

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	8 February 2022
Title:	Learning to live with Covid-19 and working towards Economic Recovery
Report From:	Chief Executive

Contact name: Carolyn Williamson, Chief Executive

Tel: 01962 845252

Email: carolyn.williamson@hants.gov.uk

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. Endorses the continuing work and direction of travel of a Pan Hampshire County Deal as set out in the draft County Deal Prospectus attached at Annex 4 and the further opportunities developed through workshops with key stakeholders in November and December and recommends that the County Council note and endorse the continuing work and direction of travel of a Pan Hampshire County Deal, as set out in this report.
4. 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.
5. 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.

6. Continue to recognise the on-going exceptional commitment and flexibility of the staff of the County Council as the crisis has progressed.

Executive Summary

7. 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.
8. 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.
9. 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.
10. 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, alongside the further detail and opportunities jointly developed with stakeholders in November and December.
11. 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.
12. 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.

13. 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.
14. 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.
15. 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

16. 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.
17. The impact on Hampshire's consumer facing local services was much greater than on traded services, construction, or manufacturing activities. In terms of the impact on occupations there was a sharp fall in demand for elementary occupations (those typically employed in consumer facing services), followed by the highly skilled managers, directors and senior officials' occupational group and process, plant, and machine operatives.
18. In 2020 as a whole labour demand among Hampshire's residents increased for professional and associate professional occupations (typically employed in higher value-added traded services and production) and skilled trade occupations (like those sought by construction).
19. A wide range of business support measures that have been made available to businesses meant that the overall 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.

20. Economic downturn affected Hampshire's businesses in production, local services, and higher value-added traded services to varying degrees. The number of higher value-added traded services (ICT, finance & insurance, and professional, scientific & technical businesses) decreased by 4.3% but this was driven by the fall in micro and small businesses. The number of large businesses remained unchanged while medium-sized business in all three sectors, and small businesses in professional, scientific & technical category increased on the year.
21. Lifting of public health restrictions unleashed a stronger than expected rebound in economic activity and growth in the second quarter. Estimated growth in Hampshire was faster than the UK average but Hampshire's recovery slowed down sharply in the third quarter.
22. Estimated growth in Hampshire slowed from 5.6% in the second quarter to 0.9% in the third quarter, below the UK average (1.1%). Faster growth was held back by falling output in several large industrial sectors (wholesale & retail, manufacturing, construction, and health & social work).
23. Economic recovery continues to depend on consumer spending. Government spending decreased on the quarter and net trade was another drag on economic growth. Trade deficit widened to 1.4% of GDP which contributed to the current account deficit widening to 3.7% of GDP.
24. Business investment in the third quarter was revised down, from sluggish growth to a 2.5% fall which suggests that significant product shortages and rising prices had greater impact on business investment than initially thought. Business investment is still 11.7% below its pre-pandemic level (Q4 2020).
25. Several private investors have made recent investments in Hampshire (Annex 1) and Hampshire's Economic Development working jointly with DIT colleagues continues to support investment projects across Hampshire, the most recent project being an investment by TÜV SÜD, a Fareham-based German engineering firm.
26. Preliminary monthly estimates for October suggest that Hampshire's growth was sluggish at just 0.2%, but nevertheless faster than the UK average. Survey evidence from purchasing managers showed that business activity in the region bounced back in November to the highest level in nine months. A strong growth in new business orders was an indicator of relatively favourable demand conditions but these data predate the emergence of the Omicron variant and the surge in COVID-19 infections which has already prompted a weakening of consumer and business activity.
27. Retail sales in November increased at a faster pace than in October and there was some good news for the high-street as the proportion of online retail sales decreased to 26.9% in November 2021, the lowest proportion since March 2020.

28. Ending of the government job support schemes on 30th September has affected 27,400 Hampshire residents on the furlough scheme and 35,400 residents on the SEISS scheme. Some fallout after the furlough scheme ended was anticipated but the recent labour market data has been fairly strong even after the furlough scheme ended.
29. The claimant count unemployment in Hampshire decreased in October and November and HMRC's PAYE measure of company payrolls suggests that the labour market in Hampshire strengthened again in November. Annual growth in median pay in Hampshire was running at 4.8% in the three months to November, considerably slower than over the summer months.
30. Job demand in Hampshire grew strongly in November as indicated by the strong growth in the number of online job postings (hiring intentions) with survey evidence suggesting that the supply of labour was struggling to keep up with demand.
31. December saw a sharp slowdown in job demand in Hampshire. This was most likely related to two factors – some seasonality of demand and the Omicron-induced fall in demand for labour. Labour shortages in Hampshire appear worst among care workers and nurses, sales accounts and business development managers, van driver, some elementary occupations and among programmers and software developers.
32. UK inflation increased to 5.1% in November, well above the Bank of England expectation (4.5%). The Bank responded by increasing the base rate from 0.1% to 0.25% at its meeting in December. The persistent strength of inflation and the labour market implies that the rate will increase again this year. The increase in the rate poses the greatest risk to consumer spending, the main driver of economic growth, and the housing market.
33. Global surveys of purchasing managers showed some early signs that material shortages have begun to dissipate in early December, but this was before the emergence of the Omicron variant. There is a strong possibility that the major headwinds from labour and supply shortages will continue to hamper Hampshire's growth with cost pressures remaining elevated for longer than initially expected.
34. A monthly comparison of independent economic forecasts compiled by HM Treasury in November 2021 suggested that economic growth in 2022 was projected at 5.2% but December forecast showed a central projection of 4.7%. Inflation expectations for next year have also shifted from 2.6% in November to 3.1% in December. Unemployment is expected to decrease faster than previously thought.
35. On 21 December 2021 Government announced the introduction of grant support for hospitality and leisure businesses, the Omicron Hospitality and Leisure Grant in recognition that the rise of the Omicron variant will impact on the sector. The new grant is in addition to the Additional Restrictions Grant which allows local authorities to use their discretion to support other businesses in their area, based on local economic need.

36. A handful of local authorities in Hampshire have been successful in accessing government funding through recent bidding rounds and the short-term economic recovery action planning continues to be undertaken by the County Council.
37. The County Council understands that the recovery from Covid is going to be uneven at local level which places greater emphasis on place-based strategies and major regeneration initiatives, including breathing new life into our towns, city centres and high streets. The Council seeks to work on a collaborative basis with individual local authorities to develop bespoke place-based strategies and initiatives for faster recovery from Covid and stronger development and growth of Hampshire.
38. It is proposed that the foundation for this collaborative approach would be a stronger focus on co-production and co-delivery and a governance model that would involve Executive Lead Member for Economy Transport & Environment representing the County Council on strategic governance boards and the Executive Director for Economy Transport & Environment representing the County Council on delivery arrangements.
39. Replicating this model across all Local Authorities that share our aspirations for a collaborative approach to place-based initiatives through the development of local regeneration and growth partnerships and that are able to demonstrate how to accelerate economic recovery, is an emergent opportunity. This approach will bring consistency and coherence and allow for deeper insight into prioritisation as well as secure good practice and recovery from Covid. More detail is provided in the forthcoming March Cabinet Report.
40. The Solent Freeport represents a major nationally significant opportunity to transform Hampshire and rejuvenate its towns, cities and industrial sectors via major international inward investment, increased trade, new infrastructure investments (including unlocking new sites for development with additional fiscal incentives) and the growth of new knowledge intensive industries. It is estimated that the Freeport will generate £3.6bn in GVA and over 52,000 jobs across the country, including over 26,000 jobs and £2bn GVA directly in the area. Southampton's bid to become the UK City of Culture in 2025 is another major opportunity that could attract millions of pounds in additional investment, creating jobs and attracting thousands of visitors to Southampton and the rest of Hampshire.
41. 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 third issue of the Economic Intelligence Dashboard produced in early January 2022 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

42. As has been previously reported, 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 including securing new functions, powers and resources to enhance place leadership at regional, sub-regional and local levels for the benefit of local residents.
43. A draft County Deal prospectus, appended as Annex 4 was endorsed by Cabinet in December. This evidences a clear functional socio-economic geography of a Pan-Hampshire region and a strong economic foundation as a net contributor to the UK economy. Crucially the draft prospectus outlines a range of opportunities and associated strategic proposals that would have a measurable positive impact on the lives of residents and would form the basis for further discussions with stakeholders and Government.
44. In November 2021 a Statement of Common Ground, detailed in Annex 3, was agreed by all Leaders, setting out the ambition to explore opportunities for a potential County Deal. This was agreed by:

Hampshire County Council – Cllr Keith Mans
Basingstoke and Deane Borough Council – Cllr Ken Rhatigan
Bournemouth Christchurch and Poole Council – Cllr Drew Mellor
East Hampshire District Council – Cllr Richard Millard
Eastleigh Borough Council – Cllr Keith House
Fareham Borough Council – Cllr Seán Woodward
Gosport Borough Council – Cllr Graham Burgess
Hart District Council – Cllr David Neighbour
Havant Borough Council – Cllr Alex Rennie
Isle of Wight Council – Cllr Lora Peacey-Wilcox
New Forest District Council – Cllr Edward Heron
Portsmouth City Council – Cllr Gerald Vernon-Jackson
Rushmoor Borough Council – Cllr David Clifford
Southampton City Council – Cllr Dan Fitzhenry
Test Valley Borough Council – Cllr Phil North
Winchester City Council – Cllr Lucille Thompson

45. In accordance with the principles set out in the Statement of Common Ground, 8 thematic workshops were facilitated in November and December 2021, to begin the process of collaboratively developing the detail behind any proposals and engaging with key stakeholders in advance of any wider public engagement or negotiation with Government. These workshops have engaged with:

- All District and Unitary Councils
- Local Economic Partnerships (LEPs)
- Higher and Further Education Sectors
- National Park Authorities
- Homes England
- Clinical Commissioning Groups (CCGs)
- Hospital Trusts and Community Healthcare Providers

46. The workshops have so far identified and agreed the following specific ambitions, which, along with the draft prospectus, will form the basis of on-going engagement with stakeholders and Government, to continue to develop the specific detail underpinning these high-level strategic proposals:
- **Accelerating housing delivery** – in exchange for the powers to increase the rate of delivery.
 - A **single investment fund** to grow the economy and transition to net zero.
 - **Net Environmental Gain Pathfinder Deal** with Government – trialling the devolution of Environment Agency functions, innovative financing and investment for decarbonisation and bio-diversity offsetting, and nature recovery strategies.
 - **Investment and devolved skills funding** to support to key sectors and projects – developing the Freeport to benefit the Pan-Hampshire economy, marine, advanced manufacturing, engineering, digital.
 - **Greater strategic transport power** through a Passenger Transport Executive (PTE) structure to respond to changing travel patterns and environmental imperatives.
 - **Devolved skills funding to reduce inequalities** in employment and income.
 - **Pooled and joint oversight of NHS community care and adult social care budgets**, building a joint approach to improving the wider determinants of health, piloting reforms to strengthen the adult social care workforce, and maximising the impact of health innovation with a Health and Care Innovation Hub in the area.
47. Alongside the Pan-Hampshire County Deal discussions, the County Council is also directly exploring further place based economic development partnerships which could complement any wider County Deal and potentially extend beyond the Pan-Hampshire geography involving bordering areas. These include the exploration of a wider regional Economic Prosperity Board (EPB), primarily at this stage with Surrey County Council and discussions on potential collaboration with Bournemouth, Christchurch and Poole Council, alongside our Pan Hampshire Unitary colleagues from the Cities and Isle of Wight, and more localised place-based Regeneration and Growth partnerships at a District Council level.
48. At the time of writing this paper the anticipated Levelling Up White Paper has not been released, and therefore there is still an element of uncertainty regarding any Central Government requirements for County Deals, including the associated governance or wider ambition for service reform to deliver Levelling Up priorities. Although this delay has introduced an element of uncertainty, the County Council remains committed to maintaining the momentum of developing proposals in partnership with stakeholders, to develop the detail behind the opportunities and priorities that would benefit Hampshire residents.
49. Leaders across Pan Hampshire continue to be engaged and bilateral individual meetings were offered to every District and Unitary Council

Leader in January, prior to a wider collective Leaders' meeting on 18 January. Key areas of agreement were:

- Proposals must be both bold and practical, ensuring necessary steps are taken to build trust.
- Through the collective development of the proposals so far, there are significant opportunities in the potential asks of Government, and work needs to continue to further develop and shape the detail around these priorities.
- Officer groups will continue working together to further develop the ambition and detail around the high-level proposals. This will involve the continued engagement of a range of key stakeholders such as the LEPs, the Further Education Sector, the National Parks and Health colleagues in helping to shape and co-develop the detail behind the proposals.
- Work will continue to explore the significant place-based opportunities of Regeneration and Growth Partnerships at a District Level, which will continue to shape the thinking around the development of a wider regional Economic Prosperity Board, potentially incorporating wider regional opportunities with Surrey County Council and Bournemouth, Christchurch and Poole Council.

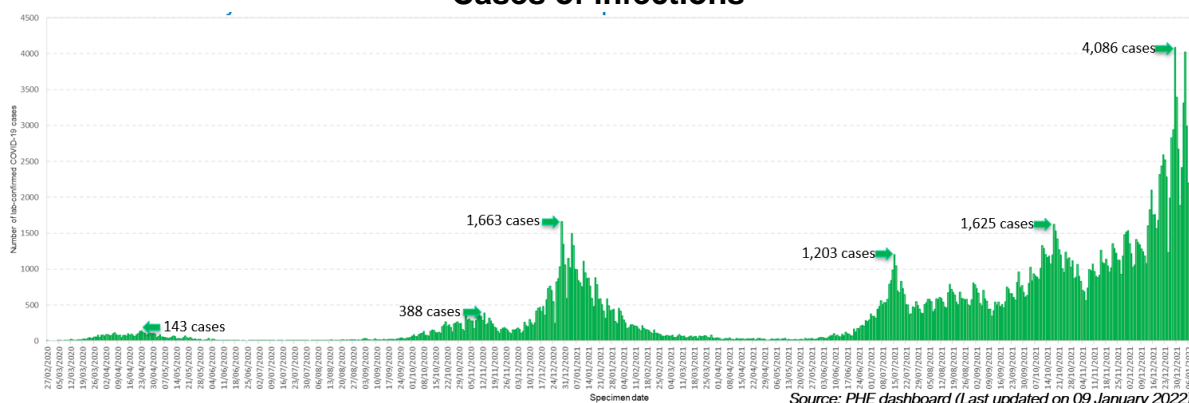
Living with COVID

50. 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.
51. 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 (06.1.23) for Hampshire rose to a peak in Mid-January and subsequently falling in all ages, however we are seeing a rise in the younger population where there is now current vaccination programme. due to the increased mixing of population including in educational settings and the transmissibility of the Omicron variant. 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.
52. 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.
53. With the evolution of the Omicron variant there has been a rapid rise in the number of cases of COVID. Omicron spread more rapidly, however is less severe in terms of disease impacts.

End to Plan B restrictions

54. On the 19 January the Prime Minister announced the end of Plan B Restrictions. Therefore, from the date of the announcement the public are no longer being asked to work from home and face coverings are no longer advised for staff and pupils in the classroom. From 27 January 2022, face coverings no longer advised for staff and pupils in communal areas; face coverings are no longer a legal requirement by general public – however, the public are advised to wear them in crowded areas and when meeting people they don't normally see; the NHS COVID Pass is no longer a legal requirement, but it can be used on a voluntary basis.
55. Individuals testing positive for COVID-19 are still required to self-isolate for ten days. Individuals may be able to leave isolation early on Day 6, subject to negative LFD tests on both days 5 and 6. The need for a confirmatory PCR test following a positive lateral flow test has been temporarily suspended. Individuals must assure they report positive LFDs to allow for contact tracing to take place. Individuals who may require financial support to self-isolate must still get a PCR test.
56. Testing for fully vaccinated individuals (at least two doses) arriving in the UK to be suspended from 11 February (subject to ministerial approval).

Cases of infections



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. During the first part of 2022 the meeting of

the board has been held in a briefing format to ensure all parties are able to be kept up to date with the changes.

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. This is likely to remain in place into the summertime.

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 1000 people per day. The programme was given high praise by the national team as exemplar practice.

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 89% of the Hampshire over-12 population has received first vaccination. With 83% 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 for the whole population over aged 16

65. With the onset of Omicron, a rapid programme of booster vaccination delivery for all over 18 was commenced in December and to date 69% of the population over 12 have had a booster which provides increased protection against this variant.
66. 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

67. The social care market in Hampshire is continuing to experience significant pressures with regards to the recruitment and retention of staff as detailed in the previous update. These pressures are now being compounded by the impact of the Omicron variant on staff sickness and absences. Adults' Health and Care are working with partners and providers across the sector based upon a range of scenarios, in terms of absences, including a prolonged period through January and February of absence levels of up to 30% across the social care system. Positively, these scenarios and the likelihood of them is diminishing, however, staffing absence and outbreaks, albeit at a lower level have continued to be experienced.
68. As detailed in previous updates, Adults' Health and Care continues to provide high levels of support to the care sector.
69. In terms of issues around capacity, there is daily monitoring of providers reporting information into the National Capacity Tracker. All providers reporting pressures in relation to workforce, PPE or capacity receive a follow-up telephone call with the outcome recorded on the provider view area of AIS. This information is then used to inform our departmental monitoring of the provider market and provide support where required.
70. In order that it can respond to specific issues around infection prevention and control, a weekly forum consisting of senior managers from Adults' Health and Care and Public Health has been established. This has a particular focus on outbreak prevention and control, testing and the rollout of vaccinations. This has served us well over time.
71. Adults' Health and Care commissioning teams continue to co-ordinate the effective and rapid distribution of national funding streams to providers, with the latest one-off funding, received in December, targeted at supporting the wider social care workforce (residential care, nursing care, domiciliary care, day care, personal assistants etc). Further national funding, being received in January and February, will also be rapidly provided to the sector.

Mandatory Vaccinations

72. All staff who work in CQC-registered care home settings needed by law to be doubly vaccinated by 11 November 2021. Monitoring and support around

the mandatory vaccination requirement is now in place for staff in care homes.

73. In Hampshire, as at 29 December, 100% (including exemptions) of staff working in care homes have received their double vaccination. Some individuals are exempt, and self-exemption guidance has been extended up until the end March 2022. We anticipate that 100-150 staff will have exited the sector, as a result of non-compliance. Our focus has shifted to promotion of the booster vaccine to further protect staff, working with health colleagues to signpost staff to local vaccination services/walk in centres. The booster is not mandatory, and updates on the NCT are not being kept up to date, our own records based on direct contact with the homes suggest that 61% staff have now had their booster. We continue to support the booster programme in social care settings.
74. A national HM Government public consultation has been completed for vaccination to be applied in NHS settings and the wider social care sector. Consequently, regulations were laid before Parliament on 14 December enacting mandatory vaccination for NHS and social care staff in all patient / public facing roles – to come into effect from 1 April 2022. Our teams are supporting our care providers to ensure as many staff as possible comply with this new regulation. The main focus of this work will be our domiciliary care providers.

Home Visiting

75. During previously national restrictions, the ability of the Adults' Health and Care teams to visit people in their homes, be that their own home, a residential home, or a supported living setting was reduced in order to minimise infection risk. Contact with people who use social care services, including assessments and reviews was largely carried out online, using tools such as MS Teams, or over the telephone although visits were undertaken when necessary. Over time this general lack of face-to-face contact has had a negative impact in some situations.
76. As a result, when Plan B was introduced by the Government, Adults' Health and Care, revised its Home and Service Visits Guidance, to ensure that staff have a clear understanding about when they should still carry out face to face visits. As has been the case throughout the pandemic, visits must continue to take place where face to face contact is required to carry out the County Council's statutory duties, and/or the purpose of the contact cannot be achieved without face-to-face contact.

Winter Plan - resilience and service delivery

77. The foundation for the NHS Winter Plan is to build upon the Discharge to Assess (D2A) and Short-Term services that have been supporting the Hampshire system since the beginning of this financial year. These services have been commissioned in such a way that they can be flexed when there is a surge in demand.

78. Over the past 3 years we have consistently experienced a 20% increase in demand between November and December and a further 10% increase in demand between January and March. This year, CCGs have brought winter plans forward to the start of October and we have been increasing capacity in services from this time, as when required.
79. Demand for hospital discharges has increased as the public continue to present to emergency departments around the County in large numbers. We have maintained additional staff working in each service. Acute and community partners have seen significant operational challenges, including increased occupancy, ambulance handover delays, reduced availability of workforce, elective care pressures and challenging levels of capacity in community resources. Additional Health funding has been made available for recruitment into Single Point of Access (SPOA) and reablement teams if candidates come forward.
80. Work is ongoing with the NHS to look at what can be done to reduce demand at the front door, for example promotion of preventative services, promotion of the flu and booster vaccine and increased working with voluntary sector.
81. It should be noted that whilst managing winter pressures, considerable effort is also underway to support a response to the NHS of the potential impacts of the recent Covid19 variant, Omicron. Hospitals across HIOW and Frimley ICS footprints all remain at Opex 4 (highest operational risk level) and Adults' Health and Care is delivering surges in short term services to support high volumes of safe discharges at the back door. Furthermore, given modelling on staff absence and continued high demands for services in mid-January a multi-agency discharge event to reduce acute hospital occupancy has been scheduled during mid-January.
82. The County Council also plays a crucial part in supporting public service delivery through its winter maintenance and severe weather programmes to keep the highway network open and serviceable, including pre-cautionary salting and treatment of main routes to prevent ice formation. This service has been maintained throughout the pandemic to date, despite the impacts on staffing of Covid19 and the challenges around HGV driver resources.

Schools and Children's Services

83. Schools continue to follow the DfE published guidance to all educational settings which sets out the prevailing arrangements. The local authority does not issue separate guidance, as the information and expectations are already clearly set out within the DfE materials.
84. 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. There has been significant activity carried out by our staff in supporting schools in this way.

85. The priority for this academic year has been for schools to provide 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.
86. 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.
87. 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 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, advocating the use of face coverings, staggering start, and end of school days, limiting residential visits, open days, and transition days. Of course, government guidance has reintroduced face coverings in classrooms for secondary pupils for the start of this term.
88. The last attendance data that has been published nationally was on the 9 December 2021. This data showed that 90.7% of primary aged children were attending on that date and 87.3% of secondary aged students were in attendance. The data source is a daily return of attendance that schools have been asked to return to the DfE. This return is not mandatory and therefore not all schools have returned it either nationally or locally. The figures are from those schools that have chosen to make a return on that particular day.
89. The same data source indicates that attendance in Hampshire was slightly higher on the 9 December with 91.3% of primary aged pupils in attendance and 87.7% of secondary aged pupils. The data suggests that around 3.4% of primary absences were due to children testing positive and isolating or being suspected of being Covid positive. In secondary, the equivalent figure is 2.5%.
90. During the autumn term we have supported NHS Hampshire to carry out a vaccination programme for 12–15-year-olds through schools. Approximately 60% of eligible students were vaccinated which is reported to be the highest figure in England. 98% of students with parental permission to be vaccinated received their first vaccine during the initial phase. The programme will be rolled out again during the spring term offering a second vaccination to those already vaccinated, as well as a first

vaccination to those that have turned 12 since the last roll out and any students that now have parental permission to be vaccinated.

91. 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).
92. From September 2021, home to school transport arrangements operated without restrictions and no additional Covid capacity. The service was significantly affected during lockdowns, and more recently by Covid cases and self-isolation of pupils, drivers, and passenger escorts. There is a daily impact on services requiring daily reconfiguration of some transport arrangements and on occasions transport routes could not run.
93. The transport market faces a nationwide shortage of drivers and increased costs, particularly for fuel. This has added to the challenge for the home to school transport service and consequently there have been some delays in setting up transport for new applications during the school year and when re-awarding contracts that have needed to be reprocured.
94. Children's Services continues to support the childcare sector to remain open, prioritising opportunities for new provision or changes in providers, and providing a wide range of Covid, business and recruitment related support. Over £56,000 has been distributed in sustainability grants childcare providers to date. The Government's Holiday Activity and Food programme has helped to strengthen and raise the quality of delivery for providers in the out of school sector during 2021 Easter, summer, and Christmas school holidays, as well as directly supporting vulnerable families through provision of enriching activities as well as food.
95. 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 exceeding 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.
96. 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.

Corporate Services

97. 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 and did so again during December and early January in line with 'Plan B' arrangements, albeit that a full-scale return to the new ways of working was achieved on 31 January.
98. Recovery activity continues however, still 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.
99. The 'Open Working Policy' continues to be embedded across the organisation and seems to be lending itself well to the rapidly changing environment in which we find ourselves across the organisation. Obviously, we will continue to monitor this as further transitions out of Plan B are implemented in the future.
100. HR have continued to work closely with colleagues in Adults Health and Care and the IBC to ensure the new 'Mandated Vaccination Policy' is implemented.
101. We are beginning to feel the negative impact of repeated 'isolation' incidences, in unvaccinated staff, particularly in the wider care sector and public facing roles. HR have been asked to consider options for responding to these challenges and any necessary changes to our policies or practices will only be introduced after the usual engagement with staff, Trade Unions and EHCC if necessary, and only following evidence-based discussion at CMT.

Communications and community engagement

102. Since the last report, the focus for communications and engagement activity has centred on changes to Government rules and the introduction of **Plan B**, following identification of the Omicron variant and swift increase in infection rates. This 'Omicron response phase' focused initially on informing the public about the changes to restrictions and the introduction of 'new rules', as well as encouraging adherence to key behaviours to help minimise the spread of infection. Communications have involved promoting a variety of messages to enhance the Government response via a wide range of engagement platforms – examples are highlighted below.
103. Two key County Council multimedia winter campaigns, '**Be COVID savvy**' and '**Don't be the one to miss the fun**', promoted the continuing adoption of safe behaviours via county-wide outdoor media. This included profile in shopping centres, community billboards and bus sides, as well as through radio and a wide range of digital channels. The messaging was also carried through into the promotion of COVID-safe seasonal events during the festive period and over new year, with careful and detailed messaging to

educational communities, amplifying direct communications from the Department for Education.

104. A significant focus for communications and engagement activity during the period has also been the introduction and roll-out of the **COVID-19 booster programme** and messaging support to Local Resilience Forum partners across Hampshire and Isle of Wight. Activity has involved County Council and partner collaboration on the amplification of NHS messaging, particularly via social media channels and the news media, urging local residents to book their booster jab, and to avail themselves of the wide range of local vaccination booking/walk-in options available. In addition, the Authority has continued the development of its own bespoke vaccination campaigns. **'Three is the magic number'** encouraging full vaccination and targeted at the under-35s proved highly successful in terms of its audience reach during the run-up to Christmas and has subsequently been rolled out more widely to general audiences, with **'Who are you boosting for?'** - the centre-piece multimedia campaign for January.
105. Targeted campaigns aimed at young people and pregnant women have further urged local residents to prioritise immunisation to protect themselves and those around them.
106. **Regular asymptomatic testing** 'before you socialise' has remained a prominent theme throughout the winter with promotion via social media postings, alongside news media and social media campaigns to signpost to routes for symptomatic testing. The public were also encouraged to persevere with attempts to continue to access asymptomatic tests as demand soared nationally before and over the festive period.
107. A targeted multimedia campaign, incorporating the use of the popular digital vans, focused on the support available for those self-isolating. **'Help is at hand'** recognises that isolation can be challenging and was further incorporated into the overarching communications strategy during December, running again in January and into February.
108. Future messaging, beyond the review of national restrictions on 26 January, will continue to align to Government updates and announcements.
109. The **Community Researchers Network** have supported a project on covid contact tracing in schools [Covid contact tracing among school age children \(sharepoint.com\)](https://sharepoint.com)

Culture Communities and Business Services (CCBS)

110. HC3S continues to support schools with classroom feeding where this is required by the school to assist with managing Covid risks and / or staffing shortages. However, classroom feeding has adversely impacted on meal uptake and meal numbers remain below target, as they have been since the start of the pandemic.

111. County Supplies and the Emergency Planning team have been jointly managing the Local Resilience Forum PPE warehouse since the start of the pandemic. They are currently supporting occasional emergency issues of stock. Regular PPE supplies are provided to a variety of settings and individuals as required by the DHSC and which are not provided by the Government's PPE Portal. With supply chains remaining stable and experience of demand gained in the last 18 months, plans are being made to decommission the PPE warehouse in early April and to ensure a small emergency contingency stock is retained for at least the rest of the year.

Staff returning to the office

112. As previously reported our office accommodation was safe for staff to return to from 19 July and we implemented 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.

113. 'Plan B' was implemented from Monday 13th December which saw staff required to revert to working from home where possible and, for those required to attend the office, a reintroduction of mandatory face coverings. The end of Plan B on 26 January saw the County Council return to the end of October position.

114. 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 up to Monday 13 December were that the low levels of nervousness that we expected from some of our staff has indeed been observed and support was provided to those staff in line with our wider HR policies and wellbeing practices. In the main however most people seemed 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 once the January 'return to the office' arrangements have had time to embed, and staff had an opportunity to settle into new routines.

Conclusion

115. 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 announcement of Plan B, the crisis management mechanisms were stood back up and remained in place during that uncertain period, these crisis management mechanisms were stood back down following the removal of Plan B Government restrictions. 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 these points noted, there will remain a strong emphasis on constant vigilance, subject to whatever decisions are taken by Government in future.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

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

(a) No equality impacts have been identified arising from this Report



Hampshire Economic Recovery Dashboard

January 2022

Hampshire County Council
Economy, Transport and Environment



Theme	Indicators	Page
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Summary of Economic Conditions

i

- The impact of the pandemic on the labour market and Hampshire businesses has been significant but far more modest than the impact on economic output. In terms of the impact on occupations there was a sharp fall in demand for elementary occupations (those typically employed in consumer facing services), followed by the highly skilled managers, directors and senior officials occupational group and process, plant and machine operatives (mainly lower skilled occupational category).
- In both the relative and absolute terms the largest impact was on elementary occupations, down 13.6% or 12,600 followed by the impact on managers, directors and senior officials, -7.8% or 9,300.
- Employment increased in several occupational categories in Hampshire, such as professional and associate professional occupations (typically employed in higher value-added traded services and production) and skilled trade occupations (like those demanded by construction).
- The number of Hampshire residents working in professional occupations and associate, professional and technical occupations increased by about 10,000 respectively in 2020.
- Economic downturn affected Hampshire's businesses to varying degrees. The number of higher value-added traded services (ICT, finance & insurance, and professional, scientific & technical businesses) decreased by 4.3% on the year but this was driven by the fall in micro and small businesses. The number of large businesses remained unchanged while medium-sized business in all three sectors increased on the year. Professional, scientific & technical businesses also saw growth in the number of small businesses.
- Estimated economic growth in Hampshire slowed from 5.6% in the second quarter to 0.9% in the third quarter, below the UK average (1.1%). Faster growth was held back by falling output in several large industrial sectors (wholesale & retail, manufacturing, construction and health & social work).
- Preliminary monthly estimates for October suggest that Hampshire's growth was sluggish at just 0.2%, but nevertheless faster than the UK average. Business activity in the region bounced back in November to the highest level in nine months. A strong growth in new business orders was an indicator of relatively favourable demand conditions but these data predate the emergence of the Omicron variant and the surge in COVID-19 infections which has already prompted a weakening of consumer and business activity.

Summary of Economic Conditions

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- Ending of the government job support schemes on 30th September has affected 27,400 Hampshire residents on the furlough scheme and 35,400 residents on the SEISS scheme. The evidence to date suggests that unemployment did not increase and that the labour market in Hampshire went from strength to strength.
- The absolute number of unemployed claimants in Hampshire decreased in October and November and the fall in unemployment continues to be driven by the young people and older workers.
- Another timely source of employment data, HMRC's PAYE measure of company payrolls suggests that the labour market in Hampshire strengthened again in November.
- Job demand in Hampshire grew strongly in November as indicated by the strong growth in the number of online job postings (hiring intentions) but December saw a sharp slowdown in job demand in Hampshire. This was most likely related to two factors – some seasonality of demand and the Omicron-induced fall in demand for labour.
- Labour shortages in Hampshire appear worst among care workers and nurses, sales accounts and business development managers, van driver, some elementary occupations and among programmers and software developers.
- UK inflation increased to 5.1% in November, well above the Bank of England expectation (4.5%). The Bank responded by increasing the base rate from 0.1% to 0.25% at its meeting in December. The persistent strength of inflation and the labour market implies that the rate will increase again this year. The increase in the rate poses the greatest risk to consumer spending, the main driver of economic growth, and the housing market.
- Global surveys of purchasing managers showed some early signs that material shortages have begun to dissipate in early December, but this was before the emergence of the Omicron variant. There is a strong possibility that the major headwinds from labour and supply shortages will continue to hamper Hampshire's growth with cost pressures remaining elevated for longer than initially expected.
- A monthly comparison of independent economic forecasts compiled by HM Treasury in November 2021 suggested that economic growth in 2022 was projected at 5.2% but December forecast showed a central projection of 4.7%. Inflation expectations for next year have also shifted from 2.6% in November to 3.1% in December. Unemployment is expected to decrease faster than previously thought, from 4.7% in November's forecast to 4.3% in December's forecast.

National Cyber Strategy

- A new National Cyber Strategy has been published setting out the government's approach to protecting and promoting the UK's interests in cyberspace. The strategy builds on the significant progress made on cyber over the last five years which has seen the UK cyber security sector grow rapidly, with over 1,400 businesses generating revenues of £8.9 billion last year, supporting 46,700 skilled jobs, and attracting significant overseas investment.
- Hampshire, like the UK, has seen strong growth in cyber businesses and employment. The sector has accelerated significantly over the last 12 months as demand for cyber services has surged. Beyond Encryption, Censornet, Talion and Razor Secure, all based in Hampshire, have all reported growth in the last year and secured combined investments totalling more than £5m.

Government Funding

- On 21 December 2021, Government announced the introduction of grant support for hospitality and leisure businesses in England; the Omicron Hospitality and Leisure Grant. The scheme provides grants of up to £6,000 to support to hospitality, leisure and accommodation businesses, in recognition that the rise of the Omicron variant will impact on the sector. Funding will be made available to all Local Authorities from January 2022. The scheme will close for applications on 28 February 2022 and all final payments must be made and dispersed to recipients by 31 March 2022.
- The new grant is additional to the Additional Restrictions Grant (ARG) which allows local authorities to use their discretion to support other businesses in their area, based on local economic need. As of the 28 November 2021 Hampshire authorities received £71,041,458 in ARG and had distributed £60,233,070. The remainder has to be administered by 31 March 2022.
- The Government has made a further £30 million available and extended the application window for emergency funding through the Culture Recovery Fund to support museums, cinemas, theatres and heritage organisations through the impact of the Omicron variant. The fund is administered by the Arts Council and provides emergency funding awards to organisations that were financially sustainable before Covid-19 but are now at imminent risk of failure and have exhausted all other options for increasing their resilience.
- Basingstoke and Deane have launched a new Apprenticeship grant scheme to support Basingstoke and Deane businesses taking on new apprentices or to use apprenticeships for existing staff. There is £150k available (to support 30 apprenticeships).

Skills and Labour Shortages

- Survey evidence and Hampshire businesses continue to point to skills and labour shortages in a number of hard-to-fill occupations and this is causing increased pressures on supply chains in several sectors. Labour shortages in Hampshire appear worst among care workers and nurses, sales accounts and business development managers, van driver, some elementary occupations and among programmers and software developers.
- Global surveys of purchasing managers showed some early signs that material shortages have begun to dissipate in early December, but this was before the emergence of the Omicron variant.

Aerospace and Space

- The Air Capability Symposium 2022 will be held at Farnborough in April 2022, providing an opportunity for the Royal Air Force Capability team to engage with the aerospace industry.
- At the recent COP26 in Glasgow, UK aviation is committed to a 10 percent uptake by 2030 of sustainable aviation fuel (SAF), that can emit up to 99 percent less carbon than Jet A-1.
- The UK Space Agency anticipates making at least £65,000 available under its 'Space for All' community funding scheme for financial year 2022–2023. The scheme is run to support the education and outreach aims and objectives of the UK Space Agency with applications closing in February.

Green Economy

- According to news sources ExxonMobil, SGN, and Green Investment Group are exploring the potential for a major new hydrogen production and carbon capture facility. As such, Southampton's industrial cluster could be home to a new hydrogen production hub.
- Reported by Marine UK, the UK as the number one globally on MIT Technology Review's Blue Technology Barometer, which ranks 66 coastal countries and territories on their progress and commitment toward protecting ocean sustainability.
- At the recent COP26 in Glasgow, UK aviation is committed to a 10 percent uptake by 2030 of sustainable aviation fuel (SAF). that can emit up to 99 percent less carbon than Jet A-1.

Marine and Maritime

- Wightlink's £1.5million investment to upgrade its Portsmouth Harbour FastCat terminal reaches its next stage. The upgrade to the route between Portsmouth Harbour and Ryde Pier Head starts on Wednesday, January 5 2022.
- Associated British Ports (ABP) has unveiled plans to bring forward more than 1,000 acres of land across its UK-wide portfolio for new employment development targeting the manufacturing and renewable sectors. In England ABP has identified port land at Southampton and other sites across England for development.

Lifesciences

- University Hospital Southampton has announced it has launched a recruitment campaign to take on 100 new staff, while two new cardiac labs to open at Basingstoke hospital in 2022. Biotage has acquired Southampton based DNA synthesis and purification company ATDBio for £45 million.

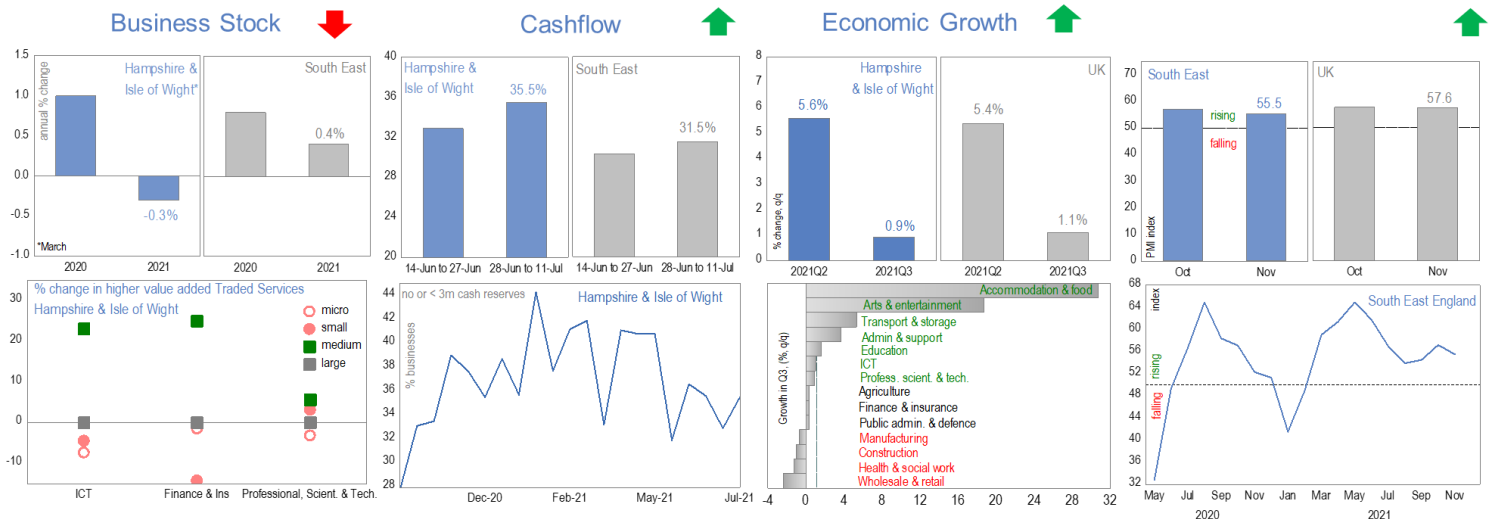
Commercial Property

- Total floorspace of all new lettings or sales to occupiers (take-up) in Hampshire & Isle of Wight decreased by 6.7% in the final quarter of last year compared to the previous quarter.
- Industrial accounted for over 70% of total demand but it decreased by 15% on the quarter. The final quarter of the year saw strong demand for offices, up 49% on the quarter with offices accounting for over a quarter (27%) of all demand (take-up) in Hampshire. Retail, leisure & hotels fell by 57% but this was on the back of strong demand in the third quarter (up 134%).

Tourism and Hospitality

- Tourism related activities saw strong growth in output in the third quarter but growth slowed down sharply in October. Reports suggest casual dining sector demand supported by home deliveries, which were in some cases more than 25% above pre-pandemic levels.
- Labour shortages and staff self-isolating continue to affect the hospitality sector as a whole. Social-distancing measures are still limiting capacity and therefore profitability, with some businesses restricting services by reducing opening times or offering fewer menu choices.

Business Activity and Growth in Hampshire



- In March 2021 Hampshire & Isle of Wight had 81,895 enterprises with 95,300 local business units (-0.3% and -0.5% fewer than in the previous year respectively).
- Hampshire saw growth in the number of medium-sized higher value added traded services and in small professional, scient. & techn.

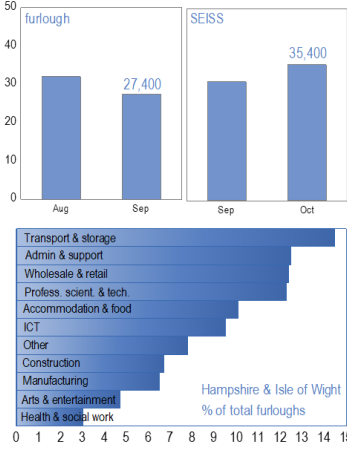
- The percentage of Hampshire businesses reporting no or less than three months cash reserves stood at 35.5% at the beginning of Q3 slightly higher than at the end of June but lower than in late April/early May.
- The proportion of businesses with no or less than 1 month cash reserves improved slightly to 7%.

- Hampshire's recovery slowed to 0.9% in Q3 from 5.6% in Q2, and an estimated growth in Q3 was slower than the national average. Growth in Q3 was driven by consumer spending.
- October saw sluggish growth in economic output in Hampshire, just 0.2% but faster than the UK average

- Business activity in the region bounced back in November to the highest level in nine months.
- Strong growth in new business orders was an indicator of relatively favourable demand conditions but these data predate the emergence of the Omicron variant and the surge in COVID-19 infections.

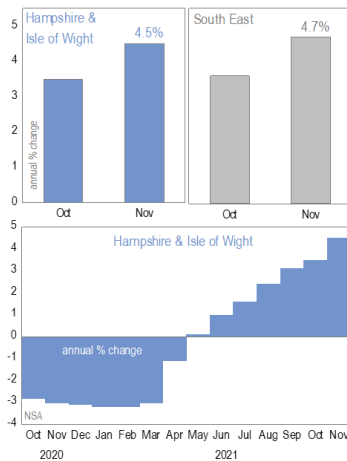
Employment and Jobs in Hampshire

Employment Support



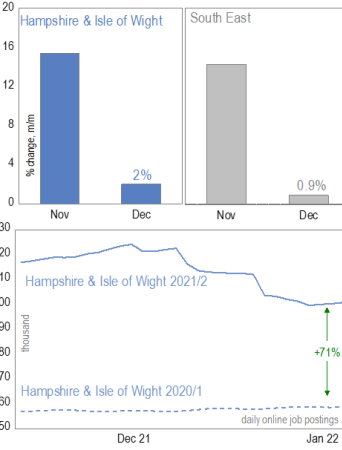
- Hampshire & Isle of Wight had 62,800 residents on the job support schemes in Sept (revised): 27,400 on furlough (3% take-up, below the 4% UK average) and 35,400 self-employed residents (35%, below the 38% UK take-up). 12. Evidence to date suggest that ending of the schemes had not affected unemp.

Payrolled Employees



- Hampshire & the Isle of Wight had approaching 898,000 payrolled employees in November 2021, about 9,580 more than in October 2021.
- Preliminary data for November suggests that payrolled employment stood at 2.1% (+18,370) above February 2020 levels and 4.5% higher than at a year ago.

Job Demand



- Jobs demand in Hampshire increased in December but at a considerably slower pace than in November. Nevertheless, by early January 2021, labour demand was 71% higher than in January 2020.
- Survey evidence suggests that the supply of labour is struggling to keep up with demand.

Demand by Occupation

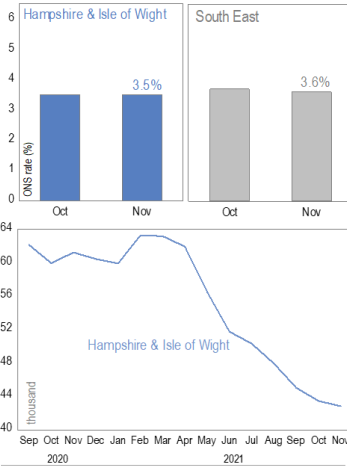
Unique Job Postings by Occupation	Dec
Care Workers and Home Carers	1,232
Nurses	1,198
Sales Accounts and Business Development Managers	818
Van Drivers	780
Other Administrative Occupations n.e.c.	747
Programmers and Software Development Professionals	717
Chefs	706
Elementary Storage Occupations	631
Kitchen and Catering Assistants	629

Unique Job Postings by Occupation	Sept
Nurses	2,037
Care workers and home carers	1,884
Kitchen and catering assistants	1,620
Sales accounts and business development managers	1,602
Van drivers	1,553
Other administrative occupations n.e.c.	1,427
Elementary storage occupations	1,425
Sales and retail assistants	1,330
Programmers and software development professionals	1,229
Chefs	1,229

- In-demand jobs in Hampshire continue to be associated with nursing and care, logistics, hospitality and several higher value-added occupations.
- Median job posting duration in December was the highest in nursing, business & finance professionals and IT operations.

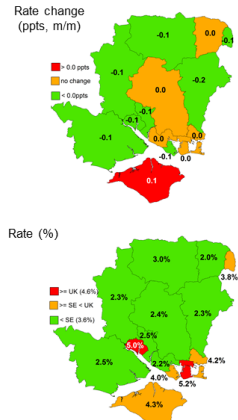
Unemployment in Hampshire

Claimant Unemployment



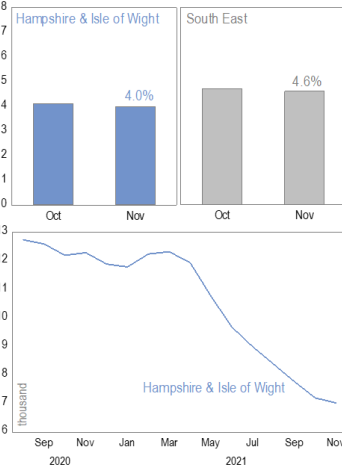
- Claimant count unemployment in Hampshire & Isle of Wight not adjusted for seasonal factors fell by 630 to 42,810 in Nov. The 50+ age group accounted for 37% of the decrease while the under 25 age group for 27%. Nonetheless, the working age unemployment rate remained unchanged at 3.5%.

Local Claimants

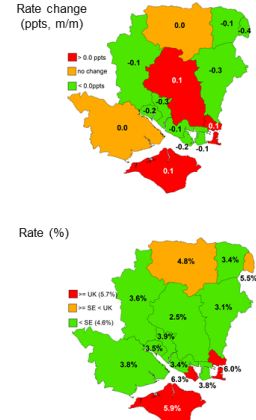


- In November, the claimant count rate increased on the Isle of Wight but for all other HIOW local authorities the rate decreased or was unchanged.
- Monthly UK data suggests that there was some fallout after the furlough scheme ended in September, but this didn't last long as unemployment was falling by the end of October.

Youth Unemployment

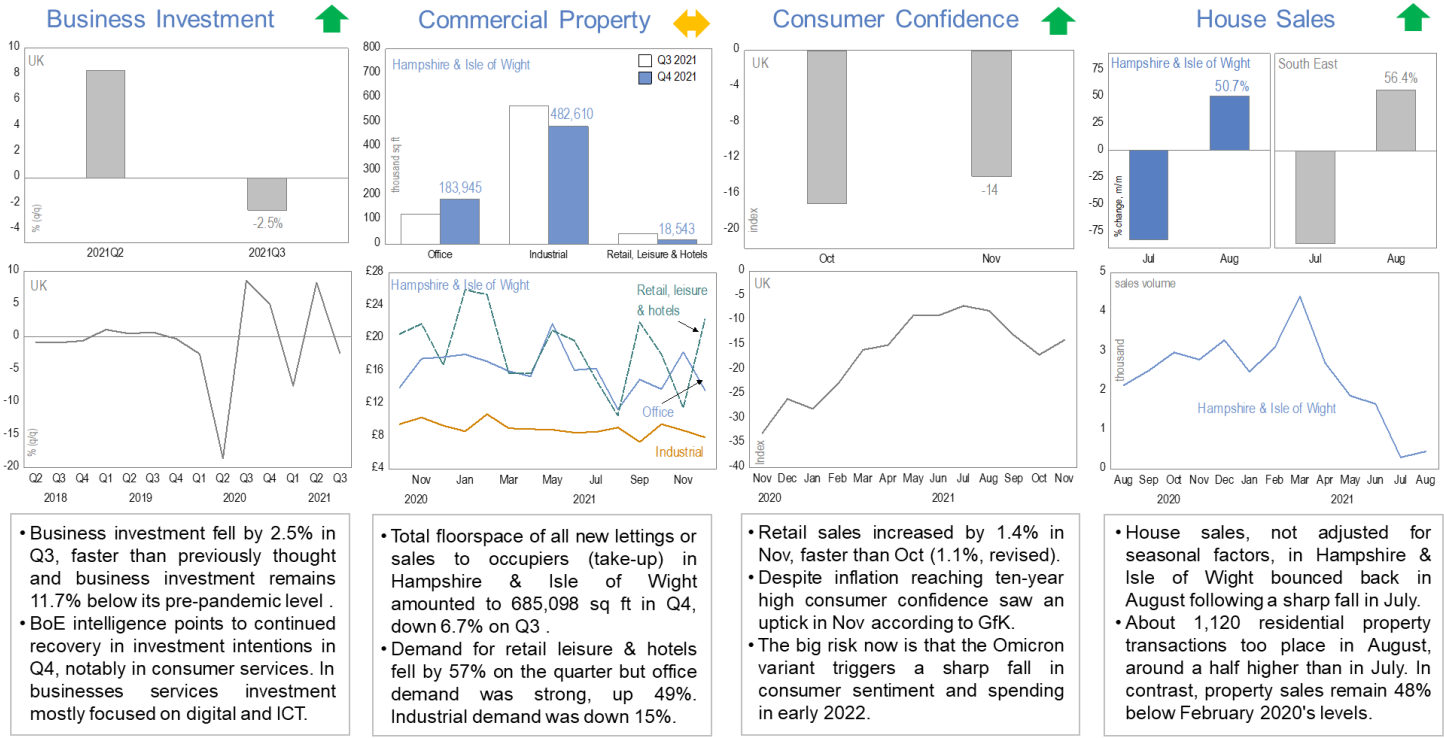


- The number of young (18-24 year old's) unemployed people on the claimant count measure in Hampshire & Isle of Wight decreased by 175 to 7,020 in November. Hampshire had 5,275 fewer claimants than last Nov.
- The rate decreased from 4.1% in October to 4.0% in November, faster than the fall in the overall rate.



- The youth unemployment rates edged higher in Havant, IoW and Winchester, remained unchanged in Basingstoke and New Forest and decreased in all other local authorities in Hampshire & Isle of Wight in November.*
- Gosport, Havant and IoW rates above the UK average in November.

Sentiment and Investment in Hampshire



Sectoral Overview

Manufacturing

- Manufacturing output expanded by 1.8% in Q2 but output contracted by 0.7% in Q3. Monthly data suggests that manufacturing output remained flat in October.
- According to Make UK, manufacturers continue to report good performance in Q4 but output has slowed as supply bottlenecks and labour shortages constrain production. This is mirrored by a slow down in orders, while rising inflation and supply-chain issues are beginning to hold back growth.
- According to the Bank of England, exports of manufactured goods eased in Q4 (mostly due to decline in automotive output caused by semiconductor shortages), but also ongoing reports of UK companies losing EU-based customers and some production being moved from the UK to the EU due to Brexit.
- There are changes to customs arrangements with stricter trade rules for full customs declarations and controls coming into effect from 1 January 2022. While there is less concern around UK business readiness there are concerns for smaller EU businesses not being ready.

Aerospace, defence, and space

- The Air Capability Symposium 2022 will be held at Farnborough in April 2022, providing an opportunity for the Royal Air Force Capability team to engage with the aerospace industry.
- At the recent COP26 in Glasgow, UK aviation is committed to a 10 percent uptake by 2030 of sustainable aviation fuel (SAF), that can emit up to 99 percent less carbon than Jet A-1. While according to aerospace trade body ADS Group, British Airways demonstrated interest in SAF through an agreement with fuel producer Phillips 66, while Virgin Atlantic have similar targets.
- The Space to Connect 2022 event is due to go ahead in London on 1 February 2022, and provides a networking event for companies, organisations and individuals involved in innovating at the forefront of space applications.
- The UK Space Agency anticipates making at least £65,000 available under its 'Space for All' community funding scheme for financial year 2022–2023. The scheme is run to support the education and outreach aims and objectives of the UK Space Agency with applications closing in February.

Green Economy

- According to news sources ExxonMobil, SGN, and Green Investment Group are exploring the potential for a major new hydrogen production and carbon capture facility. As such, Southampton's industrial cluster could be home to a new hydrogen production hub, following an agreement between gas distribution network SGN, Macquarie's Green Investment Group (GIG), and oil and gas giant ExxonMobil.
- The three companies will explore the potential for hydrogen production and carbon capture in Southampton, one of the largest industrial and port hubs in the UK, in a bid to reduce emissions in the area. Hydrogen production could commence as early as 2030, according to ExxonMobil, once the technical and commercial feasibility of the plans are confirmed.*

Marine & Maritime

- Wightlink's £1.5million investment to upgrade its Portsmouth Harbour FastCat terminal reaches its next stage that starts on Wednesday, January 5 2022. The upgrade is to the route between Portsmouth Harbour and Ryde Pier Head.
- Associated British Ports (ABP) has unveiled plans to bring forward more than 1,000 acres of land across its UK-wide portfolio for new employment development targeting the manufacturing and renewable sectors. In England ABP has identified port land at Southampton and other sites across England for development.
- Reported by Marine UK, the UK ranks as the number one globally on MIT Technology Review's Blue Technology Barometer, which ranks 66 coastal countries and territories on their progress and commitment toward protecting ocean sustainability.

Lifesciences

- University Hospital Southampton has announced it has launched a recruitment campaign to take on 100 new staff – including nurses, allied health professionals and consultants that will help increase resource and meet already high and increasing demand.
- Two new cardiac labs to open at Basingstoke hospital in 2022. Currently under construction by Hampshire Hospitals NHS Foundation Trust (HHFT), and will be fully operational in October 2022.
- 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.

Construction

- Construction output decreased by 1.8% in October 2021 following a fall of 1% in Q3. This is the largest fall seen in construction since April 2020, and driven mostly by a decrease in new work as repairs and maintenance remained flat. Construction is now 2.8% below its pre-pandemic level. This reflects recent challenges faced by the construction industry from rising input prices and supply-chain issues such as shortages of some construction products (notably steel, concrete, timber and glass) to increasing labour shortages over recent months.
- According to Bank of England agents, Q4 construction output slowed as materials, labour shortages and cost increases impacted on activity. Delays and rising costs are seeing slower build-out rates amid caution around investing in new developments in light of supply-chain issues material shortages, rising costs and a lack of available development land and planning constraints.
- Public infrastructure projects continue to support construction output although there were also some reports of slowing demand.
- The property market remains robust as housing demand out-paces supply, leading to house price inflation although rising cost of living and rising interest rates are expected to see house price growth soften in the coming months. Demand for rental properties remains high although evidence suggests that smaller landlords are exiting the market which will add to the shortage of rental properties.

Commercial Property

- Investor demand for commercial property is strong according to Bank of England, with demand centred on industrial and logistics-related property. However, there is a shortage of warehousing properties with reports of speculative builds and properties being sold off-plan. Despite uncertainty in the office market there is a reported uptick in demand for office space, particularly modern and flexible space in locations with good transport links. Also shift in retail demand from city centre to prime high street premises in commuter towns as more people work from home.
- Total floorspace of all new lettings or sales to occupiers (take-up) in Hampshire & Isle of Wight decreased by 6.7% to 685,098 sq ft in Q4. The final quarter of last year saw a small recovery in office, industrial and retail, leisure & hotels rents in Hampshire.
- There was a 57% slump in demand for retail, leisure & hotels but this was on the back of strong growth in Q3. The fall in Q4 was most likely influenced by the increase in uncertainty about the outlook driven by the emergence of the Omicron variant.

Sectoral Overview

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- Office take-up was strong with 183,945 sq ft in Q4, a 49% increase on the previous quarter. Offices accounted for over a quarter of all commercial space take-up in Hampshire in the fourth quarter of last year.
- Industrial decreased by 15% on the quarter to 482,610 but industrial demand in Hampshire remains strong with 70% of all take-up accounted for by industrial.
- Lending to commercial property is likely to remain weak over the short-term, as both investors and banks remain cautious given the recent increase in economic uncertainty.

Retail

- Retail continue to rise with sales up 1.4% in November. However, some good news for the high-street as the proportion of online retail sales decreased to 26.9% in November 2021, the lowest proportion since March 2020 (22.6%), and thereby keeping the downward trend since the peak in February 2021 (36.8%). Sales remain above pre-pandemic levels (February 2020).
- According to the Bank of England consumer demand remains strong in Q4 2021, supported by steady retail sales – with seasonal spending brought forward over fears of shortages.

Tourism and Hospitality

- Tourism related output saw exceptionally strong growth in the third quarter with accommodation & food expanding by 30.7% (quarter-on-quarter) and arts, entertainment & recreation expanding by 18.7%. Monthly data suggests that October saw a slowdown in arts, entertainment & recreation to 3.3% with accommodation & food contracting by 5.5%.
- Labour shortages and staff self-isolating continue to affect the hospitality sector as a whole. Social-distancing measures are still limiting capacity and therefore profitability, with some businesses restrict services by reducing opening times or offering fewer menu choices. Supply issues/inflated input costs are still a concern.
- Across the hospitality sector, contacts said labour shortages had constrained growth by 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%

Sectoral Overview

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- The Omicron variant and Government movement to Plan B had a significant negative impact on trading in the run-up to the critically important Christmas/New Year trading period. According to Bank of England agents, some contacts in the casual dining sector report demand supported by home deliveries, which were in some cases more than 25% above pre-pandemic levels. However, other contacts operating in city centres reported lower demand as people continue stay local, work from home or work fewer days in the office.
- Visit England's domestic tourism sentiment tracker for December identified a significant negative impact on attitudes and confidence to travel because of Omicron, however, the overall intention to travel remains stable. Percentage of the population that feels the 'worse is still to come' increased and there was increased hesitancy around visiting urban areas and using public transport.
- A national Tourism Alliance/DCMS survey found that 51 per cent of businesses had suffered a slump in revenue of at least 50 per cent in the key month of December — up from 34 per cent in November.
- Plans unveiled to turn Hayling Island into an exciting watersports destination. Havant Borough Council plans outlining three regeneration hubs, West Beach, Beachlands and Eastoke. with new walking and cycling connections between them. The council plans to enhance West Beach's reputation as a hub for watersports, supported by its heritage as the home of windsurfing.
- Five star Chewton Glen Hotel in New Milton is seeking planning permission for three additional treehouses to accompany the existing seven. The hotel has seen a significant rise in demand for exclusive serviced accommodation during the pandemic and expects this trend to continue into the future.
- Portsmouth City Council secured £20m of Government Levelling-Up Funding for its Transforming the Visitor Economy bid with £8.75m awarded to develop a major urban park incorporating a redevelopment of Hilsea Lido and £11.25m to increase the capacity of Portsmouth International Port to host more passengers and cruise calls

Commercial Property – Significant Occupier Transactions

Sector	Property	Size (sq ft)	Tenant
Industrial	Unit 22, Oriana Way, Southampton	101,299	Formation Freight Services Ltd
Industrial	Unit 4 Reliant, Chandlers Ford	39,320	Argos Distributors Ltd
Industrial	Unit 4 & 5 Building D, Adanac Park, Southampton	24,843	ERIKS UK Ltd
Office	Pinehurst II, Farnborough Business Park	29,831	Siemens
Office	South Building, Chilcomb Park, Winchester	20,862	NNS Leasing Ltd
Office	Form Two Bartley Wood Business Park, Hook	24,808	BCA

Investment and Job Creation

- Underwater robot deal sees Saab Seaeye in Fareham expands, creating 20 new jobs on the back of a large order of its new sustainable underwater robot.
- TÜV SÜD, Fareham-based German engineering (testing & certification engineering) company intend to build a new Certification Facility at its existing Hampshire HQ. This £2.5m and 27 new employees investment project is being actively supported by Hampshire's Economic Development Team through Business Hampshire and DTI. The new facility's will be in addition to five existing ones - significantly increasing test capacity to support growing demand from manufacturing firms.
- An Eastleigh-headquartered shower specialist is raising funds to launch its new product. Kelda is looking to launch the BubbleSpa, which uses patented technology to produce spa-grade water bubbles in a continuous stream to provide a luxury experience. It is now launching its second fundraise with Growthdeck and bring in £1.1m. The company is forecast to increase its turnover more than 80-fold by 2024, with the new shower as the key driver.

- Portsmouth workspace Lakeside North Harbour has secured a string of new lettings. Eco House Solutions has taken 3,122 sq ft of space, alongside concrete and waste management business Service Supply Network, which has signed up for a 2,246 sq ft office to support its continued expansion. Completing the trio with 3,724 sq ft of space is Visitor Chat, a live chat business specialising in automotive and property which has relocated to Portsmouth from Southampton.
- Farnborough-headquartered self-storage company Lok'nStore has exercised the £25m accordion and one-year term extension options within its revolving credit facility. The move increases the war chest to £100m and extends its lifespan to 30 April 2026.

Mergers and Acquisitions

- A private equity-backed communications technology provider Onecom, headquartered in Fareham, has expanded with the acquisition of Russell Telecom- its fourth deal of the year. This follows Onecom's acquisition of Olive Communications at the start of 2021, followed by the takeover of 9 Group, and then the purchase of Devon-based IP Office.
- Hampshire-headquartered fungicide development and supply business Agronatrals has been snapped up by French agriculture and crop disease prevention company DeSangosse, with Quantuma advising on the deal.
- A merger between south of England housing association Aster Group (with offices in Andover) and London-based housing trust Central and Cecil (C&C) has been confirmed.

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>



Hampshire
County Council

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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.

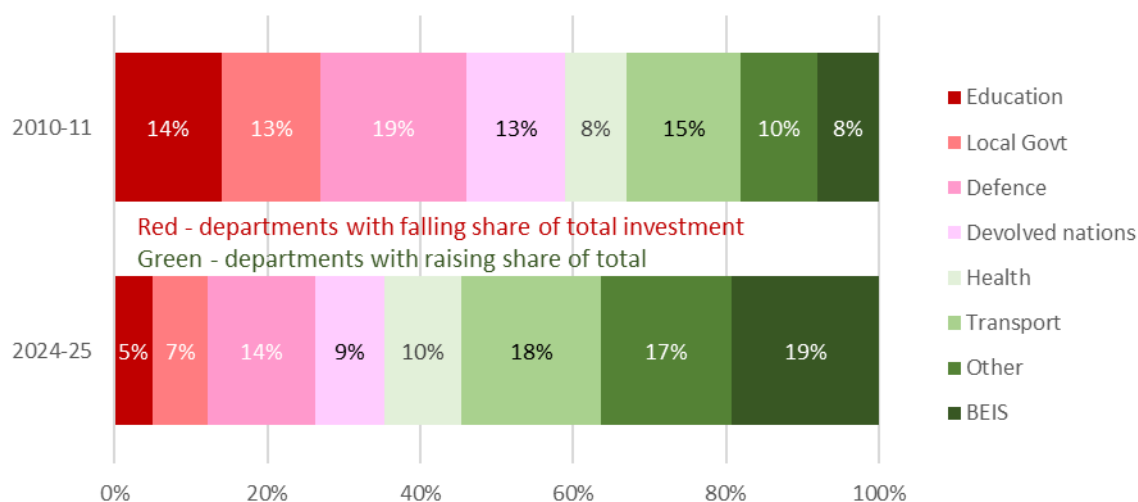
Estimated government borrowing reached a peacetime record of approximately £320 billion (15.2 per cent of GDP) in 2020-21 but it was £35 billion (1.7 per cent of GDP) lower than the OBR estimated in March. Borrowing in 2021-22 would be 7.9% of GDP falling to 3.3% in 2022, to reach £44.0 billion (1.5 % 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 Foundation¹ 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.

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

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 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’², 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.

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

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.

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 estimates³ suggest three in four claimants will be worse off.

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

³ Resolution Foundation -

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 Trust⁴).

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).

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

Impact on Hampshire: Hampshire has over 150 life science businesses employing an estimated 24,000 employees, 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 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 £2 billion investment and create more than 50,000 jobs.⁵ 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 fund⁶ (**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 Fund⁷ 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

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

⁶ [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)

⁷ 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/96444/levelling-up-prospectus.pdf)

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.⁸

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 (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

⁸ Chapter 4, page 8, [Levelling Up prospectus.pdf \(publishing.service.gov.uk\)](#)

£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 research⁹, 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

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

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 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).