figure 1).

Total Departmental Expenditure Limit (DEL) for BEIS will increase by 7.5% over the period 2021-22 to 2024-25, DfT by 1.9%, DWP by 4.4% and DCMS by 5.8%. Some 44% of the cash increases announced in the Spending Review for the next three years will go to the Department of Health and Social Care. Many departments face day-to-day spending budgets that are smaller in real terms than they were in 2009-10.

**Local Government** will get grant funding of £4.8 billion (£1.6 billion per year for next three years on top of the funding to implement social care reform), and an estimated average real term increase of 3% in core funding (based on councils increasing council tax to maximum). However, while local government has seen an increase there are constraints on what local authorities will be able to raise council tax, as the option of high council tax rises to relieve local authority spending pressures did not materialize. The spending review documents revealed councils will be able to increase council tax by 2%, with a further 1% social care precept for the relevant authorities. Therefore, with grant funding effectively frozen after next year, combined with no progress on

<sup>1</sup> Resolution Foundation (2021) The Boris Budget: Resolution Foundation analysis of Autumn Budget and Spending Review 2021

updating the funding formulae and the growing demands of the social care system, some local authorities may have to cut services over the coming years.

According to the IFS 'fiscally speaking this year will go down as a once in a decade event'<sup>2</sup>, with £40 billion in tax increases and record spending, underpinned by OBR forecasts driving policy.

## Headline Employment and Skills Announcements

In September 2021 at Conservative party conference the Prime Minister announced his vision for a high-wage, high-skilled, high-productivity economy, that will be delivered through its Plan for Growth with significant investment in innovation, infrastructure and skills.

**R&D Spending:** R&D £20 billion pledge and extended funding period by two years to 2024 (see also Headline Business Support Announcements). Doubling the available scholarships for AI and Data Science Master's conversion courses with a £23 million investment for under-represented groups.

The **Coronavirus Job Retention or 'Furlough' Scheme (CJRS)** ceased at the end of September 2021.

**Impact on Hampshire:** as of September 2021, there were 27,200 Hampshire and the Isle of Wight residents on the CJRS scheme with take-up rate of 3%, of which most are expected to return to their employers or into alternate employment based on record vacancy rates.

To access the government's fifth and final round of the **Self-Employment Income Support Scheme (SEISS)** businesses must have had a new or continuing impact from coronavirus between 1 May 2021 and 30 September 2021. This grant is worth either 80% or 30% of average monthly trading profits, paid out in a single instalment covering 3 months' worth of profits, and capped at £7,500 for the higher percentage or £2,850 for the lower percentage. Newly self-employed individuals were able to claim the higher grant.

**Impact on Hampshire:** around 101,000 Hampshire residents were assessed for eligibility for the fifth SEISS grant up to 7th October 2021. Some 35% of eligible Hampshire residents made claims for the fifth grant – a total of 35,300 people. The average payment per claim was around £2,400. Total value of SEISS claims for the fifth grant in Hampshire stood at £84.3m with the total value of all SEISS claims in Hampshire at £884m.

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<sup>2</sup> IFS Autumn Budget and Spending Review 2021, available at [Autumn Budget and Spending Review 2021 - Institute For Fiscal Studies - IFS](#)

**Skills and education:** Building on the *Plan for Jobs*, the Budget and Spending Review announced over £6 billion of funding for the Department for Work and Pensions (DWP) over the next three years to assist people earn more and gain the right skills.

The budget announced increased skills spending over the Parliament by £3.8bn. compared to 2019-20, a rise of 42%. **Schools** will receive an additional £4.7bn for the core schools' budget in England by 2024-25. The main areas covered were:

- 16-19-year olds' education in England is to get an additional £1.6bn by 2024-25.
- A portion of the settlement will focus mostly on disadvantaged pupils and will help to recover learning lost due to the pandemic.
- Pupil premium return to 2010 levels worth £1,500 more per pupil – increasing investment to create 30,000 special school places. Support for catchup funding in response to Covid pandemic will approach £5 billion.
- **Special Needs:** Around £2.6bn will be invested over the Spending Review 2021 period for new school places for children with special educational needs and disabilities (SEND) in England.
- There will be opportunities for adults across the whole of the UK to develop their numeracy skills through £560m across the budget period for the Multiply programme, funded through the UK Shared Prosperity Fund);
- A total investment of £554m by 2024-25 to increase retraining and upskilling opportunities for adults.
- Funding for **Apprenticeships** will increase to £2.7 billion by 2024-25 (the first increase since 2019-20) to support businesses invest in a skilled workforce. Funding for the Help to Grow schemes will help SMEs improve their productivity through world-class management skills training and support for digital adoption.
- Additional funding will be used to quadruple the number of places on Skills Bootcamps, expand the offer on free Level 3 qualifications and launch the new Multiply scheme to improve numeracy skills across the UK for up to 500,000 adults

**Impact on Hampshire:** There were around 32,000 apprenticeship starts in Hampshire in 2018/19 (the latest full year data from DfE). DfE data suggests that in 2020/21 there were over 34,000 SEND pupils in all schools in Hampshire.

## Major Regional Policy Announcements

**Cost of living:** The Government stopped the temporary £20 uplift to standard Universal Credit (UC). However, with effect by December 2021 the Universal Credit taper rate will be cut from 63p in the pound to 55p leaving low earners with more income. However, factoring in the £20 loss in benefit then estimates<sup>3</sup> suggest three in four claimants will be worse off.

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<sup>3</sup> Resolution Foundation -

Impact on Hampshire: this will boost, in nominal terms, the incomes of up to 143,900 Hampshire residents (up to 81,400 claimants not in employment and up to 62,500 UC claimants in employment).

The **National Living Wage** will increase from £8.91 per hour to £9.50 from April 2022. For those that currently receive the National Living Wage, this will mean a pay rise worth over £1,000.

The most vulnerable families with the cost of living this winter, the government has introduced a £500 million **Household Support Fund**.

Impact on Hampshire: Hampshire will receive £7.12 million from the Household Support Fund, Southampton £2.22 million, Portsmouth £1.88 million and Isle of Wight £1.13 million.

**Net-zero/Green Agenda:** Spending was already announced in the [net zero strategy](#) last week but did not add to this. Budget announced £21 billion of spending on decarbonising buildings, transport, industry, and energy, and providing support for innovation through to 2024-25 but this is unlikely to meet Government's net zero plans.

However, contradicting the net-zero agenda air passenger duty (APD) will be reduced with the cost of a domestic flight tickets likely to be cut equivalent to adding another 410,000 passenger journeys a year, while long-haul flights may become more expensive. Nine million passengers will see the cut, and regional airports such as Southampton could benefit. Furthermore, the Budget froze fuel duty at a cost of around £1.5 billion a year which was less surprising given the sharp spike in fuel costs but again flying in the face of net-zero. The short-term focus is on recovery rather than net-zero.

£620 million of new investment over the next three years to support the **transition to electric vehicles** and a significant increase in new funding to encourage more people to walk and cycle. **Decarbonising buildings** with £3.9 billion, including £1.8 billion to support tens of thousands of low-income households to transition to net zero while reducing their energy bills. Some £315 million has been set aside for the **Industrial Energy Transformation Fund** which will help firms cut their carbon emissions and reduce energy bills. This will support Southampton's industrial cluster.

Impact on Hampshire: Southampton's industrial cluster has been named as one of the six industrial clusters that will benefit from the Industrial Energy Transformation Fund. Southampton Airport likely to benefit from reduced APD. According to Census 2011 over 560,000 (60%) residents commuted by driving car/van, over 34,000 (4%) cycled, and approaching 100,000 (10%) walked. Travel by car is likely to be lower once 2021 Census published due to increased working from home through hybrid practices (close to 100,000 (11%) residents worked mainly at or from home in 2011).

**Transport and Roads** - Treasury said there would be £8bn for local roads maintenance and upgrades over this Parliament. This compares with previous

announcements of around £5.5bn for maintenance (based on current levels) and £3.5bn for upgrades.

**Level up bus services** in England with £3 billion investment over this Parliament, including a new dedicated £1.2 billion new funding for London-style bus transformation deals to improve infrastructure, fares and services.

Impact on Hampshire: additional spending on transport in Hampshire will include £7 million to develop proposal (the final business case) to reinstate rail passenger services between Totton and Fawley in New Forest.

**Housing and homelessness** – in the Budget and Spending Review investment in housing worth nearly £24billion announced. This includes previously announced the £1.8bn to deliver new homes on 15,000 hectares of brownfield land. £11.5bn to build affordable homes, and £640m for homelessness. A new tax on property developers to help pay for the removal of unsafe cladding that will be levied on developers with profits over £25m at a rate of 4%.

Impact on Hampshire: - almost £58 million from the £75 million *Brownfield Land Release Fund* (BLRF) has been allocated to 53 councils, with Eastleigh Borough Council the only Hampshire County area authority to benefit so far (The Arch, Chandlers Ford, £260,000), while Portsmouth has 13 sites worth just over £2million, and the Isle of Wight have three sites worth collectively approximately £950,000.

New early years funding with £540m for family hubs (although as many as 1,000 Sure Start children's centres may have been shut down in England since 2010 according to Sutton Trust<sup>4</sup>).

**Global Britain Investment Fund:** £1.4 billion to support some of the UK's leading manufacturing sectors and stimulate regional growth across the UK. This will provide grants to encourage internationally mobile companies to invest in the UK's critical and most innovative industries, including life sciences (£354 million) and automotive production and supply chains (£800 million, although focused in the North East and Midlands).

Impact on Hampshire: Hampshire has over 150 life science business employing an estimated 24,000 employee, whilst Southampton as the number one export port for vehicles is likely to benefit from exports of Electric Vehicles from the Midlands.

**Freeports** – the government announced eight new freeports including Solent in March 2021. Subject to agreeing their governance arrangements and successfully completing business cases Freeports can begin operations from late 2021. However, Solent has not been shortlisted in the Budget/SR21 as one of the first freeport sites that will be

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<sup>4</sup> Sutton Trust (2018) STOP START: Survival, decline or closure? Children's centres in England.

able to operate from November. The first sites will be in Humber, Teesside and Thames, and be able to begin initial operations from November 2021.

The government will legislate in Finance Bill 2021-22 to introduce additional elements to the VAT free zone model for Freeports.

The legislation will:

- Implement a free zone exit charge to ensure businesses do not gain an unintended tax advantage from the zero-rate in the free zone model
- Make amendments to existing VAT law to ensure free zone rules and warehousing rules are mutually exclusive
- Amend elements of the historic free zone legislation, which are incompatible with the new free zone VAT rules

The measure will take effect from 3 November 2021.

**Impact on Hampshire:** The Solent Freeport has the potential to attract £2billion investment and create more than 50,000 jobs.<sup>5</sup> A mechanism will need to be put in place that minimises job displacements from other parts of Hampshire. The government is actively working with several partners to deliver the remaining Freeports.

**Levelling -up:** The Chancellor announced £1.7 billion of funding in the first grants from the levelling up fund<sup>6</sup>. (**see Impact on Hampshire**). Relatively few areas in Hampshire have directly benefited from the recent government bidding rounds (see individual fund impacts) but the short-term economic recovery action planning continuing to be undertaken by the County Council.

The Levelling Up Fund<sup>7</sup> worth £4.8bn (initially announced in November 2020 as part of the Spending Review) will focus on capital investment in local infrastructure. The focus will be on projects that require up to £20m of funding but there is also scope for investing in larger high value transport projects by exception. The first round of the Fund (2021/22) has focused on three themes: smaller transport projects that make a genuine difference to local areas; town centre and high street regeneration; and support for maintaining and expanding the UK's world-leading portfolio of cultural and heritage assets.<sup>8</sup>

**Impact on Hampshire:** First round bids were announced 27 October 2021. A total of 305 Levelling Up Fund bids were received on or before the 18 June 2021 but only 293 met the assessed criteria i.e., 12 were dismissed. In principle, all bids scoring at least 75/100 overall should be funded, but precedence given to the highest-quality bids. Gosport was the only local authority in Hampshire identified as top priority area

<sup>5</sup> <https://solentlep.org.uk/what-we-do/news/2billion-solent-freeport-bid-submitted/>

<sup>6</sup> [Levelling Up Fund: first round successful bidders - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/levelling-up-fund-first-round-successful-bidders)

<sup>7</sup> HMT, MHCLG and DfT (2021) *Levelling Up Fund Prospectus*, available at: [Levelling Up prospectus.pdf \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/98444/levelling-up-prospectus.pdf)

<sup>8</sup> Chapter 4, page 8, [Levelling Up prospectus.pdf \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/98444/levelling-up-prospectus.pdf)

(Category 1) but was not successful in First round. The Isle of Wight (£5.8 million for East Cowes marina) and Portsmouth (£20million to transform visitor economy) both Priority 2 areas were successful. Feedback sessions will be offered to unsuccessful places to support applications into further rounds of the Fund, with Round two due to open in Spring 2022. This suggests an opportunity to strengthen Hampshire existing or new bids for Round 2.

UK Shared Prosperity Fund (replaces the EU Social Fund): over £2.6 billion launched with funding will rise to £1.5 billion a year by 2024-25 and focused on funding programmes that help people into jobs.

**Community Ownership Fund** is aimed at helping communities protect and manage their most treasured assets: the first 21 projects will receive funding from the £150 million, focusing on local community assets such as, community centres, pubs, and the high street. The Fund will run until 2024/25 with at least eight bidding rounds in total. The second bidding round will be announced shortly.

Impact on Hampshire: Announced on 27 October 2021, two projects in Hampshire have been selected in this first bidding round worth £1.3 million - New Forest (East Boulder Community Stores, £250,000) and Portsmouth (The John Jenkins Stadium with £986,000). With further rounds until 2024/25 there are additional opportunities for Hampshire to submit bids, including unsuccessful bids which are encouraged to re-submit.

To support young people, spending review will invest £560 million in youth services in England, including through the **Youth Investment Fund and National Citizen Service**.

**UK Community Renewal Fund** – The £220 million UK Community Renewal Fund was introduced as a pilot to provide funding that helps places across the UK prepare for the introduction of the UK Shared Prosperity Fund (designed to replace EU funding) and in so doing contributing to the levelling up agenda through investing in people, places, businesses and communities improving everyday life across the UK.

Impact on Hampshire: Successful bids announced 3 November 2021. Hampshire County Council received 19 bids for the Community Renewal Fund, totalling £9.6 million and following internal assessment process a shortlist of eight bids totalling £3.3 million was submitted to Government for assessment. Hampshire County Council's own bid worth £211,861 for '*Community Engagement for Household and Community Energy Scheme Development in Hampshire*' was successful alongside two bids from Portsmouth City Council worth £1.59 million.

**Levelling-up White Paper and 'County Deal'**. The White Paper presents an opportunity to reset the relationship between central and local government and put councils at the heart of delivering the Government's ambitious programme was due to be published late 2021. Neither the Budget or CSR provided a publication date for the white paper on levelling up and English devolution which will provide further direction for the County.

## Headline Business Support Announcements

The Government chose not to review business rates, while the planned increase in business rates multiplier will be cancelled, worth an estimated £4.6 billion over the next five years.

An estimated 90% of businesses in **retail, hospitality, and leisure properties** will continue to be eligible in England but with 50 per cent **business rates relief** (capped at £110,000 per business - will benefit SMEs) worth £1.7 billion.

Impact on Hampshire: There were around 15,160 enterprises in retail, tourism and visitor economy in Hampshire in 2021 (about 19% of all enterprises in Hampshire).

**Tax relief on museums and galleries** due to expire in March 2022 has been extended to March 2024. According to research<sup>9</sup>, local authority spending in England on museums and galleries declined between 2009/10 and 2019/20 by 34% in real terms.

Impact on Hampshire: Hampshire has around 55 museum and art gallery enterprises in 2021.

**No announcement on Corporation tax** given an increase in the main rate of corporation tax to 25% from April 2023 was announced in March 2021. **However, the banking surcharge will be reduced to 3% from April 2023.** The profits allowance, which effectively acts as a threshold for when the surcharge becomes payable is also increasing, from £25 million to £100m. The surcharge is payable by banks in addition to corporation tax. A review of the surcharge was first announced in the Spring Budget in March.

Impact on Hampshire: No change from March announcement. A vast number of businesses in Hampshire do not pay corporation tax. Some 74,500 Hampshire businesses (91%) have turnover that is less than £1m. Around 1,000 Hampshire businesses have turnover of £10m+.

Chancellor announced an extension of the **Annual Investment Allowance** to March 2023, which gives business rates relief to support plant improvements. Through a **capital allowance on business investment scheme** the Government is creating incentives to bring investment forward from future periods. The new scheme will allow businesses to claim 130% in-year relief for main rate capital expenditure on plant and machinery, and 50% relief for special rate capital expenditure for 2021/22 and 2022/23.

The temporary cut to the rate of VAT on food, accommodation and entry fees to attractions from 20% to 5%, introduced in July 2020, was extended by Finance Act

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<sup>9</sup> Rex, B., and Campbell, P. ((2021) Local Authority Investment in Museums after a Decade of Austerity, London Museums Association.

2021 until 30 September 2021, while an increased reduced rate of 12.5% applies between 1 October 2021 and 31 March 2022.

Impact on Hampshire: There were about 4,240 enterprises in Hampshire in this sector in 2021 with about 5,750 local business units (about 5.2% of all enterprises in Hampshire).

## Draft Statement of Common Ground

1. The local authorities are keen to explore the opportunities provided by a county deal.
2. It is commonly held by the local authorities that the interests of the residents and businesses of the HIOW area would be better served by greater devolution of power and funding from central government to local government (and potentially other locally controlled agencies), working under formal arrangements that bring public services together with a shared agenda. This transfer should embody the principles of subsidiarity and local accountability.
3. The purpose of pursuing devolved powers from Government (more recently termed 'county deals') is to secure such powers and funding in order to level up and improve access to, and the quality of, services and opportunities for everyone across the area. In so doing, it will reduce inequalities and improve the well-being of our residents and communities across a range of service areas, potentially including transport, economic development, environment, housing, health welfare, education, trade, energy, employment and skills and parallel government deals such as the recent Solent Freeport agreement.
4. HIOW contains a number of different socio-economic geographies and 'journey to work' catchments that will need to be reflected within any deals sought. The recent HIOW Leaders meeting reflected this through discussion of the different socio-economic geographies (including at a north Hampshire, central Hampshire and the southern or Solent and Isle of Wight level). There was also agreement that consideration should include the strong links and partnership discussions that have been developed with Bournemouth, Christchurch and Poole (BCP) Unitary Authority since its inception.
5. Across the geography of HIOW and BCP, four separate expressions of interest for 'county deals' have been submitted to DLUHC. The expressions of interest reference a range of potential geographies for a deal, including the 'historic' county of Hampshire, the unitary councils and the Solent region (including BCP). HMG convened meetings with the council chief executives to discuss potential county deals in both BCP and HIOW areas. HMG confirmed in the HIOW meeting their willingness to consider a deal on the HIOW geography or sub-geographies, and in the BCP meeting a deal that enabled BCP to be part of a deal within the HIOW area.
6. All of the local authorities hold a genuine interest in exploring whether a worthwhile deal can be secured that brings net benefits for each area as well as the whole, acknowledging that different councils have different priorities for their communities, that some options may serve their priorities better than others, but equally that all will strive to find the maximum common ground.

7. Any successful deal(s) will be the product of genuine co-production by equal partners, with the proposals and process for developing them owned and shaped by all, with the final proposals reflecting an equitable distribution of influence and responsibility, including in any voting regime that may be required. It is recognised by Leaders that the HIOW area already has 'best practice' examples such as the successful Partnership for South Hampshire (PfSH) which has delivered effective co-produced growth and attracted funding over a 20 year period for the benefits of the partnership area.
8. It is recognised that a deal will comprise 'asks and offers' from both HMG and the local authorities. The greater the asks, the greater the expected offer. From HMG perspective, certainty, consistency, accountability, and mandate in terms of HMG (single) point of contact with the area of the deal is key. Gains in efficiency and effectiveness in the delivery of public services are also important. To secure this, HMG may be willing to offer a range of freedoms, funding, and powers.
9. Ongoing conversations with surrounding areas will continue as we explore the range of options available.