

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	15 March 2022
<b>Title:</b>	Learning to live with Covid-19 and working towards Economic Recovery
<b>Report From:</b>	Chief Executive

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### Purpose of this Report

1. This regular report to Cabinet summarises the County Council's continuing responses to the COVID-19 pandemic. The focus for this report continues to be learning to live with Covid-19 and working towards economic recovery. As the crisis subsides and learning to live with Covid-19 becomes the norm, future reports will focus primarily on economic recovery unless there is a matter of significance to report.

### Recommendations

It is recommended that Cabinet:

2. Note that, as the crisis subsides and learning to live with Covid-19 becomes the norm, future reports will focus primarily on economic recovery unless there is a matter of significance to report
3. Notes that in February 2022, the much-awaited government White Paper, Levelling Up the United Kingdom, was published, which will now guide the work regarding the County Deal as previously approved by Cabinet and County Council, with Cabinet continuing to endorse the direction of travel of this work as set out in this paper in line with previous recommendations detailed in Para 53.
4. Note the position on economic recovery action taken and the continued development of 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.

5. 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.
6. 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.
7. Continue to recognise the on-going exceptional commitment and flexibility of the staff of the County Council as the crisis has progressed.

### **Executive Summary**

8. 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 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.
9. As the crisis subsides and learning to live with Covid-19 becomes the norm, future reports will focus primarily on economic recovery unless there is a matter of significance to report
10. 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.
11. This report provides a full analysis of the economic impact and longer-term implications of the pandemic. It outlines those issues in more detail that the County Council continues to use its scale and influence to contribute to the county's and the sub-region's economic recovery going forward.
12. The report outlines the position on economic recovery and action taken alongside the continued development of 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. Since the last update, the Government White Paper on Levelling Up has now been published, giving greater clarity on the scope and nature of devolution arrangements and associated County Deals.

13. 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.
14. 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 regarding the future role of the LOEB.
15. 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.
16. Our communications and engagement activity has focused on changes to Government rules as a consequence of the relaxation of Plan B restrictions, as well as the ongoing roll out of the COVID-19 vaccination booster programme. Activity has focused on providing clear information to the public regarding the changes to restrictions, alongside a reminder of those still in place under Plan A, as well as encouraging ongoing adherence to key behaviours to help minimise the spread of infection.
17. 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**

18. The impact of the pandemic on economic output in Hampshire (Hampshire & the Isle of Wight) in 2020 was enormous and most likely greater than nationally, due to its greater exposure to a wide range of consumer facing services, education, and transport related activities. The latest official data suggests that the impact on businesses and employment in Hampshire has been more modest but nevertheless greater than the national or regional average.
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. Total employment in Hampshire (workplace-based employment) decreased by 37,000 or 4.1% in 2020 compared to a 2.5% decrease in the South East and -1.7% in the UK. Workplace employment in Southampton and the Isle of Wight decreased at a faster pace than the Hampshire average.
21. The employment impact of the pandemic on Hampshire's consumer facing local services, most notably accommodation & food, retail and lower value-added business support services was significant and much greater than on knowledge intensive traded services. The fall in employment on the local business support services (such as cleaning activities, travel agency & tour operator activities, activities of call centres etc.) accounted for a third of the overall fall in workplace employment in Hampshire in 2020.
22. Total employment in property and construction, agriculture, and knowledge intensive traded services such as finance & insurance and information & communication increased in 2020. Workplace-based employment in Hampshire's professional, scientific & technical services sector decreased but the decrease was modest and well below the fall in the 'all-sector average' employment.
23. The labour market has continued to recover much faster than expected and there is no evidence that would suggest that ending of the government job support schemes has affected the labour market in Hampshire. The number of people claiming unemployment related benefits decreased in both November and December. January saw a small increase in unemployment, most likely seasonal, but unemployment among young people had decreased on the previous month.
24. Timely employment data from HMRC (PAYE employee numbers) suggests that employment in Hampshire strengthened again at the beginning of this year. Hampshire had about 3,800 additional PAYE employees in January compared to December. Preliminary data suggests that employee numbers increased by 4.4% on the year and that the numbers stood at 1.1% (9,800 employees) above the pre-pandemic February 2020 peak. It is the self-employed workers that still struggle to recover fully from the last recession.
25. Employment has increased but there are signs of weakness in some leading indicators. The number of online job postings in Hampshire decreased in January. The fall was in part related to Omicron cases peaking and to seasonal factors. However, on this measure jobs demand in Hampshire was much weaker than in the South East. Nevertheless, by mid-February 2022 the number of online job postings in Hampshire was more than double the levels seen at the same time last year.
26. At the start of 2022, the largest single number of online job postings in Hampshire was among care workers and nurses, sales, hospitality, van driver, some elementary occupations and among some knowledge intensive occupations such as programmers and software developers. January saw some easing in demand for van drivers, nursing and some elementary occupations and stronger demand for programmers & software developers and some administrative occupations.

27. The latest official estimates of economic growth in the UK showed that a sharp fall in output in consumer-facing services such as accommodation & food, arts, entertainment & recreation, and retail, led to a 0.2% fall in economic output in the UK in December. Thanks to a relatively strong growth in business activity in October and November economic growth in the UK over the quarter was 1%, comparable to the growth in the third quarter.
28. A preliminary local estimate suggests that output growth in Hampshire was comparable to the national average in December. Estimated growth in Hampshire over the final quarter of last year (1.1%) was slightly faster than the national average but Hampshire's growth in the third quarter (about 0.8%) lagged the national average.
29. Economic growth in the final quarter of last year was more balanced than in the previous quarter when growth was dependent on consumer spending. In the fourth quarter consumer spending increased but this was accompanied by the increases in government spending, business and residential investment and exports.
30. Business investment in the fourth quarter expanded by just 0.9% thus this continues to suggest that product shortages and rising prices constrained sentiment and investment. Business investment was slightly lower than a year ago and 10.4% below its pre-pandemic level (Q4 2020). Exports increased by 4.9% on the quarter but exports were still 18% below their pre-pandemic level in the final quarter of 2019.
31. Omicron has taken some steam out of the recovery but the hit to output growth in December was limited and smaller than anticipated. This shows that the economy is increasingly able to cope with COVID-19 providing that the restrictions are not too severe. Survey evidence from purchasing managers suggests that business activity and the volume of new orders in the South East increased in January but we may still see a fall in economic growth in January as that is when Omicron cases peaked in Hampshire and the UK. Economic growth should rebound in February and March.
32. Inflation (CPI) increased by 5.5% in January, the highest rate since 1992 with retail prices increasing by 7.8%. Inflation is now expected to peak at 7.25% in April when the increase in the cap on household utility bills comes into effect. Ofgem's utility energy cap will increase by 54% in April, but the Chancellor is providing loans of £5.5bn and grants of £3.5bn to help households better cope with rising cost of living.
33. The further surge in inflation coupled with the rapid tightening of the labour market across the country has prompted the MPC to increase interest rates from 0.25% to 0.5% in February and start reversing quantitative easing. By raising interest rates and selling its holdings of corporate bonds the Bank has sent a signal that it is ready to take further steps to get on top of rising inflation and perhaps rising wage expectations and wage demands.

34. In tight labour markets workers might respond to higher inflation by demanding faster wage growth which in turn fuels a further increase in inflation. To prevent a wage-price spiral the Bank appears to be more hawkish with market expectations that the rates will rise to between 1.5% and 2% by mid-2023.
35. Consumer confidence fell to its lowest level in 13 months in February 2022 with sentiment dampened by rising inflation which suggests that the rising cost of living will restrain retail sales spending and growth this year. There is a strong possibility that the major headwinds from labour and supply shortages and rising inflation will continue to hamper Hampshire's growth over the short-term.
36. The Bank of England has revised down its economic growth forecast for this year from 3.75% to 3.25%. Based on the markets' expectations that interest rates will increase several times by mid-2023 the Bank now expects inflation to be much closer to its 2% target in two years' time and for inflation to fall back to 1.6% in three years' time. The Bank's outlook for the economy was produced in February before Russia's invasion of Ukraine.
37. The war in Europe is a threat to both economic growth and inflation but the direct impact on growth in the UK is likely to be relatively modest. According to the National Institute of Economic and Social Research (NIESR) the impact on the UK could be to reduce GDP growth by around 0.8% per cent in 2022 and by 0.5% in the following year.
38. Russia accounts for just 1.2% of Hampshire's exports of goods (£63m in 2020) with Ukraine accounting for just 0.2%. Hampshire is more exposed to imports from Russia (3.4% of all imports), Ukraine stands at just 0.1%, but imports from Russia are mostly metal, oil and gas products which have avoided most western sanctions. Energy imports from Russia are not essential since Russia accounts for less than 5% of UK natural gas supply. About half of UK natural gas supply is produced domestically with the rest supplied by Norway, Qatar, and US.
39. There could be larger secondary impacts through for example supply-chain spillovers which could impact on Hampshire' trade further downstream. By far the largest impact will manifest itself through higher oil, food, and domestic energy prices. Consumer and business sentiment and investment and UK public finances are vulnerable to higher inflation and interest rates.
40. Several private investors have made recent investments in Hampshire (Annex 1) and Hampshire's Economic Development service working jointly with DIT and local authority colleagues continues to support investment projects across Hampshire, the most recent project being an investment by TÜV SÜD, a Fareham-based German engineering firm.
41. The County's Economic Development Service has been supporting the French shipbuilder OCEA for over a year in their UK expansion plans. The Wight Shipyard Co. has announced an all-share merger with OCEA to create a multinational shipbuilder that would capitalise on the fast ferry and

offshore renewable energy markets opportunities. The Wight Shipyard Co. will nearly double in size, providing significant employment opportunities at the East Cowes yard.

42. In late 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 (ARG) which allows local authorities to use their discretion to support other businesses in their area, based on local economic need.
43. As of 30 January 2022, local authorities in Hampshire received £22.1 million from the Omicron Hospitality and Leisure Grant and had distributed £2.8 million. The grant was available from January, the scheme will close to applicants on 28 February and all final payments must be made and distributed to recipients by 31 March 2022. As of 30 January, Hampshire authorities received £74.5 million in ARG funding and had distributed £61.2 million. The remainder has to be administered by 31 March 2022.
44. The short-term economic recovery action planning continues to be undertaken by the County Council. 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.
45. 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.
46. 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.
47. 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.

48. The Freeport consists of tax sites and custom sites. Round one of the business case development has been approved by Government and as part of that process two of the three tax sites have been published and statutory instruments laid. The Solent freeport tax sites include: Dunsbury Park and Southampton Water site that consists of Fawley Complex, Fawley Waterside, Marchwood Port & Strategic Land Reserve and Redbridge (<https://www.gov.uk/government/publications/maps-of-solent-freeport-tax-sites>). The Navigator Quarter site will be designated as a tax-free site in the next couple of months.
49. Solent Gateway has announced that planning consent has been granted for the development of Marchwood Port. The development of the port, subject to a section 106 agreement, will modernise its facilities and operations and bring new investment and jobs to the area.
50. 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.
51. 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 fourth issue of the Economic Intelligence Dashboard produced in early March 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**

52. 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.
53. In February 2022, the much-awaited government White Paper, Levelling Up the United Kingdom, was published. This sets out an ambition to extend, deepen and simplify devolution across the country, and commits to establishing a new model of Combined Authority that would enable devolution deals agreed by County Councils and/or Unitary Councils, encouraging collaboration where relevant with District Councils.
54. Within the White Paper the Government announced 9 Wave 1 areas which will be negotiated first. These are:



- Cornwall;
- Derby and Derbyshire;
- Devon, Plymouth and Torbay;
- Durham;
- Hull and East Yorkshire;
- Leicestershire;
- Norfolk;
- Nottinghamshire and Nottingham; and
- Suffolk

55. Notably these areas include a range of potential deals for single County Council areas (e.g., Leicestershire), single Unitary areas as well as those encompassing multiple authorities (e.g., Devon, Plymouth and Torbay).

56. The White Paper also sets the framework levels for devolution against a range of potential functions, with Level 3 being the most powerful and Level 1 being the least powerful, but noting that there will also be scope to negotiate further powers, on a case-by-case basis, and an opportunity to adopt innovative local proposals to address specific challenges and opportunities.

- **Level 3:** A single institution or County Council with a directly elected Mayor (DEM), across a Functional Economic Area (FEA) or whole county area.
- **Level 2:** A single institution or county council without a DEM, across a FEA or whole county area.
- **Level 1:** Local authorities working together across a FEA or whole county area e.g., through a joint committee.

57. At the Cabinet meeting February meeting, following the publication of the White Paper, Cabinet endorsed the continued work and direction of travel for a Hampshire County Deal, agreeing the following recommendations:

- Notes the opportunities that were set out in the Levelling Up the United Kingdom White Paper and endorses the continuing work and direction of travel of a Pan Hampshire County Deal, and aligned devolution opportunities potentially beyond the Pan-Hampshire geography involving bordering areas, as set out in the White Paper, 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, and aligned devolution opportunities potentially beyond the Pan-Hampshire geography involving bordering areas, as set out in this report and in line with the White Paper.

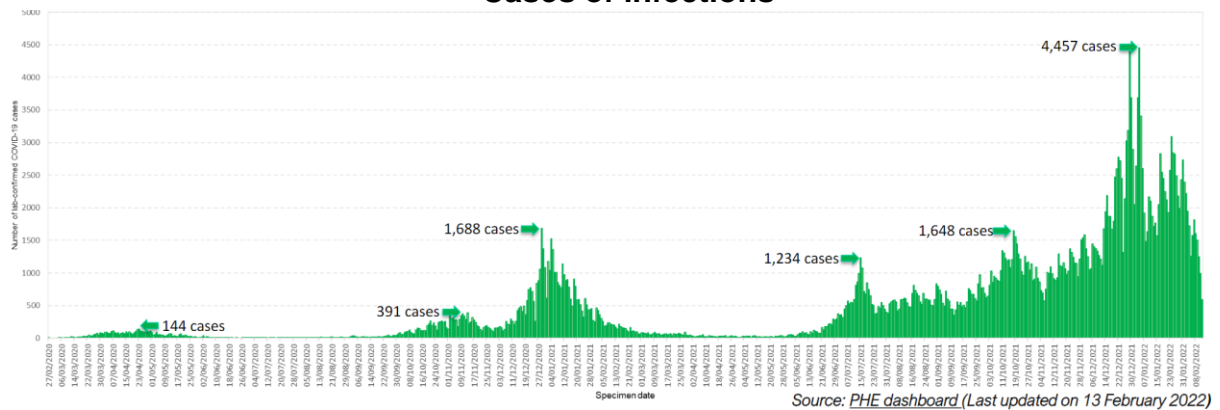
- Following the publication of the Government's White Paper for Levelling-Up, the Cabinet endorses the continued work and direction of travel for a Hampshire County Deal, to include the Unitary Authorities should they wish. In addition, that the County Council will continue the work that has been carried out towards the creation of an Economic Prosperity Board which will ideally include Surrey and the Unitary Authorities.
58. In February, Leaders across Pan Hampshire also met to continue to oversee the development of the County Deal proposal, recognising the strength of the work over the last 3 – 6 months and the continued significant opportunity, scale and credibility of a potential Deal as a powerful net contributor to the UK economy. The meeting identified that there is a desire to maintain the momentum of the collaborative work performed so far and continuing to establish the building blocks for regeneration, growth and wider collaboration at a local and sub-regional level. It was also acknowledged that some Leaders want to consider different economic geographies to the one proposed, but noting that the current proposal reflects the size, scale and benefits to all Hampshire residents and is in line with the principles of County geographies as set out in the White Paper.
59. A final round of workshops will therefore now take place with stakeholders in March, in accordance with the Statement of Common Ground agreed by all Leaders, to finalise the detail underpinning the high-level strategic proposals previously shared with Cabinet in February around the following thematic opportunities:
- **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.

60. In accordance with the decision at February Cabinet, the County Council is also continuing 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.

### **Living with COVID**

61. 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.
62. 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 for Hampshire rose to a peak in Mid-January and subsequently falling in all ages, however we are seeing a large number of cases in the younger population due to the increased mixing of population including in educational settings and the transmissibility of the Omicron variant. However, for those age 12 plus there is now current vaccination programme and a programme for those aged 5-11 clinically vulnerable. 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.
63. The modelling predictions set out a steady fall in rates until June with the rate of hospital cases in line with modelling predictions. However, each wave of cases has been caused by a new variant, so we remain vigilant to new variant
64. The omicron variant accounts for most UK cases at present. Whilst it has been shown to be less lethal than delta, it has led to hospitalisations and deaths. Thankfully, protection from hospitalisation and death remains high after a third booster jab. However, reinfections, even in those people who have been fully vaccinated, have become much more common since the emergence of the omicron variant which is why they are now being included in published data.

## Cases of infections



### Living with COVID

65. Test, Trace, and Self-Isolation – The Test, Trace, and Self-Isolation system has been a critical tool in breaking chains of transmission to manage the virus over the autumn and winter. The Government announced the [Living with COVID-19 Strategy](#) on 21 February 2022, setting out a new approach to managing the virus, focusing on vaccinations and treatments as the first line of defence in managing the pandemic going forward.
66. The Public Health Team will continue to work with the UK Health Security Agency to manage outbreaks in settings to prevent further spread and to protect individuals
67. Symptomatic or asymptomatic testing has previously helped to find people who have the virus, enabled their contacts to be traced and helped ensure people self-isolate and/or get tested to prevent onward spread. From 24 February 2022, in line with the removal of the legal requirement to self-isolate if positive for COVID-19, routine contact tracing ceased, and the Hampshire Local Tracing Partnership was decommissioned.
68. Until 1 April 2022, people that have test positive for COVID-19, or are symptomatic in line with other infectious diseases should follow 'Stay at Home' guidance, although this can no longer be legally enforced. Post April 2022, the guidance will change again, focusing on keeping others safe if you are unwell.
69. From 1 April 2022, free access to symptomatic and asymptomatic testing will be removed for the majority of the population. Those individuals that are classified as vulnerable and those in 'high-risk' settings will continue to access testing modalities. Public Health are working with the UK Health Security Agency to ascertain the ongoing requirements for fixed testing sites across the County. Mobile Testing Units are likely to be retained as part of the national infrastructure for use in outbreak situations.

## **Health Protection Board and Local Outbreak Engagement Board**

70. 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.
71. 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.

## **Vaccination**

72. 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.
73. The programme continues to see a number of changes. The latest developments include vaccination for 5–11-year-olds who are clinically vulnerable.
74. 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**

75. The social care market in Hampshire continues to experience significant pressures. These pressures result from four inter-linked factors; i) high levels of activity and demand within NHS acute settings and the need to support residents either to avoid an unnecessary admission and support when medically fit to leave hospital, ii) significant demands across our communities from people who had either paused care or not come forward with social care needs through the course of the pandemic, iii) challenges over maintaining safe and appropriate environments as services increase in their occupancy and utilisation, such as day opportunities, with an associated level of anxiety and enthusiasm (often in equal measure) by those resuming / attending such services and iv) staff recruitment and retention challenges across the social care sector.

76. It is important to recognise, as detailed in previous updates, that Adults' Health and Care continue to provide high levels of support to the care sector. We have seen significant numbers of outbreaks over the last three months, albeit the severity and overall impacts have very positively lessened, but for care providers and the people they support it has meant a continuing risk in service continuity and capacity. Therefore, through our commissioning and market oversight functions, working closely with the provider sector we continue to provide dedicated support in relation to workforce, PPE, advice, and support along with Public Health and NHS partners on outbreaks / infection prevention and control. Furthermore, by the end of March 2022 we will have passported and ensured some £79.5m of Government grant funding to the social care sector has been fully utilised.
77. Following the implementation of mandatory vaccinations for staff in care home settings in November 2021, Government had laid regulations for all patient-facing NHS staff and social care staff in domiciliary settings to be doubly vaccinated by 1<sup>st</sup> April 2022.
78. However, on 31<sup>st</sup> January 2022 the Secretary of State for Health and Social Care announced that a consultation would be conducted as to whether to proceed or rescind this requirement. That consultation closed on 16<sup>th</sup> February and an announcement was made on 1<sup>st</sup> March that vaccination as a condition of deployment in care homes and vaccination for frontline NHS and the wider social care sector will be removed on 15<sup>th</sup> March 2022.
79. Whilst the recovery of adult social care services will continue apace it is also important to recognise the growing pressures that exist, both from financial /inflationary pressures across the sector and the growing staffing and occupancy challenges for many providers. The sector remains extremely dedicated to meeting the needs of our population, though it is vulnerable and fragile and there will be inevitable significant challenges to its resilience in the coming months.

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

80. 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.
81. 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.
82. 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.

83. 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 special schools and pupil referral units, promoting the vaccination programme and encouraging positive cases to self-isolate.
84. 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.
85. 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.
86. The home to school transport service provides transport for over 3,000 students with special educational needs (primarily in taxis and minibuses) and 9,000 mainstream pupils (mostly in coaches and buses). From September 2021, home to school transport arrangements operated without restrictions and no additional Covid capacity. Covid cases during the autumn and spring terms have led to a daily impact on services requiring some reconfiguration of transport arrangements and occasionally transport is cancelled.
87. The transport market faces a nationwide shortage of drivers and increased costs, particularly for fuel. As a result, the home to school transport service has encountered delays in establishing new transport when re-awarding contracts.
88. 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 £83,726 has been distributed in sustainability grants childcare providers to. The Government's Holiday Activity and Food programme ran over the Christmas holiday period providing 104 venues with over 4,000

Free School Meal eligible children attended enriching activities as well as receiving hot food.

89. It should also be noted that children's social care services still remains 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
90. 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. A recent Ofsted inspection of the MASH gave a high level of assurance on the continued effectiveness of this service. 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**

91. 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. New arrangements for coming into the office to improve communication and personal connections were put in place from September last year which were interrupted by Plan B over the Christmas period. Staff have now returned back to the pre-Plan B arrangements from 31 January, and it was pleasing to note that both transitions were managed smoothly, highlighting the flexibility that we now have in the way we work.
92. Recovery activity continues however, still centred on providing help, support, and guidance to Departments in areas of HR, wellbeing, and finance. In light of on-going Government considerations regarding the mandatory vaccination of staff in certain settings, HR continue to work with colleagues in Legal Services and Adults Health and Care to understand the implications for the Council of suggested changes to arrangements.
93. As previously reported HR had begun to investigate options to mitigate against ongoing pressures being experienced across the organisation in relation to 'isolation' incidences. Now that the new Governance Guidance has been published, we are updating the information provided to our staff to ensure we continue to align to current Government Guidance.

### **Communications and community engagement**

94. Since the last report, the focus for communications and engagement activity has centred on changes to Government rules as a consequence of the



relaxation of **Plan B restrictions**, as well as the ongoing roll out of the **COVID-19 vaccination booster** programme. Activity focused initially on providing clear information to the public regarding the changes to restrictions, alongside a reminder of those still in place, as well as encouraging ongoing adherence to key behaviours to help minimise the spread of infection. Communications have involved promoting a variety of messages to enhance the national response via a wide range of engagement platforms – examples are highlighted below.

95. In addition to bespoke graphics and messaging, explaining the changes to Plan B restrictions, **'Your choices still count'** has once again become one of the core themes for communications activity to the public in 2022 to date - encouraging ongoing safe behaviours, and reflecting the continuing high levels of infection. The strapline has been used across the web, print and social media, as well as via communications with the news media and broadcast news interviews. This approach is likely to continue to be deployed until the spring.
96. The County Council's flagship multimedia winter campaigns have also focused on encouraging uptake of the booster vaccination amongst the wider population, working in collaboration with Local Resilience Forum partners across Hampshire and the Isle of Wight. **'Who are you boosting for?'** was the centre-piece campaign for January/February, with **'Don't leave it to fate'**, the focus for February/March. Both have included profile in shopping centres, community billboards and bus sides, as well as through radio and a wide range of digital channels. These campaigns have and continue to be underpinned by County Council and partner collaboration, particularly via social media channels and in the news media, on targeted, location-specific 'walk-in' campaigns, urging local residents to book their booster jab, and to avail themselves of the wide range of local vaccination booking/walk-in options available.
97. During the period, communications support has also been provided for the development and dissemination of messages regarding **compulsory vaccination** to the adult social care workforce, both County Council, as well as the private sector in Hampshire – initially encouraging uptake, and most recently, informing those affected of the subsequent change of national policy.
98. **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, signposting to routes for symptomatic testing. The public are also being encouraged to persevere with efforts to access asymptomatic tests via pharmacies.
99. A targeted multimedia campaign initiated during December, 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 for January and February. The current plan is to cease the campaign in line with the Government review of self-isolation rules and their potential end on 24 February.

100. Future messaging, beyond the review of self-isolation regulations, will continue to align to Government updates and announcements.

### **Culture Communities and Business Services (CCBS)**

101. 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.
102. 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. Levels of stock maintained at the warehouse are now far in excess of demand. With supply chains remaining stable and experience of demand gained in the last 18 months, plans are being made to reduce the levels of stock maintained for both the strategic reserve and the settings previously mentioned.
103. Local culture and community continues to be a key part of the Government's levelling up agenda, with community, creative and cultural organisations having been hard-hit by the impacts of Covid. Aligning the County Council's developing Cultural Strategy with its priorities around economic growth, high street recovery, skills, health, and wellbeing is a key area of focus for the department.

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

104. 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.
105. 'Plan B' was implemented from Monday 13<sup>th</sup> 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.
106. 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 were that the low levels of nervousness that we expected from

some of our staff has indeed been observed and support has been 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**

107. 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.
108. 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.
109. 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.
110. In February 2022, the much-awaited government White Paper, Levelling Up the United Kingdom, was published, which will now guide the work regarding the potential for a County Deal.
111. 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**

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

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

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

Document

Location

None

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

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

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

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

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

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

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



## Hampshire Economic Recovery Dashboard

March 2022

Hampshire County Council  
Economy, Transport and Environment



### Contents

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## Summary of Economic Conditions

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- The latest official data from the UK Office for National Statistics (ONS) suggests that the impact of the pandemic on businesses and employment in Hampshire (Hampshire & the Isle of Wight) has been more modest than on economic output but nevertheless greater than the national or regional 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. The overall impact to date on Hampshire has been greater than in the South East or nationally but Hampshire saw growth in the number of small professional, scientific & technical businesses and in the number of medium-sized business in all three knowledge intensive traded services (information & communication, finance & insurance and professional, scientific & technical).
- Total employment in Hampshire (the workplace-based employment) decreased by 37,000 or 4.1% in 2020 compared to a 2.5 decrease in the South East and -1.7% in the UK. Workplace employment in Southampton (-5.2%) and the Isle of Wight (-5.5%) decreased much faster than the Hampshire average or the County Area average.
- The employment impact of the pandemic on Hampshire's consumer facing local services, most notably accommodation & food, retail and lower value-added business support services was significant and much greater than on knowledge intensive traded services. Employment in lower value-added local business support services (cleaning activities, travel agency & tour operator activities, activities of call centres etc.) decreased by 12,000 or 16.7% on the year, and it accounted for a third of the overall fall in workplace employment in Hampshire in 2020.
- Workplace employment in property increased by 15.4%, construction saw employment growth of 6.1% and employment growth in the small but important agriculture sector increased by about 9.1%. Employment in Hampshire's knowledge intensive service was far more resilient to the impact of the pandemic with employment in finance & insurance and information & communication increasing by 8.3% and 2.2% respectively. Workplace-based employment in Hampshire's professional, scientific & technical services sector decreased by just 1.4%.
- The labour market continues to recover much faster than expected and there is no evidence that would suggest that ending of the government job support schemes has affected the labour market in Hampshire. The number of people claiming unemployment related benefits decreased in both November. January saw a small increase in unemployment but a small decrease in youth unemployment.
- Hampshire had about 3,800 additional PAYE employees in January compared to December and +9,800 (1.1%) compared to February 2020. Self-employment continues to struggle to recover fully from the impact of the pandemic.

## Summary of Economic Conditions

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- January saw a sharp fall in the number of online job postings in Hampshire, the fall was in part related to Omicron and to seasonal factors. Hampshire saw some easing in demand for van drivers and some elementary occupations and stronger demand for programmers & software developers and some administrative occupations in January. Nevertheless, by mid-February 2022 the number of online job postings in Hampshire was about 124% higher than at the same time in the previous year.
- Economic growth in Hampshire in the final quarter of last year was estimated at 1.1%, marginally faster than the UK average. Growth was more balanced than in the previous quarter with growth in consumer spending, government investment, business investment and exports. Growth in business investment was sluggish, just 0.9% which suggests that product shortages and rising prices constrained sentiment and investment. This has left business investment slightly lower than a year ago and 10.4% below its pre-pandemic peak at the end of 2019. Exports increased by 4.9% on the quarter but exports were still 18% below their pre-pandemic level in the final quarter of 2019.
- Economic output (GVA) decreased by 0.2% in December mainly thanks to a sharp fall in consumer-facing services such as accommodation & food, arts, entertainment & recreation, and retail. Estimated decrease in GVA in Hampshire in December was comparable to the national average. Survey evidence from purchasing managers suggests that business activity and the volume of new orders in the South East increased in January but we may still see a fall in economic growth in January as that is when Omicron cases peaked in Hampshire and the UK. Economic growth should rebound in February and March.
- Inflation (CPI) increased by 5.5% in January, the highest rate since 1992 and consumer sentiment fell to the lowest level in 13 months in February. Inflation is now expected to peak at 7.25% in April when the increase in the cap on household utility bills (+54%) comes into effect. The MPC increased interest rates to 0.5% in February and the Bank appears to be more hawkish with market expectations that the rates will rise to between 1.5% and 2% by mid-2023.
- The Bank of England has revised down its economic growth forecast for this year from 3.75% to 3.25% but that was before Russia's invasion of Ukraine. The impact of the war in Ukraine on the UK economy is likely to be relatively modest according to the National Institute of Economic & Social Research (NIESR), around 0.8% this year and 0.5% in 2022.
- Hampshire's trade links with Russia and Ukraine are small. Russia accounts for 1.2% of our exports and 3.4% of imports of goods while Ukraine accounts for just 0.2% of exports of goods and 0.1% of imports. The direct impact is likely to be modest but there could be larger secondary impacts through for example supply-chain spillovers which could impact on Hampshire's trade further downstream.

## Policy and Sector Headlines

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### Levelling Up White Paper

- Government has published its long-awaited levelling up policy paper, 'Levelling Up the United Kingdom'. The Levelling Up is based on 12 missions across four broad areas, boosting productivity and living standards, improved public services, restoring a sense of community, local pride & belonging and empowering local leaders and communities, especially in underperforming communities.
- Nine areas were selected for the New County Deals, none in the South East but the Government has committed to create new County Deals with every area in favour of devolution to get a deal by 2030. The Government is committed to simplify devolution – it will legislate to establish a new form of combined authority model with its preferred option to be made up of upper-tier local authorities only providing a single, accountable institution across a functional economic area or whole county geography.
- Some Hampshire specific announcements included the following: Isle of Wight and Portsmouth were the only areas in Hampshire identified as Education Investment Areas. Solent University has been selected as one of nine new Institutes of Technology. The Isle of Wight was one of the first areas of the country to develop Family Hubs and the Government will now invest £300m across the country to build the network of Family Hubs.

### Solent Freeport

- The Freeport consists of tax sites and custom sites. Round one of the business case has been approved by Government and as part of that process two of the three tax sites have been published and statutory instruments laid. The Solent freeport tax sites include: Dunsbury Park and Southampton Water site that consists of Fawley Complex, Fawley Waterside, Marchwood Port & Strategic Land Reserve and Redbridge (<https://www.gov.uk/government/publications/maps-of-solent-freeport-tax-sites>). The Navigator Quarter site will be designated as a tax-free site in the next couple of months.

### 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. Hampshire, like the UK, has seen strong growth in cyber businesses and employment in recent years. 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.

## Policy and Sector Headlines

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### Government Funding

- On 21 December 2021, Government announced the introduction (from January 2022) of grant support for hospitality and leisure businesses in England; the Omicron Hospitality and Leisure Grant (OHLG). The scheme provides grants of up to £6,000 to support to hospitality, leisure and accommodation businesses. As of the 30 January 2022 Hampshire authorities received £22.1 million from OHLG and had distributed £2.8 million. 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 30 January 2022 Hampshire authorities received £74.5 million in ARG and had distributed £61.2 million. 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).

### Manufacturing

- In 2019 manufacturing accounted for about 9% of total economic output (GVA) in Hampshire according to the UK Office for National Statistics (ONS) data. Latest official survey data on workplace-based employment saw manufacturing employment in pan-Hampshire decrease on 2019 levels by 6,000 (-8.3%) to 66,000 in 2020. Most sub-sectors either saw a fall (notably in repairs and installation) or no change in employment, although strong growth in metal fabrication.
- Manufacturing demand was firm but longer delivery times for components and materials and labour shortages have constrained output growth in the final quarter of last year. Manufacturing output contracted in the third quarter and saw no growth in the final quarter of last year but GVA in the sector expanded by 0.2% in December.



## Policy and Sector Headlines

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### 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.

### Marine & Maritime

- 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.
- Solent Gateway has announced that planning consent has been granted for the development of Marchwood Port. The development of the port, subject to a section 106 agreement, will modernise its facilities and operations and bring new investment and jobs to the area.
- The County's Economic Development Service has been supporting the French shipbuilder OCEA for over a year in their UK expansion plans. The Wight Shipyard Co. has announced an all-share merger with OCEA to create a multinational shipbuilder that would capitalise on the fast ferry and offshore renewable energy markets opportunities. The Wight Shipyard Co. will nearly double in size, providing significant employment opportunities at the East Cowes yard.
- Wightlink's £1.5million investment to upgrade its Portsmouth Harbour FastCat terminal reached its next stage on January 5 2022. The upgrade is to the route between Portsmouth Harbour and Ryde Pier Head.
- 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.

## Policy and Sector Headlines

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### 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.

### 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 are 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.

### Retail

- In 2019 retail accounted for about 9% of total economic output (GVA) in Hampshire & Isle of Wight. Latest official survey data on workplace-based employment saw retail employment in Hampshire & Isle of Wight decrease on 2019 levels by 10,000 (-10.3%) to 87,000 in 2020. Employment losses were higher in non-essential specialised stores one would associate with the 'high street' and hit hard by social distancing restrictions during the national lockdowns.
- Retail sales volumes fell by 3.7% in December amid Omicron induced restrictions and some Christmas spending brought forward to November. The fall in December was the largest monthly fall since January 2021.

### Construction

- In 2019 construction accounted for about 7% of total economic output (GVA) in Hampshire & Isle of Wight. Latest official survey data on workplace-based employment saw construction employment in pan-Hampshire grow on 2019 levels by 3,000 (6.1%) to reach 52,000 in 2020, although overall employment numbers will be higher once self-employed are factored in. Growth was stronger in infrastructure (civil engineering, roads and building-out existing projects) but declined in new residential and commercial building.
- Construction output increased by 1% in the final quarter of last year, following a fall of 1.4% in the previous quarter. The sector saw increases in both new work and repair & maintenance. Monthly data suggests that construction output increased in both November and December. Construction output is now above the pre-pandemic level (February 2020).
- Faster growth in construction output was constrained by labour shortages and cost increases. Delays and rising costs are seeing slower build-out rates amid caution around investing in new developments in light of material shortages, rising costs and in some instances a lack of available development land.
- Survey evidence suggests that construction output in the UK increased to its highest level in six months in January 2022. It appears that supply and cost issues have slightly improved but it is likely that they will constrain activity in this sector over the short-term.

### Commercial Property

- Total demand for commercial floorspace (commercial take-up) in Hampshire & Isle of Wight decreased by 6.7% in the final quarter of last year but demand recovered strongly in January. Total take-up increased from 72,000 sq ft in December to 173,000 sq ft in January 2022.
- In relative terms offices registered the fastest growth in take-up, from about 4,000 sq ft in December to 29,300 sq ft in January. Demand from industry continues to be strong, it saw an increase from 63,350 sq ft in December to 133,100 sq ft in January 2022.
- Demand for retail, leisure and hotels in 2021 was much weaker than for offices and industry but January 2022 saw take-up increase to 10,500 sq ft from 4,600, slightly faster than demand for industry which was the strongest performing market in Hampshire in 2021.
- 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.

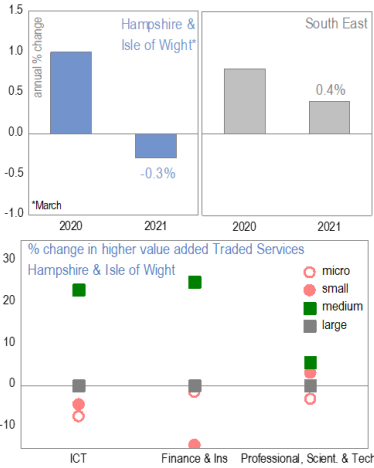
### Tourism and Hospitality

- Latest official survey data on workplace-based employment saw tourism-related employment in Hampshire & Isle of Wight decrease on 2019 levels by 11,000 (-7.4%) to 94,000 in 2020 but the fall is likely to be greater once self-employed are factored in. Accommodation was hit hard with 5,000 fewer workers. This is close to a third (-31%) down on the year and much higher than 17% decrease in accommodation workers nationally, but close to SE average (-33%).
- Output growth in the tourism related activities was mixed in the final quarter of last year. Accommodation & food contracted by 3.3% on the previous quarter but arts & entertainment expanded by 2.4%. The Omicron variant and Government introducing Plan B had a significant negative impact on trading in the run-up to the critically important Christmas/New Year trading period. Monthly estimates from ONS suggest that December saw a sharp fall in the tourism-related economic output (GVA).
- With the end of COVID-19 related restrictions the outlook for the sector has improved in the first quarter of this year. Visit England's domestic tourism sentiment tracker for January 2022 identified a slight improvement in sentiment of UK adults since December as the impact of Omicron faded. Domestic overnight intentions show a preference for 'countryside and villages in the second quarter, shifting to 'traditional coastal/seaside towns' during the main holiday season.
- Plans have been unveiled to turn Hayling Island into an exciting water sports 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 water sports, supported by its heritage as the home of windsurfing.
- 500 hundred seasonal jobs are being created at the Hampshire theme park at Ower near Romsey. Paultons Park (home of Peppa Pig World) will be hiring 40 per cent more seasonal staff than its previous record in 2021. Business at Paultons was boosted by the opening of a new themed area, Tornado Springs, last year.
- 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.

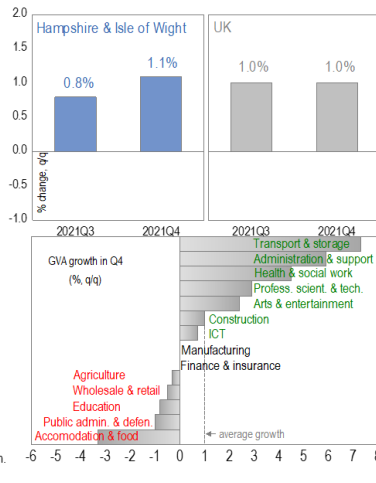
# Business Activity and Growth in Hampshire

1

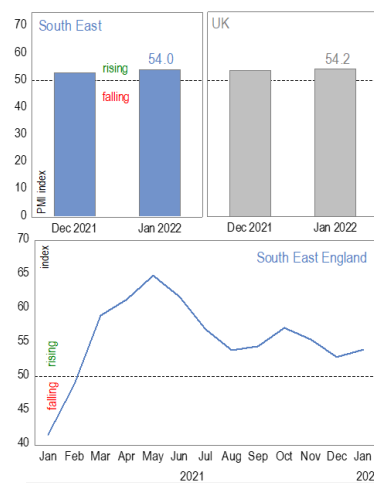
## Business Stock



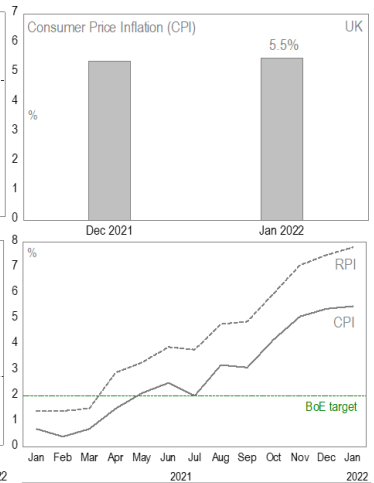
## Economic Growth



## Business Activity



## Inflation



- 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.

- Economic output decreased by 0.2% in December but estimated growth in Hampshire & Isle of Wight was 1.1% over the final quarter of last year, slightly faster than the UK average.
- Economic growth in Q4 was more balanced than in Q3 – consumer spending, investment and trade made positive contribution to growth.

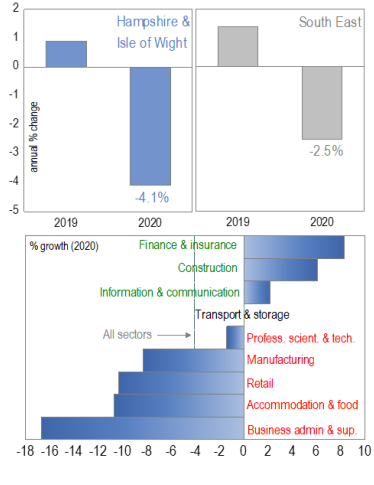
- Business activity in the region increased at the start of this year following the easing of Omicron-related restrictions.
- Survey evidence suggests that input price inflation remained at historically elevated rates with higher input prices being passed on to clients in January.

- Consumer prices in the UK increased by 5.5% in the 12 months to January 2022, the highest rate since 1992. Retail prices increased by 7.8%.
- Inflation rose in most categories but fuel inflation and restaurants & hotels inflation had a downward influence on CPI inflation in January.

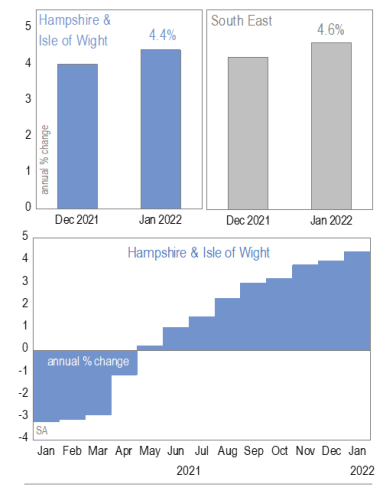
# Employment and Jobs in Hampshire

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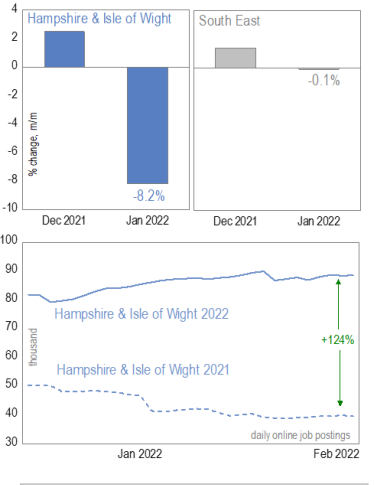
## Workplace Employment



## Payrolled Employees



## Job Demand



## Demand by Occupation

Unique Job Postings by Occupation	Jan
Nurses	2,684
Care Workers and Home Carers	2,560
Sales Accounts and Business Development Managers	1,998
Other Administrative Occupations n.e.c.	1,811
Programmers and Software Development Professionals	1,742
Van Drivers	1,653
Kitchen and Catering Assistants	1,653
Elementary Storage Occupations	1,497
Chefs	1,488
Human Resources and Industrial Relations Officers	1,356

Unique Job Postings by Occupation	Dec
Nurses	2,869
Care Workers and Home Carers	2,671
Sales Accounts and Business Development Managers	1,973
Van Drivers	1,962
Other Administrative Occupations n.e.c.	1,772
Programmers and Software Development Professionals	1,645
Kitchen and Catering Assistants	1,632
Elementary Storage Occupations	1,631
Chefs	1,591
Cleaners and Domestic	1,418

- Workplace-based employment in Hampshire & Isle of Wight decreased by 4.1% (-37,000) to 875,000 in 2020.
- Employment increased in construction and most higher value-added traded services but decreased in lower value-added business services and most local services.

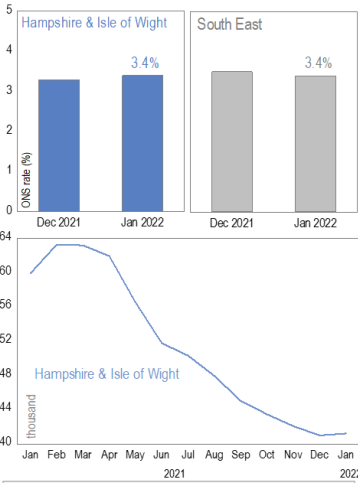
- Hampshire & the Isle of Wight had about 896,000 payrolled employees in January 2022, or about 3,800 more than in December last year.
- Preliminary data for January suggests that payrolled employment increased by 4.4% on the year and that employee numbers stood at 1.1% (9,800) above Feb 2020 levels.

- Hampshire & the Isle of Wight saw strong growth in employee jobs in January despite Omicron but there are signs of some weakness in data.
- January saw a sharp fall in hiring intentions which was in part explained by seasonal factors. Hampshire's performance in January lagged the regional average.

- In-demand jobs in Hampshire in January continue to be associated with nursing and care, hospitality and some higher occupations.
- January saw some easing in demand for van drivers, nursing and some elementary occupations and stronger demand for programmers and some administrative occupations.

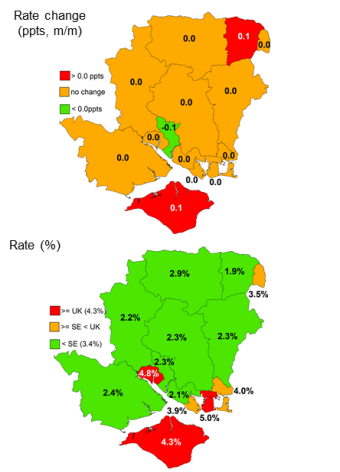
# Unemployment in Hampshire

## Claimant Unemployment ↑



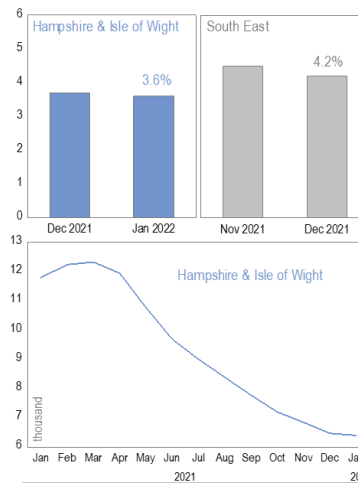
- Claimant count unemployment in Hampshire & Isle of Wight increased by 235 to 41,210 in January but the number of young claimants decreased. The increase was mostly explained by seasonal factors.
- The working age rate increased slightly to 3.4% to match the South East average.

## Local Claimants

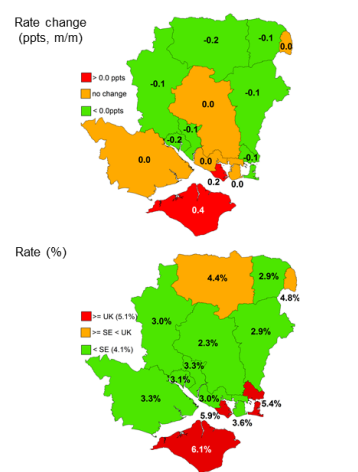


- Official and survey evidence continue to point to tight labour market conditions across most local authorities in Hampshire & Isle of Wight at the start of this year.
- Most local authorities in Hampshire saw no change in the monthly claimant count rates, while rates in Hart and Isle of Wight increased.

## 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 70 to 6,395 in January this year.
- The rate decreased from 3.7% in December to 3.6% in January 2022 in contrast to the increase in overall unemployment.



- Estimated youth unemployment rates increased in the Isle of Wight and Gosport and decreased or remained unchanged in all other local authorities in Hampshire in January.
- Gosport, Havant and IoW had the youth unemployment rates above the UK average in January.

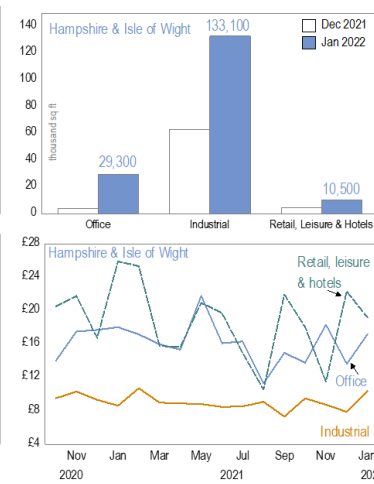
# Sentiment and Investment in Hampshire

## Business Investment ↑



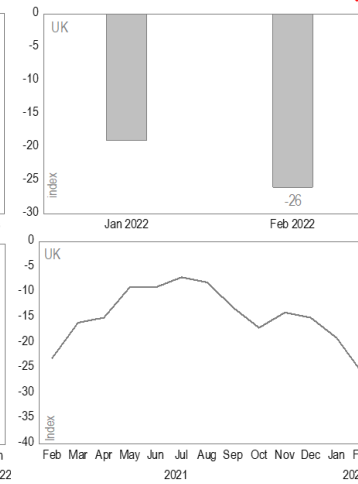
- Business investment increased by 0.9% on the quarter. Business investment was slightly lower than a year ago and 10.4% below its pre-pandemic peak in Q4 2019.
- Transport equipment was the only positive contributor to growth in business investment in the final quarter of last year.

## Commercial Property ↑



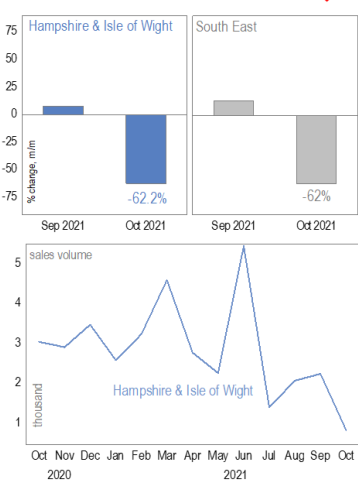
- Total floorspace of all new lettings or sales to occupiers (take-up) in Hampshire & Isle of Wight amounted to about 173,000 sq ft in Jan compared to 72,000 sq ft in Dec
- There was strong growth in demand (take-up) across the three broad markets (office, industrial and retail and leisure).

## Consumer Confidence ↓



- Retail sales increased by 1.9% in January as Omicron fears subsided but consumer confidence fell to its lowest level in 13 months in Feb.
- Consumer sentiment was dampened by persistently high inflation which suggests that rising cost of living will restrain retail sales spending and growth this year.

## House Sales ↓



- House sales, not adjusted for seasonal factors, in Hampshire & Isle of Wight decreased by over 60% in October compared to the previous month but the fall was linked to the end of the stamp duty holiday.
- Nearly 860 residential property transactions took place in October.

### Commercial Property – Significant Occupier Transactions in January 2022

Sector	Property	Size (sq ft)	Tenant
Industrial	Proximity, Eastleigh	100,206 sq ft	Private Individual
Office	Eagle Point, Fareham	5,293 sq ft	Addystone Insurance Solutions Limited
Office	Eagle Point, Fareham	4,854 sq ft	Adnova Clinic
Office	Blechynden Terrace, Southampton	6,500 sq ft	Private Individual
Retail	Unit 6 Stanstead Road, Eastleigh	7,511 sq ft	The Modern Milkman

### Investment and Job Creation

- B2B Expos unveil ambitious events calendar of local business exhibitions. Each event attracts over 250 businesses and local professionals from a range of sectors. The first event of 2022 is the Farnborough Business Expo which returns to The Village Hotel on 10 March, followed by the Portsmouth Business Expo which runs on 24 March at the Village Hotel in Portsmouth, near Lakeside Business Park.
- 500 hundred seasonal jobs are being created at the Hampshire theme park at Ower near Romsey. Paultons Park (home of Peppa Pig World) will be hiring 40 per cent more seasonal staff than its previous record in 2021. Business at Paultons was boosted by the opening of a new themed area, Tornado Springs, last year.
- Southampton based toob has secured up to £87.5m of investment from Sequoia Economic Infrastructure Income Fund. The investment fuels toob's growth plan in its drive to reach 1m premises passed across the South of England.
- 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.

## Business Specific Intelligence

- 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.

### Mergers and Acquisitions

- Ideology who provide marketing, branding and creative services has been brought out of administration. Operating from two sites in Hampshire and Southampton the company was sold to Cherry White Designwhich.
- Inbox Insight, headquartered in Winchester, has undergone a £25.5m management buyout in a deal backed by Mobeus. Inbox Insight is a technology-focused provider of content syndication services. Founded in 2010, it has grown rapidly with almost 40 per cent of its £14m revenue now generated in the US.
- 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.

### Closures, Administration and Job Losses

- None reported from sources.

## Guidance and Sources

### How to read 'traffic lights':



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

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

For labour market indicators the change refers to the rate not the level. For example, a rise in the employment rate would see an upward green arrow, while a decrease in unemployment would see a downward green arrow.



Little or no change on previous period.

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

### Sources:

The primary data sources are the Office for National Statistics (ONS), HMRC and the Bank of England while additional data comes from several commercial sources such as IHS Markit, Emsi, G Radius Data, CBI and BCC.

Fortnightly data for Trading Status, Turnover and Cashflow.

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

Quarterly data for business investment.

\*For further information on Hampshire's labour market see Quarterly Labour Market Updates and Monthly Ward Claimant Count Reports available at:

<https://www.hants.gov.uk/business/ebis/reports>

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

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

### Headline Macroeconomic Announcements

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

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

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

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

Source: OBR 2021

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

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

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

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

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

## Headline Fiscal Announcements

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

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

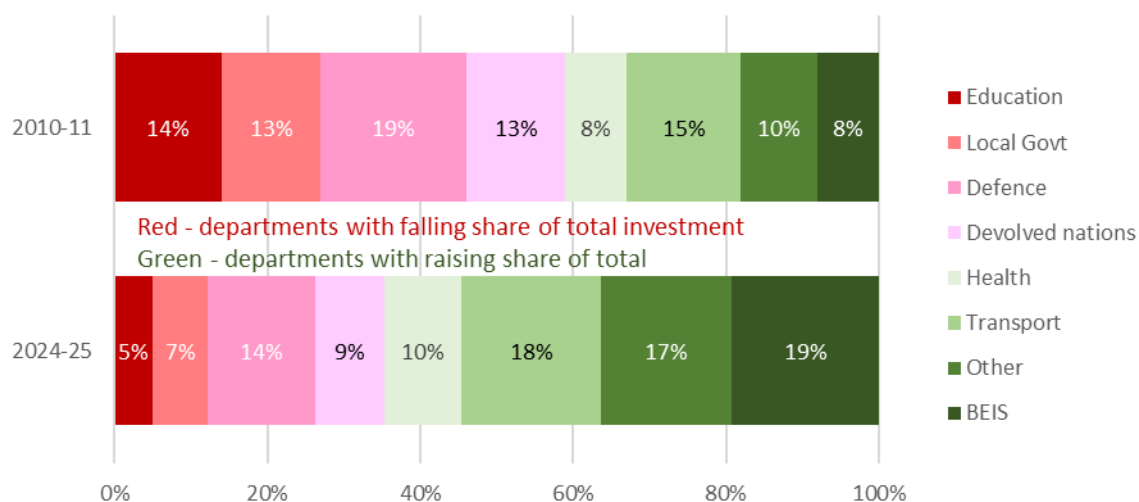
According to the IFS, borrowing in the first half of 2021/2 was £108bn, half that of last year, leaving debt at 95.5% of GDP. However, since 40% of debt is held by the Bank of England, net government debt is less than 60% of GDP.



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

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

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



Source: Resolution Foundation 2021

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

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

<sup>1</sup> 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'<sup>2</sup>, with £40 billion in tax increases and record spending, underpinned by OBR forecasts driving policy.

## Headline Employment and Skills Announcements

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

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

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

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

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

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

**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 estimates<sup>3</sup> 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

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<sup>3</sup> 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 Trust<sup>4</sup>).

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

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

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

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

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

The legislation will:

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

The measure will take effect from 3 November 2021.

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

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

The Levelling Up Fund<sup>7</sup> worth £4.8bn (initially announced in November 2020 as part of the Spending Review) will focus on capital investment in local infrastructure. The focus will be on projects that require up to £20m of funding but there is also scope for investing in larger high value transport projects by exception. The first round of the Fund (2021/22) has focused on three themes: smaller transport projects that

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

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

<sup>7</sup> HMT, MHCLG and DfT (2021) *Levelling Up Fund Prospectus*, available at: [Levelling Up prospectus.pdf \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/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.<sup>8</sup>

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

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<sup>8</sup> 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 research<sup>9</sup>, local authority spending in England on museums and galleries declined between 2009/10 and 2019/20 by 34% in real terms.

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

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

Impact on Hampshire: No change from March announcement. A vast number of businesses in Hampshire do not pay corporation tax. Some 74,500 Hampshire

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



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).

## County Deal - Statement of Common Ground

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

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