



PUSH Economic Development Strategy

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Foreword

This Economic Development Strategy sets out our ambitions for the PUSH area in the light of substantial changes to the economic and policy environment since we developed our previous strategy.

Our fundamental ambitions have not changed. By 2026 we wish to see a more prosperous future for the residents of South Hampshire. We wish to see everyone sharing in the benefits, with reduced levels of deprivation and increased levels of labour market participation. We wish to see our cities fulfil their potential as engines of economic growth and we wish to see the sub-region becoming an even greater place to live, work and do business, offering a fantastic quality of life. In order to deliver this, our strategy is centred on sustainable development, on ensuring the quality of life which we value so highly is enhanced and enriched, not jeopardised.

However, the context has changed. The recession has led to more of our residents becoming unemployed. It has created substantial challenges for both public and private sector investment both now and in the future. The change in Westminster government has changed the public policy environment. Whilst these changes could be seen as challenges, we see them as opportunities. They have forced us to look at how we work in this sub-region and how we can do things more efficiently. We must work together, pool our resources and align our priorities around a common agenda. We already have a track record of doing this in this sub-region. We are not starting from scratch, we are already ahead of the game.

We therefore believe we can deliver higher levels of growth, we can deliver more and better for less, we can grasp the opportunities afforded to us through the changes being proposed by the Coalition. Central to our strategy is taking action to be innovative in how we deliver and fund activities. Central to our strategy is joining up the public and private sectors to work together. Central to our strategy is using the assets we already have in the sub-region; our people, our world class businesses; our universities and our fantastic natural environment.

We have identified the areas of our economy where we need to invest and focus our efforts. Those sectors where we have great specialisms, world class innovation and skills and opportunities to drive economic output, those sectors which will underpin employment growth and create opportunities for our residents to access jobs and those sectors which are fundamental to South Hampshire offering a high quality of life.

We have also identified a series of transformational actions to ensure we do things differently and better than other areas, in order that we can deliver additional and more sustainable growth. We will ensure we have a well skilled and engaged labour market, we will invest in our cities, we will support our key sectors and we will continue to explore new ways of working together.

We commend this strategy to you. It is ambitious and credible. When we formed PUSH it was always going to be a long term challenge to achieve our ultimate aspirations. We have already made progress and we have the foundations to make further progress as we implement this strategy.



Executive Summary

Much has changed in the economic context within which business and other employers in the PUSH area operate since PUSH developed its first economic development strategy. The environment in which the public sector is operating has also changed substantially. It is time to consider in what way PUSH needs to do things differently in the future.

We have reviewed the economic evidence. This has identified:

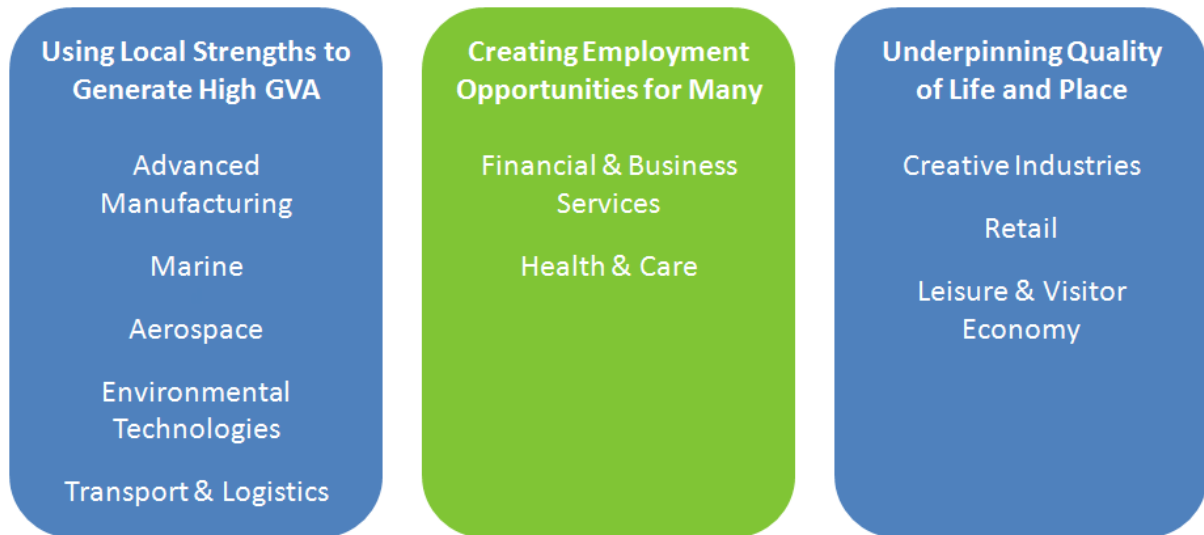
1. The need to continue to invest to close the gap with South East and ensure prosperity for the residents of PUSH. The challenge we set ourselves previously is still valid.
2. The need to support the cities to fulfil their potential as engines for economic growth in the sub-region. Our cities first policy is still valid.
3. The need to address the impact of the recession and create jobs to tackle unemployment, as well as seeking to increase productivity. This is a notable change from the context in which the first economic development strategy was drafted when unemployment was close to its lowest point in the last economic cycle and labour market indicators suggested a fairly tight labour market, albeit with some room for improvement compared to benchmark areas.

When looking forward, baseline projections paint an undesirable picture of the South Hampshire economy in the future. Persistently high levels of unemployment as a result of rising population without sufficient employment growth will bring pressures on public services. In addition, our relative performance with the South East is likely to worsen again. We will not settle for this, but if we are to achieve our ambition we must seek to do things differently and deliver an alternative, more prosperous future.

We have a fantastic opportunity to do this. We are already ahead of the game. Whilst there are challenges, we have cause to be confident that we can deliver a brighter future. We have already achieved successes. We have demonstrated that we can bring people together around a common strategy. This has already enabled us to support the economy more effectively, with some encouraging signs in terms of our recent economic performance. We have already established a multi agency Employment & Skills Board among other examples of collaborative working. The proposed changes in the way economic development support is delivered through local and sub-regional partnerships align well with the way we are already working. We will therefore embrace these changes and ensure they can be used to prosper South Hampshire.

We have therefore set out a vision for the future which includes a higher level of employment in the sub-region and greater levels of participation among our workforce so that the benefits of growth are open to our residents. This is a vision of a more sustainable economic future that utilises the assets we already have in the sub-region. It will build on our key sectors (as shown in the diagram), on our resident population, on our world class businesses and on our existing institutions.

Our Key Sectors



We have developed a strategy that is aligned to the circumstances in which we now find ourselves. Collaboration and partnership working has always been our strength. We will build on this in the coming years to ensure that whilst the financial resources at our disposal will be reduced, we can be innovative and creative in driving efficiencies and ensuring delivery. In particular we have identified eight transformational actions to achieve our ambition:

1. Leading on employment and skills – our brighter future is based on a skilled workforce that can underpin higher levels of growth and ensure our residents are engaged and suited to the jobs that are created.
2. Supporting the growth of our cities – ensuring our cities fulfil their potential as drivers of a sustainable and growing economy.
3. Creating, sustaining and growing businesses – through developing an entrepreneurial culture and utilising the business leaders and entrepreneurs in our area to deliver mentoring and support.
4. Facilitating Site Development to Support Growth – making sure we can accommodate the growth we are striving for by prioritising investment in the most important areas.
5. Establishing a single inward investment and place marketing function – to ensure we use resources efficiently to attract new businesses to the sub-region.
6. Developing our world leading sectors – to ensure we continue to be recognised as a leading location for marine, aerospace and advanced manufacturing.
7. Strengthening innovation networks to drive productivity growth – ensuring innovation and knowledge lies at the heart of our economy.
8. Driving innovation in delivery and funding models – ensuring that creative and innovative delivery is at the centre of all that we do.



1. Introduction

The Partnership for Urban South Hampshire (PUSH) was formed in 2003 and expanded in 2004, to broadly its current membership including eleven local authorities and a number of other key delivery partners including Hampshire Economic Partnership (HEP), SEEDA, GOSE, Skills Funding Agency, HCA, Business Link and Job Centre Plus. PUSH also actively seeks to engage with the business community, third sector and other interested parties wherever possible to ensure a joined up and collaborative approach to economic development in the South Hampshire sub-region.

The South Hampshire sub-region reflects a functional economic area anchored around the two cities of Portsmouth and Southampton and the M27 corridor. Geographically it sits within an area surrounded by sensitive environmental assets. The PUSH area has economic linkages with its neighbouring areas, and also with the regional, national and global economy.

In developing the strategy for the PUSH area in 2004, the ambition of the partnership was to define a sustainable growth strategy for the sub-region, built upon enhanced economic performance. Key objectives of the strategy were to tackle identified pockets of deprivation and offer a better quality of life for everyone who lives, works and spends their leisure time in the area.

Since coming together PUSH has achieved some major successes including designation of South Hampshire as a *'New Growth Point'* by CLG, and a *'Diamond for Investment and Growth'* by SEEDA. It is also one of the first areas in England to complete a Multi Area Agreement – an agreement designed to ensure best use of public resources through joint working. There is evidence that there has been some improvement in the relative position of the PUSH area compared to the South East in terms of enhanced skills levels and GVA per capita performance. As a result of these successes PUSH is recognised as an example of best practice in partnership working by many outside the sub-region. Much of this success is down to a strong and coherent strategy which all partners have endorsed.

It is now five years since the original the Economic Development Strategy (EDS) was formulated. Much has changed in the global and national context over the past three years. There has been a global financial crisis leading to recession in the UK. This substantial change in the macro-economic situation has, as all will be aware, led to a rapid increase in UK government debt, and annual budget deficits. The recession and changed credit environment means that the future pace and pattern of economic growth in the UK will be different to that expected five years ago; while the public sector resources to underpin economic development will be much reduced. The new Westminster government is also looking to reshape the institutional framework within which economic development is undertaken, in with an enhanced focus on local and sub-regional leadership.

In the light of these changes in the macro-economic context and resourcing for economic development PUSH decided in 2009 to review the Economic Development Strategy. As part of the underlying evidence base for the EDS has been updated. This revised strategy retains the underlying ambition to achieve sustainable economic growth in South Hampshire, in a manner that will benefit the residents of the sub-region and tackle deprivation, but the strategy recognises that the economic context in which the strategy has to be delivered is greatly changed from that of 2004, when the strategy was first formulated.



This document summarises the context and background to the development of the EDS, sets out our ambition and priorities for action. Sitting beneath this is a suite of supporting information contained within:

- Economic Development Evidence Base;
- Preferred Growth Scenario;
- Headline Sustainability Appraisal; and
- Employment Sites & Premises Demand and Supply Analysis.

2. Context & Background

- The South Hampshire economy is less prosperous than the wider South East, however, there is evidence that this gap is beginning to close.
- Our cities are not fulfilling their potential as drivers of economic growth with recent employment growth concentrated around the M27 corridor.
- The recession has changed the labour market situation substantially since we last developed our EDS. We now have many more unemployed residents which must become a high priority for our strategy. The baseline projections for the future of the South Hampshire economy present us with some clear challenges relating to the labour market, with expected high levels of unemployment persisting into the long term.
- The baseline projections also suggest that we will not close the gap with the South East any further.
- We have established a track record of collaborative working which is beginning to pay off in terms of our economic performance.
- There is a substantially changed public policy environment as a result of both the recession and the change in Westminster government.

This chapter summarises the backdrop to the EDS including:

- Recent economic performance and issues emerging from the economic development evidence report;
- PUSH progress to date;
- The impact of the recession and its implications for future growth prospects; and
- The changing public policy environment.

2.1 Recent Economic Performance

The accompanying Economic Development Evidence Base report sets out a full assessment of recent economic performance in the PUSH area benchmarked against Hampshire, South East and Great Britain. The key issues are summarised below.

The PUSH area in 2005 performed less well compared to the South East region in terms of key economic indicators of GVA per capita, productivity and employment growth. This gap in performance remains. This is to be expected, as the scale of the challenge was always understood to be one that would require long term intervention to address.

The cause of the gap continues to be both issues of labour market engagement (a lower proportion of the working age population in work) and productivity (a lower output per worker as a result of the sectoral, occupational and skills mix). Combined these lead to lower average wage levels and lower GVA per capita across the sub region. There are also lower levels of enterprise present in the economy than in the benchmark areas.

However, there are some encouraging signs. For example, the GVA per capita gap between PUSH and the South East has closed from a peak of 14% to 11% through the mid 2000s.

The growth in the proportion of the workforce acquiring higher level skills has outstripped the SE average.

The previous evidence base also highlighted the variation in performance within the sub-region. In terms of participation of working age population in the labour market the evidence points to some closing of the gap between the cities and the urban boroughs. However, in terms of employment growth the cities have performed less well than the rest of PUSH. The statistics align with the views expressed through the consultation programme that jobs have been displaced from the cities to the M27 corridor.

Whilst the full effects of the recession are yet to be seen in many of the official datasets the impact on unemployment is clear. In PUSH the number of persons claiming unemployment benefits has increased almost three-fold from around 8,000 at its lowest point in October 2004 to almost 23,000 in January 2010, the majority of this increase from early 2008 as the effects of the recession started to bite. Whilst the anecdotal evidence is that PUSH has to date weathered the recession fairly well with relatively few large scale redundancies, the pattern of claimant unemployment has broadly tracked the benchmark areas of Hampshire, South East and GB.

Key Economic Indicators, 2008

Indicator	PUSH	South East	GB/UK
GVA per capita	£18,000	£20,200	£19,300
Productivity (GVA per worker)	£34,800	£38,300	£37,600
Economic Activity Rate	80%	82%	79%
Employment Rate	76%	79%	74%
% of Working Age Population with High Level Qualifications (NVQ 4+)	27%	32%	29%

Source: Oxford Economics and Annual Population Survey (ONS)

2.2 PUSH Progress to Date

PUSH has already achieved a number of quick wins, as well as putting in place the foundations for improved economic performance in the longer term. These centre on PUSH's ability to coordinate activity and facilitate collaboration for the benefit of the sub-region.

Firstly, PUSH has led on the development of a coordinated and integrated sub-regional strategy. This coordinated approach has proved successful in leveraging resources to support the development of the sub-region through achievement of New Growth Point status, South East Diamond for Investment & Growth status and completion of a Multi Area Agreement. This has been supported by a strong programme of research into key sectors, skills, enterprise and infrastructure.

Building on the success in attracting funding for economic development, PUSH has coordinated activity around a common agenda and substantial progress has been made on ensuring strong, collaborative multi-agency approaches. These sorts of collaborative arrangements will become all the more important in the coming decade as the need to make each £1 of public spending deliver more becomes critical in maintaining the delivery of public services.

The most notable success in forging collaborative delivery structures is the establishment of an Employment & Skills Board which brings the public and private sectors together, targeting resources to areas of greatest need and ensuring joined-up working across agencies to tackle a range of skills and employment issues. This has already led to a more rapid up-skilling in the South Hampshire working age population than the regional average. Examples of targeted activity include supporting skills shortages in the marine sector through the apprenticeship expansion pilot, offering 60 additional apprenticeships, and the marine Skills Development Zone including dedicated aluminium welding training, as well as multi-agency responses to redundancy situations and delivering more successful pathways back to employment through the future jobs fund.

2.3 Impact of Recession

Whilst there has been positive progress evident in both action on the ground and headline economic indicators, the change in the global macroeconomic environment has reduced the likely scale of future economic growth in South Hampshire. Baseline projections for the South Hampshire economy developed by Oxford Economics are set out in the accompanying evidence base report. In summary these show that:

- Average annual GVA growth over the period 2006-26 will be around 2% rather than the PUSH aspiration of growth in excess of 3%;
- Recovery and growth need to be led by the private sector, particularly export markets, as the primary drivers of pre-recession growth, the public sector and domestic consumers, will not be the sources of substantial demand in the decade to come.
- The GVA per capita gap between South Hampshire and the South East region will widen again to 12%;
- The number of jobs in the PUSH area is expected to increase by about 41,000 jobs, substantially lower than the PUSH target of 59,000 jobs over the period 2006-26. Pre-recession levels of employment will not be reached until around 2015;
- The population will continue to grow through both natural change and inward migration;
- The combination of lower employment growth and ongoing population growth will result in higher levels of unemployment created by the recession persisting into the longer term with much lower employment rates.

For the residents of South Hampshire this outlook is highly undesirable. Relative prosperity will fall, many will spend periods of time out of work and the pressure on public services, environmental resources and the welfare system will be high. There is therefore a clear need for further action to bring deliver a better economic future for the people of South Hampshire.

2.4 Changing Public Policy Environment

PUSH's strategy for South Hampshire is strongly influenced by the national economic climate and the policy priorities of the new coalition Government. The Budget 2010, to be followed by a Comprehensive Spending Review of Departmental expenditure, has set a pathway towards reducing public sector expenditure and national debt. The Strategy is therefore compiled against the background of a number of assumptions about economic trends that include:

- A substantial reduction in the resources available to finance public investment relating to economic development activity and investment in physical infrastructure;



- Less protection for public expenditure in the south east than other regions;
- Potential reduction in public service employment;
- Reductions in public sector procurement leading to reduced orders for the private sector
- Welfare payments focused more closely on those in greatest need;
- A reduction in the overall level of employment in the working population coupled with people working until later in life.

These factors together constitute a significant challenge for PUSH in promoting a more prosperous economy and better quality of life in South Hampshire. However, the Government has also signalled its intention to promote greater localism and this provides PUSH with the opportunity to articulate its ambitions, to set out a clear strategy for economic growth, and a series of actions that will lead to its delivery. This strategy and the supporting documentation therefore set out a framework for partners to develop policy and action within the sub-region.

3. PUSH Ambition

By 2026¹ South Hampshire will have:

- 51,200 additional jobs;
- £9.6 billion additional GVA per annum
- Reduced the GVA per capita gap with the SE by more than 25%

We want to secure a more prosperous and sustainable future for all those who live in South Hampshire. We want to a strong economy with businesses that are able to compete successfully in global markets. We are well aware of the challenges we face as a result of the recent recession, but these should not hold us back.. We must use the assets that already lie within the sub-region to drive our economy forward. We must coordinate public and private sector investment to achieve our goal.

We want to see more of our businesses recognised as national and international leaders in their markets, especially in international export markets, as a result of innovation, enterprise and creativity, particularly in sectors where we already have strong foundations on which to build.

We want to see more of our residents in work with higher levels of skill underpinning growth in employment and productivity, securing higher wages for employees and reducing the pressure for in migration.

We want to see our cities fulfilling their potential as drivers of the sub-regional economy. We want to ensure South Hampshire offers a fantastic quality of life and experience that can boost the economy and not develop in such a way that our human, environmental and cultural assets are eroded.

Given the state of public finances, our ambitions will require private sector led growth. As a largely public sector partnership our efforts will be in facilitating and supporting a business environment that enables this to happen. To support exceptional growth we will need to do things differently and better. This will include:

- Involving the private sector in all that we do to ensure we do the right things at the right time;
- Focusing on the workforce of today and the workforce of the future to ensure employers can recruit easily now and into the future and that our residents can access job opportunities;
- Prioritising support for our key sectors and opportunity areas which are distinctive to South Hampshire;
- Ensuring innovation and enterprise are central to business operations and individual behaviour so we are ready to capture growth in new and emerging markets;
- Working together to use limited resources efficiently and maximise impact;
- Lobbying for increased freedoms and flexibilities to target sub-regional priorities; and

¹ Base year = 2006, PUSH Preferred Scenario, Oxford Economics, June 2010. Further details of our preferred growth strategy are included at Appendix 1.



- Actively pursuing new and alternative funding and delivery models.

This strategy does not therefore describe in detail the things that we should be doing anyway, but focuses on the things we will seek to do differently and better as a partnership. This strategy has been embraced by all partners including the private and education sectors.

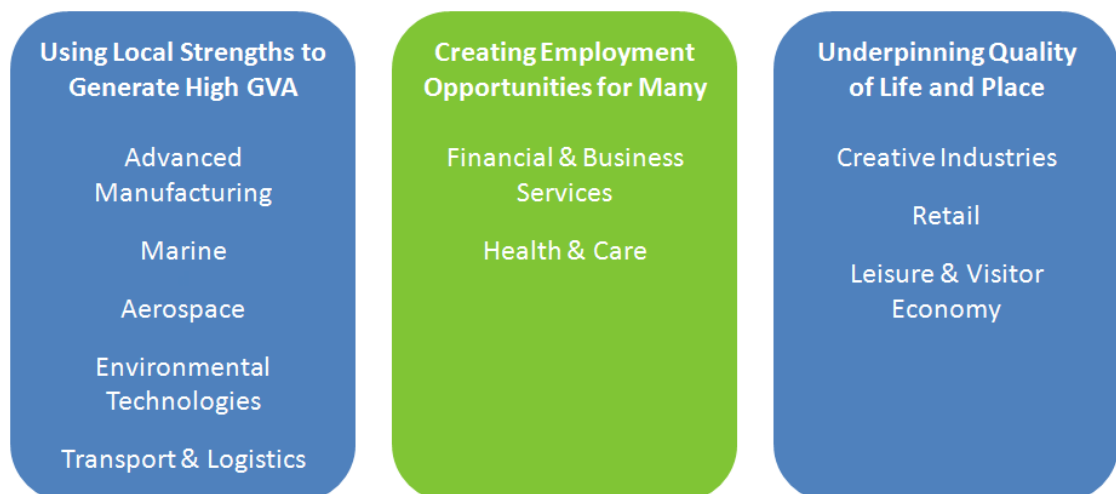
This is therefore a deliverable ambition. We already have a track record of coming together to do things differently, of working more efficiently and having enhanced impact. We have fantastic assets on which to base our strategy including leading universities, world class businesses and an exceptional natural environment. In the following sections we set out in more detail our proposed actions to secure this brighter and more sustainable future. This will be supported by a high level implementation plan.

4. Key Sectors

- We have a world leading advanced manufacturing sector including marine and aerospace activities. This has the opportunity to support high levels of GVA growth and diversify into environmental technologies, but faces some clear threats, particularly around skills and workforce issues.
- We have assets that can be used to deliver continued growth in transport and logistics activity.
- The business services and health sectors are projected to be the major source of additional jobs in the next 15-20 years. We must facilitate this growth.
- Our ambition to deliver higher levels of growth are reliant on South Hampshire being a fantastic place to live, work and do business. We must therefore ensure those sectors which underpin quality of life and place are strong.

One of the most critical factors in achieving our success will be the focus around a common agenda. This will include aligning investment from all partners and interested parties to ensure maximum efficiency and impact. Once we have ensured that our investment is all targeted on agreed priorities, we have the opportunity to explore far more innovative ways of delivering projects and programmes.

Aligning activity around sectoral intervention is one of the areas that requires our focus. Whilst our ambition will require the whole economy to function well, we know that we must prioritise scarce resources. Analysis of the current structure of our economy, the anticipated future patterns of growth and intelligence gathered from consultations and previous research has helped us to understand where to invest our efforts to achieve our ambitions. We have identified three categories of sectors which we will seek to support.



These three categories are useful for shaping our strategy and focusing action, but it should be noted that reality is far more fluid. Each of the sectors identified will play a role in increasing employment and output creation and will contribute to the place of South Hampshire. They also link with one another through shared supply chains, shared skills



needs, providing services to other sectors and through combining to create the unique sense of place in South Hampshire.

4.1 Using Local Strengths to Generate High Value Economic Output

We have identified five sectors with high levels of output (measured by Gross Value Added – GVA for short) per worker which are either already significant to the PUSH economy or have the opportunity to become significant as a result of our physical and knowledge assets. If we can capture growth in these sectors it will improve our economic output, boost productivity, create additional high wage jobs and in turn stimulate further job growth in other sectors in the sub-regional economy.

The evidence clearly identifies that our greatest strengths lie in advanced manufacturing, including the marine and aerospace sectors. These are often interrelated with common supply chains or markets. The manufacturing sector as a whole employs around 45,000 people in South Hampshire, 10% of all jobs. Whilst defining and measuring the advanced manufacturing elements of this sector is difficult, we estimate a minimum of 15,000 people are currently employed in advanced manufacturing activities. As a proportion of total employment this is substantially more than the South East regional average, and when the marine and aerospace elements are considered, the level of specialisation is even higher, illustrating the strength of these sectors in South Hampshire.

The maritime heritage of the area in terms of defence, leisure and port activities underpins many of the strengths around which world leading, innovative businesses, University expertise and a skilled workforce has developed. The marine market is also vital to other sectors of our economy. The Solent Waterfront Strategy indicates that in excess of 18% of the whole sub-regional economy is reliant on the marine sector in some way, accounting for more than 48,000 jobs.

Whilst headline employment in manufacturing is projected to decline we believe there are opportunities for growth in advanced manufacturing and in the wider marine sector, encouraged by the opportunities for export growth stimulated by the depreciation of £ sterling. We must work to ensure the growth opportunities in these sectors are captured and businesses are not held back by a lack of skills or development land. We must support our businesses looking to move into new and growing markets and ensure innovation is at the heart of improving competitiveness. We must try and attract new investment, highlighting the advantages of locating in South Hampshire to draw on the skills and knowledge base.

The environmental technologies sector is growing rapidly and presents very real opportunities to South Hampshire linked to our existing expertise in aerospace, marine and advanced manufacturing. We estimate that the sector already employs around 17,000 persons in South Hampshire, a growth of more than 50% in the last 10 years. The opportunities for growth lie across a range of activities including energy generation and increasing energy, water and waste efficiency. Southampton University in particular is developing real expertise in environmental technologies and we have already submitted a bid for South Hampshire to be recognised as a Low Carbon Economic Area (LCEA) which will bring a range of opportunities and benefits.

We must capitalise on the support for environmental technologies from central government, the ever increasing market opportunities and our existing business and university strengths to bring economic benefits associated with the growth of this sector in the UK to the sub-region. We must also embed tackling climate change within all that we do. This will help support the local growth of this sector, whether this be through supporting business change, developing infrastructure to mitigate the effects of climate change or ensuring we improve the resource efficiency of existing and new property.

The Transport & Logistics sector currently employs around 36,000 persons in South Hampshire and the sector has grown much faster in South Hampshire than both the UK and South East region. This growth is set to continue. We have some significant assets in the transport and logistics sector, not least the ports of Portsmouth and Southampton and an international airport. As the globalisation of the economy continues to increase there are greater flows of people, goods and services. This represents an economic opportunity for South Hampshire, particularly following the recent announcement that the new government does not plan to progress provisions of new runways at Heathrow, Gatwick or Stanstead. It is also a vital sector underpinning the wider success of our economy, with businesses needing to move people and goods across the UK and globally. We must support the development of appropriate infrastructure and skills to allow this to happen in a sustainable manner.

Our proposed actions therefore include a particular focus around developing the advanced engineering and manufacturing sector through closer business engagement and a clear focus on skills and workforce issues, strengthening our inward investment activity to attract new investment in key sectors, improving our innovation support – strengthening links between our Universities and businesses, and ensuring a portfolio of sites to meet the needs of a growing economy.

4.2 Creating Employment Opportunities for Many

There are two sectors in South Hampshire which are expected to deliver the vast majority of employment growth in the coming years: the financial & business services sector and the health & care sector. In order to realise our ambitions for the sub-region, particularly as regards increasing economic inclusion and providing jobs for local people, it is vital that we support the growth of these sectors.

The financial & business services sector incorporates a range of activities including banking and insurance, professional services, research and development, ICT, cleaning and security. The sector as a whole currently employs around 100,000 people in South Hampshire. However, whilst it is large in terms of the overall number of jobs it provides in South Hampshire, it is smaller in relative terms than the South East region as a whole.

Over the period 2006-26 the sector is expected to create an additional 35,000 jobs accounting for 25% of all employment in the sub-region by 2026. We must ensure the businesses within this sector can recruit people with the right skills, can find appropriate accommodation and with the business infrastructure they require.

Recently we have seen the majority of job growth take place outside the cities, with some high profile relocations from the city centres to along the M27 corridor. If we are to ensure jobs are created so that they are accessible by public transport and by those living in deprived

communities we will need to reverse this trend. We are therefore committed to supporting our cities to fulfil their potential and become attractive and successful locations for financial and business services employers.

The health & care sector already employs around 52,000 workers in South Hampshire and is expected to create about 10,000 additional jobs over the period 2006-26 as the population of South Hampshire grows and as people live longer. Whilst it is the growth in the population of South Hampshire that underpins the growth of this sector, we must ensure our residents have the opportunity to access the jobs created and that we can support the development of high quality, high skill health services.

We must also seek to ensure the wider opportunities afforded by growth in the demand for health care and services are captured in South Hampshire, by business in the advanced manufacturing businesses in South Hampshire and by our business services sector. Our primary role in supporting this sector will be in skills and workforce development to ensure our residents can secure the jobs that will be created in this sector.

4.3 Underpinning Quality of Life and Place

There are a range of sectors which are not anticipated to create large numbers of jobs, or to deliver huge growth in output, but are vital to ensuring South Hampshire is a great place to live, work and do business. Quality of life and place is an important source of competitive advantage, which will help us to attract and retain businesses and skilled workers. Making South Hampshire a great place to live and work is therefore vital to our economic ambitions. Without ensuring a great quality of life for our residents the remainder of our ambition lacks credibility and we will fail to attract the business growth we are seeking. We have identified three sectors that we want to see develop and will work alongside other agencies to support.

The creative industries is a sector which is defined more by the skills used within it than the markets and industries it serves. The sector includes design, media, IT and cultural and arts activities among others. It is estimated that around 32,000 people work in the creative industries sector in South Hampshire. However, in relative terms the sector is smaller in South Hampshire than in the South East of England. But creative skills are at the heart of many successful businesses in the area and this is projected to increase in the future. In addition, the culture and arts scene will be the backdrop for a great quality of life and experience in the sub-region.

We want to ensure that South Hampshire is recognised as a place of creativity and innovation from the quality of its education sector, its workforce and its cultural offering. We want to put South Hampshire on the map in order to support the tourism sector, attract new business investment and increase the sense of pride within residents. We must therefore foster a strong creative industries sector and prioritise creative skills development. We must also capitalise on the number of young people who graduate from our universities and colleges with qualifications that directly apply to the creative sector.

The retail sector is an important sector both in terms of the number of jobs it provides and in terms of the range of shops that are available to local residents and visitors. Some 50,000 people work in the retail industry in South Hampshire, with large concentrations of jobs to be



found in the cities. The quality of the retail offer has its place to play in the tourism and visitor economy of South Hampshire , particularly in the two cities.

Portsmouth is currently punching below its weight in retail terms and there are further opportunities to develop the retail offer of Southampton. We want to see a thriving retail sector in our cities, and more broadly in the area, so that they serve the population of South Hampshire as a whole and visitors from outside the sub-region. . The retail sector will play a role in our ambitions to deliver thriving cities and we are committed to supporting city centre regeneration to support the delivery of this. We will also ensure skills and workforce activities are used to support the sector.

Lastly, a vibrant visitor economy and leisure sector will bring benefits to residents through the quality of facilities available for leisure and the economic opportunities arising from the expenditure of visitors. There are already 14,000 jobs in this sector, but in relative terms this is smaller than the South East. South Hampshire is currently an important gateway for tourists travelling into and out from the UK but we often fail to capitalise on our transport infrastructure and encourage these visitors to linger in the sub-region. The sub-region has fantastic natural assets in terms of the coastlines and nearby national parks. It has fantastic heritage, particularly linked to maritime. It has fantastic retail and experience opportunities for visitors. We need to ensure we promote the offer of South Hampshire to capture the economic benefit. We must also ensure we protect and enhance our important natural assets which underpin much of our existing offer.

5. Transformational Action

In order to deliver our ambition we will need to use the resources we do have effectively and efficiently. We will have to do things differently and better than other areas and make best use of the assets we already have in the sub-region.

This strategy has not been designed to summarise the collective actions we would be undertaking anyway. It is not therefore the entirety of our efforts. It has been designed to add value, to highlight those critical things we need to do directly ourselves or which we need to ensure that our partners do. It is all about ensuring that we capitalise on the strength of our sub-regional partnership to coordinate, prioritise and target activity to deliver our ambition, maximise value for money and achieve critical mass – things we could not do as well without working together.

We have identified a short list of seven transformational actions to support the achievement of our ambition, tackle the issues emerging from the evidence base and align to the changing policy context. These actions focus on collaboration and joint working, bringing together the resources and activities of partners and interested parties to ensure we can both increase impact and drive efficiencies.

Running throughout each of these actions are a number of cross cutting themes against which we must test our actions:

Delivering high quality places – we must ensure everything we do reinforces our ambition for a high quality of life for residents, workers and visitors. This will require us to ensure new developments contribute to the quality of place and that the actions we take do not damage the sensitive and high quality natural environment around us.

Sustainable development – our strategy has been shaped around the principles of sustainable development in terms of economic, social and environmental sustainability. Further details are set out in the following chapter of the sustainability testing we have already undertaken. However, we will ensure it continues to be central to the development of our actions.

Tackling deprivation – at the core of our ambition is the need to tackle deprivation. This needs to be at the front of our minds as we further develop our actions.

Innovation in delivery – we have set innovation in delivery as a key action itself with further details below. In response to the state of public finances we must endeavour to do better for less. Operating sub-regionally we have opportunities to do this that we would not have working alone.

Business engagement – engaging with and involving the private sector must be at the centre of all that we do. We know that the private sector will have to drive economic growth in the sub-region. We cannot therefore achieve our ambition without the private sector fully supporting our ambition.



	Using Local Strengths to Generate High GVA					Creating Employment Opportunities for Many		Underpinning Quality of Life and Place		
	Advance Manufacturing	Marine	Aerospace	Environmental Technologies	Transport & Logistics	Financial & Business Services	Health & Care	Creative Industries	Retail	Leisure & Visitor Economy
1: Leading on Employment & Skills	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2: Supporting the Growth of Our Cities	✓	✓	✓	✓	✓	✓		✓	✓	✓
3: Creating, Sustaining and Growing Businesses	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4: Facilitating Site Development to Support Growth	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5: Establishing a Single Inward Investment and Place Marketing Function	✓	✓	✓	✓	✓	✓		✓	✓	✓
6: Developing Our World Leading Sectors	✓	✓	✓	✓	✓					
7: Strengthening Innovation Networks to Drive Productivity Growth	✓	✓	✓	✓	✓	✓		✓		
8: Innovation in Public Sector Delivery & Funding	Cross					Cutting		Action		

Action 1: Leading on Employment and Skills

At the crux of our ambition is the effective use of our resident workforce. There has been a substantial change in the labour market since we first developed the PUSH EDS. The recession has reduced the number of jobs in the sub-regional economy and as a result we have experienced a substantial rise in the number of people out of work. The future prospect is that unemployment will remain high and economic activity rates unacceptably low, unless we intervene. So we are committed to working hard to deliver job growth higher than the baseline forecasts project and ensuring the resident workforce has the skills to access these jobs.

Whilst we have performed strongly in terms of enhancing the skills of our resident workforce, South Hampshire still has a lower proportion of its residents with the highest level of skills. Projections for the growth of the economy highlight the increasing importance of having a highly skilled workforce. Whilst around 30% of jobs required the highest level of skills in 2006, this will rise to 40% in 2026. However, there will be jobs created and new opportunities arising at all skills levels. We must therefore continue to invest in enhancing the skills development of our workforce, and help people to move up the skills escalator.

A highly skilled workforce will underpin higher levels of productivity, will make South Hampshire an attractive location for business investment and will enable us to grow in a sustainable manner, without the need for employers to constantly have to recruit from outside the sub-region. Enhanced resident skills will allow those people living in South Hampshire to secure the jobs available on their doorsteps. We will work closely with employers to understand their skills needs and ensure the workforce can deliver those skills to make it easier for those recruiting to fill vacancies from within the existing resident workforce

We will also work to ensure those currently excluded from the workforce are able to participate. This will often mean working with people to tackle multiple barriers. We must not use the slack in the labour market as a reason to take our foot off the pedal. In particular we must avoid any lasting effects from the recession on the young unemployed in our sub-region, ensuring they do not become excluded from the workforce.

We have already established a multi agency Employment & Skills Board (ESB) for South Hampshire to ensure that all the relevant partners are working to achieve a common goal and that this is reflected in the investments in skills development and to help people who are out of work to secure jobs. The ESB will target resources on those activities that address the particular priorities for South Hampshire. We will extend membership of the ESB to ensure all interested parties are represented.

The work of the ESB will have a twin track approach. It will work with employers, focusing particularly on those in the key sectors identified in Section 4, to ensure that they can recruit people with appropriate skills from within the resident labour force, as well as developing the skills of their existing workforce to meet their businesses' requirements. It will also address the under-utilisation of the resident labour force, as measured by employment rates, by actions to support those without work with job search, life skills and vocational skills development.

In particular we will:

- Establishing a significant advanced manufacturing and engineering training function to support the skills needs of our key sectors. Building on investments in STEM (science, technology, engineering and maths) that have already been made in the area.
- Establishing an employer-led Apprenticeship Training agency with a focus on key sectors and SMEs.
- Strengthening local business partnerships between employers and HEIs, further education and schools focused on key sectors to improve information, advice and guidance on vocational and academic options linked to local employment opportunities.
- Extending the Skills Development Zone to reduce worklessness and support the needs of local businesses.
- Promoting graduate retention from our four universities through expanding internship programmes and work placements.
- Aligning single work programmes to engage those currently not active in the labour market.
- Creating opportunities for residents to access jobs in sectors that underpin employment growth.
- Ensure coordinated responses to employment shocks in the economy including assessing the impact of the contraction of the public sector on the labour market and mechanisms to enable those with transferable skills to move into the private sector.

Action 2: Supporting the Growth of Our Cities

We are committed to ensuring our two cities fulfil their potential as drivers of the PUSH economy. Our cities accommodate almost half of all jobs in the sub-region and deliver high levels of GVA per worker. They have the potential to become much stronger economic powerhouses, building on the presence of key assets including universities and international gateways. However, whilst our cities perform strongly in terms of the value of economic output they generate, over recent years have experienced employment decline. There are also substantial pockets of deprivation with working age residents disengaged from the labour market. We must therefore support the regeneration and renaissance of our cities in order that we capture the potential they offer for the whole sub-region, as attractors of people, skills, investment and jobs.

We must also work to increase labour market engagement among the residents of our cities. Economic activity and employment rates in our cities are well below those recorded in the rest of the PUSH area. There are also higher proportions of working age population with no qualifications. As jobs are created in our cities, we must ensure the residents of the cities can access these opportunities.

Our cities present us with opportunities and challenges in terms of sustainable development. The cities offer opportunities to locate employment growth close to concentrations of deprivation and to enable more sustainable travel modes to work, leisure and learning for residents outside the cities. However, there are very real challenges in terms of flood risk for both our cities which we need to mitigate and wider infrastructure requirements to open up development sites.

There are proposals for major redevelopment projects in both Portsmouth and Southampton city centres as well as a range of other development sites which have the opportunity to

accommodate employment and housing development. Investment is also required in transport infrastructure. A major factor in the relatively strong employment growth outside the cities has been that locations along the M27 are more easily accessed by car than city centre locations. This advantage of locations close to the M27 needs to be offset by enhancing the accessibility of the city centres by high quality public transport.

- We will support the redevelopment and regeneration of the cities of Portsmouth and Southampton in order to facilitate the development of the business services, retail and creative industries sectors in a sustainable manner and maximise the use of brownfield land in achieving our ambitions.
- We will prioritise limited resources on supporting infrastructure to open up strategic sites within the cities.
- We will ensure that developments in our cities are designed to enhance the quality of place in South Hampshire.
- We will work to tackle low levels of labour market engagement and skills in our cities.

Action 3: Creating, Sustaining and Growing Businesses

This strategy is predicated on the private sector driving the growth of the South Hampshire economy. We must all therefore work to create a vibrant, entrepreneurial culture in which business and enterprise are valued and can succeed, and to promote enterprise as career choice. The evidence indicates that we have low levels of enterprise in the sub-region, business survival rates are low and the proportion of businesses with turnover above the VAT threshold is smaller than benchmark areas. Whilst some of this difference can be explained by the urban nature of our economy, it does not explain all of it. Other urban areas are more successful and we aspire to perform at that level. To achieve this we must increase the number of business starts, improve business survival rates and enable established business to grow. Some of the required actions to make this happen are already within this strategy – improving skills, promoting entrepreneurship in education, ensuring a supply of appropriate sites and premises, investing in our world leading sectors and increasing levels of innovation and productivity. But there is more that can be done to foster an entrepreneurial culture and support SMEs.

In recent history there has been a variety of public sector funded business support activities. However, we can no longer rely on the public purse to fund this activity. We must look at new models of delivery, using the entrepreneurial and business expertise already in the sub-region. We must also draw on the enterprise culture strategy we prepared on 2008 based on thorough research into the issue. We will therefore:

- Ensuring a more coordinated approach to activities which are seeking to build a more enterprising culture to avoid duplication and make best use of available resources. This will include working with our young people to establish enterprising thinking and positive views of entrepreneurship at an early age through enterprise education, careers advice and the use of role models and increasing levels of enterprise education and industrial placement activity through our Universities and FE colleges;
- Work to make self employment and business start up an attractive alternative to unemployment and inactivity; and
- Draw on the expertise of local businessmen and women to provide counselling advice/support for early stage businesses.

- Use intermediaries (e.g. banks, accountants, solicitors) to provide highly commercialised support to growth businesses.
- Work with the successful and established business networks in the sub-region to investigate ways in which these networks can be used to provide ongoing low-cost or no-cost support to small businesses.
- Use what resource and influence we do have in the public sector to benefit the sub-regional economy where we can. This will include opening up procurement opportunities to SMEs across the sub-region and looking at the enabling role of the public sector to remove barriers that may prevent business growth.

Action 4: Facilitating Site Development to Support Growth

To support the growth of our economy it is vital that we facilitate the development of appropriate sites and premises whether for commercial, residential or mixed uses. This will require us to align our planning functions and infrastructure and site investments to our overarching strategy. This is an area of activity we have been developing since forming as a partnership and it continues to be vital as we revise our strategy.

Alongside this EDS we have carried out research that will enable us to understand better the future requirements for employment sites and premises across the sub-region to achieve our growth aspirations. This includes sites of strategic significance to the sub-region such as the Fareham SDA, Southampton Major Development Quarter, Eastleigh Riverside and Tipner. The assessment of future requirements has been reviewed against the supply of sites in the sub-region to help us align our planning and investment activities. This has found that in broad quantitative terms we have sufficient supply of sites to meet estimated commercial requirements to deliver the EDS, however, there are challenges. Some of our sites face delivery constraints, not least as a result of the recession and the impact this has had on the development market. In a time of constrained public sector resources we will need to be both innovative and focused in the way we fund infrastructure and support development.

We have also recently developed a Local Investment Plan in partnership with the Homes and Communities Agency (HCA) to shape and direct our investment in bringing forward infrastructure and sites to deliver housing across the sub-region.

We now need to:

- Investigate how as a sub-regional partnership we can best support local planning processes to ensure a coordinated approach to land use and infrastructure planning.
- Investigate new approaches to funding infrastructure and site development with the public and private sectors working in partnership.
- Prioritise limited resources on areas of greatest impact, particularly in our cities and other urban locations.
- Ensure high standards of design to ensure new development contributes to the quality and sense of place.
- Ensure critical sustainability factors are addressed, such as flood risk and resource use, as we shape future development plans.

Action 5: Establishing a Single Inward Investment & Place Marketing Function

To achieve our growth ambitions we need to ensure that businesses are attracted to and supported to locate in the sub-region. Historically inward investment has been undertaken at the regional level, while much of the place marketing has been undertaken at either regional (South East Tourist Board) or individual local authority level. There is a strong case in an environment where resources are stretched that this function should be combined and delivered at the sub-regional level. This would recognise the overlap between selling South Hampshire as a great place to live, a great place to do business and a great place to visit. By combining budget allocations from a number of different authorities, it should be possible to maintain critical mass in an era of reduced budgets and retain a core of staff with relevant expertise.

There has already been progress in developing a sub-regional inward investment function to ensure a coordinated approach to enquiries across South Hampshire. An Inward Investment Board has been established which co-ordinates support for inward investment at the South Hampshire level. A unified sub-regional property database has been developed and is being promoted. Work is in hand to define the South Hampshire proposition defining the distinctive characteristics of South Hampshire that will attract business; and a marketing campaign is being developed to target businesses in key sectors. Next steps will be to:

- Continue to build upon the start that has been made to create a unified inward investment function and explore how this can be expanded further.
- Investigate appropriate branding strategies to maximise the impact of existing strong brands across the sub-region.
- Work pro-actively with UK Trade & Investment to exploit Foreign Direct Investment opportunities for South Hampshire.

Action 6: Developing Our World Leading Sectors

A key strength of the South Hampshire economy is the cluster of advanced engineering activities including marine, aerospace, environmental technologies and others. Whilst this cluster of advanced engineering businesses is not expected to create large numbers of additional jobs, the businesses that comprise this cluster have a vital role to play in the economic future of South Hampshire. We will work to support the businesses that make up this cluster and attract related businesses.

Many businesses in this cluster are world class but they report skills challenges. There is evidence of an aging workforce of skilled technicians and engineers that is not easily being replaced by the upcoming generation. While the agenda for change will be led by industry, we will ensure that where the public sector has a part to play in addressing these issues that it does so. Likewise, where the sector identified things that we can do to encourage innovation and development of local supply chains we will play our part.

Our approach will be defined by industry itself, bearing in mind the powers and resources that we have to deploy. The starting point for this initiative must therefore be to establish an effective means of communication between the key businesses in the sector and PUSH as the representative of local authorities and other public sector partners. The existing sector

consortia are the starting point for engaging with the businesses in the advanced engineering cluster to define the role that PUSH and its public sector partners can play in supporting the growth of the cluster.

We have already supported the development of an initiative with Marine South East and the Manufacturing Advisory Service to deliver intensive support to businesses in the advanced manufacturing sector and ensure lessons learned are disseminated more widely across the industry in the sub-region. We would anticipate that actions emerging from the engagement with businesses in the cluster might include:

- Continuing to liaise closely with businesses across our key sectors to ensure we understand their needs and coordinate activities to meet these needs.
- Ensuring there is a high quality skills based training function in the sub-region to support the sector. Historically the skills base has been underpinned by Naval activity and training. However, this is unlikely to play such a significant role in the future.
- Ensuring the HE and FE sectors in South Hampshire is fully engaged in terms of innovation, knowledge exchange and skills development.
- Ensuring that new businesses that can benefit from the cluster focus are drawn into the relevant networks – for example businesses that are starting to enter or capitalise on opportunities in the environment technologies sector.
- Support for export development by smaller business in the cluster.

Action 7: Strengthening Innovation Networks to Drive Productivity Growth

We need to embed innovation practices throughout the workforce and business community in order to drive productivity and economic growth. One of the key ways we can facilitate innovation is through brokering collaboration and networking. This includes business to business and University to business as well as very early exposure to business and innovation within our schools. There are already networking activities taking place but there are opportunities to strengthen these, particularly around our key sectors. We need to capitalise on the strengths of the universities in South Hampshire and support them in their work to engage with local employers, particularly in our key sectors.

We must also harness the benefits of the more than 130 R&D companies in the sub-region. Coupled with our universities there is a substantial knowledge bank on which we must draw, through the creation of knowledge transfer partnerships and development of spin out businesses.

In particular we will:

- Work with existing business and innovation networks to explore how they can be expanded with greater numbers of businesses participating.
- Expanding University student internship programmes and work placements to encourage new ideas and thinking in our business community.
- Engage with R&D based companies and Universities to support the development of knowledge transfer partnerships.

Action 8: Innovation in Public Sector Delivery & Funding

In order to make limited resources go further and capitalise on planned changes in governance for economic development we must explore innovative delivery and funding approaches and explore how sub-regional working can bring wider benefit to South Hampshire as a whole. Whilst this cuts across all our actions it is so critical that we have included this theme as one of our priority actions to achieve our ambitions. Central to all we do must be collaboration, partnership working and private sector engagement.

The Coalition Government has created new opportunities for us to explore such as Local Enterprise Partnerships (LEPs), Tax Increment Financing (TIF) and the Regional Growth Fund. We must explore all these options to deliver the greatest benefit for the sub-region.

In particular we will:

- Investigate the potential to build on the existing role of PUSH and form a Local Enterprise Partnership increasing further our level of business engagement and delivery.
- Explore the scope to deliver services more efficiently through shared service agreements, joint budgets, pooled staffing resources.
- Build on the early experience of place based budgeting used in the Total Place pilots to identify where there is scope to generate efficiencies in the use of public funding.
- Investigate alternative funding approaches and sources to service and infrastructure delivery to lever in private sector funds, drive efficiencies and stimulate investment. These will include Tax Increment Financing (TIF) and the Regional Growth Fund. We aim to establish a TIF pilot by 2011/12 within the sub-region.
- Look to play a central role in the targeting and commissioning of European funding in the sub-region.

Infrastructure Investment

Robust and efficient transport, communications and utilities infrastructure is critical to the success of businesses in South Hampshire. Equally the quality of our infrastructure, including homes, flood defences, etc is vital if we are to create sustainable, quality places where people want to invest, live, work and visit. This is particularly critical since we are anticipating that the population and economy of South Hampshire will continue to grow – indeed we want it to recover faster from the downturn than it would if we did nothing. We must ensure that we secure the infrastructure we need in order to grow in a sustainable way.

However, we face a challenge in delivering improvements to our transport, communications and utilities infrastructure in an era where public funds for infrastructure spending will fall; and the private sector faces challenges in securing investment funding. As a partnership we have undertaken substantial work on understanding the requirements for supporting infrastructure including transport, housing, utilities, flood defences and ICT. We will have to make some very difficult choices as we understand more of the scale of resources at our disposal. We will want to engage with the private sector to help us make the right choices



5.1 Implementation

As we get greater clarity on available resources, we will develop more detailed plans on implementation and prioritisation around these actions. However, where we are already at work we will continue. In particular we will:

- Drive forward the work of the ESB so that our skills and workforce engagement activities are coordinated and aligned.
- Continue to drive efficiencies around inward investment and seek opportunities for further cost savings as well as increasing our impact.
- Continue to investigate opportunities to trial new ways of working and new delivery and funding models wherever opportunities arise.

6. Headline Sustainability Appraisal

It is vital that economic growth is delivered within economic, social and environmental limits. Clearly the thrust of this strategy is about creating a more economically sustainable pattern of growth. The wider sustainability of the strategy has been tested through a headline sustainability appraisal.² A summary of the process and key findings is included below with further detail in an accompanying Sustainability Appraisal document.

6.1 Method & Process

The scope of the Sustainability Appraisal covered the following seven themes, identified through consultation with PUSH:

- Land Use & Environmental Quality
- Climate Change (Adaptation) & Flooding
- Energy & Carbon
- Cultural & Historic Assets
- Demographic Change
- Deprivation
- Labour Market & Skills

For each theme, the available published evidence was reviewed to identify key issues in the sub-region. We then compared the PUSH preferred growth scenario and policy aspirations within the draft EDS to the baseline growth projections, to identify potential positive and adverse outcomes within each theme. In other words, the assessment considers the *relative* outcomes of the preferred scenario compared to the baseline. Whilst the Sustainability Appraisal has not considered the absolute levels of growth in detail, the absolute levels of growth in the preferred scenario are lower than the previous PUSH growth aspirations and development levels (housing, employment floorspace etc) within the South East Plan, which have previously been subject to testing and consideration. Notwithstanding this, the understanding of the sustainability situation is constantly developing and there may well be substantial challenges associated with the baseline levels of growth.

Our initial analysis was tested and validated within a workshop with a number of interested parties. The EDS has consequently been amended; particularly to build in mitigating actions against potential adverse impacts.

6.2 Positive Outcomes & Opportunities

The Sustainability Appraisal highlighted a number of ways in which the EDS preferred scenario will deliver beneficial outcomes relative to the baseline scenario. The majority of the positive outcomes stem from the following elements within the EDS:

² A Sustainability Appraisal is a formal requirement in the preparation of Development Plan Documents. Whilst there is no formal requirement for a Sustainability Appraisal of an Economic Development Strategy, we feel that it is an important step in the preparation of the strategy.

- **Lower levels of development overall.** The focus on skills and employability is targeted at reducing some inward migration which in turn will reduce the total population and the demand for housing. The reduced demand for housing more than offsets the increased requirement for employment property as a result of higher growth. The focus on cities also creates the opportunities for higher densities of development and re-use of brownfield land. This brings benefits in terms of the potential for reduced impacts on habitats and biodiversity, and particularly for designated environmental or conservation areas.
- The **cities first focus** leads to a number of potentially positive outcomes including:
 - The proximity of employment opportunities to deprived communities, combined with a commitment to skills and workforce development and the multi agency ESB, will address barriers to employment and bring greater prosperity to deprived areas.
 - Employment opportunities will be more accessible via sustainable transport methods.
 - An increase likelihood of denser forms of development, improving land use and resource/energy efficiency. The dense pattern of development may also make the deployment of renewable technologies such as CHP heat networks more viable (due to the concentration of sufficient heat loads).
 - Potential to find new uses for historical buildings which are currently at risk, thus ensuring their future.
- The commitment to **skills and workforce development** will address a number of social issues such as deprivation, barriers to employment, and unemployment (including youth unemployment). It will also reduce the requirement for in-migration to meet the demand for skilled workers, with commensurate benefits (described above) in terms of reducing the requirement for housing.
- Focus on the **environmental technologies sector and the Low Carbon Economic Area (LCEA) bid.** This is a growth sector where PUSH has significant potential due to its existing business base and assets. The focus on this sector in the EDS scenario will bring economic benefits in terms of jobs and GVA. It will support job creation both within PUSH and the surrounding rural areas (for example through the supply of biomass). Moreover, there are potentially positive environmental impacts resulting from the focus on the sectors and LCEA bid due to its focus on improving energy, water and resource efficiency. There are further opportunities linked to planning measures to ensure new development is sustainable and future proof.
- The focus on the **tourism/leisure sector and tourism promotion.** This is likely to be of benefit in terms of job creation – particularly given the involvement of the PUSH area in the 2012 Olympics, and drawing on the sub-region’s environmental and cultural assets.
- Identification of **health** as a key sector in recognition of the challenges of a growing and ageing population.

6.3 Negative Outcomes & Challenges

There are also some potentially adverse impacts of the preferred EDS scenario relative to the baseline scenario, as follows:

- Whilst the cities first policy provides a number of benefits in sustainability terms it also presents a number of challenges, in particular:
 - Potential challenges resulting from **flood risk.** There will be flood risks in the baseline scenario, but these could be exacerbated within the EDS preferred option due to the focus of development in the PUSH cities. Parts of Portsmouth, Southampton and Gosport have all been identified as being at significant flood risk, and there is a limit to

the level of development which can take place within these districts without placing it at risk. This makes flood risk mitigation a key requirement for existing and future development, and will require substantial financial investment. Flood risk has emerged as the single most critical issue in this appraisal and ensuring investment in flood defences and mitigation measures needs to be central within the EDS.

- Potential pressures on **green infrastructure** within the cities as a result of higher levels of activity due to policy commitment. The PUSH cities already have a relatively low level of open space compared to other cities, and green infrastructure in the cities is already under pressure. The focus of further development within the cities will place green infrastructure under increased pressure. Steps will need to be taken to maintain and enhance green infrastructure within the cities where possible.
- **Identification of Tourism and Leisure** as a key sector, together with tourism promotion. Whilst these policies may support job creation and an improvement in the economic performance of the PUSH area; any growth in tourism and recreation may place an additional burden on environmental assets (many of which are already in a fragile state), and needs to be carefully managed.

6.4 Uncertainties

The trade off in terms of lower levels of population and housing versus higher levels of employment and business activity provides uncertainties in some areas. In particular:

- Resource usage in terms of water, minerals, waste etc.
- Transport usage and congestion
- Carbon emissions

There are uncertainties around the impact of climate change across the two options being considered – in terms of changes in weather conditions and flood risk. There are already significant numbers of homes, workplaces and infrastructure at risk of flooding within the PUSH area, and further development within flood risk areas should be avoided. Given that their preferred EDS option is likely to require additional funding for enhanced flood defences this may also benefit existing areas at risk; however this requires further investigation to verify.

There are also uncertainties around the extent of demographic change. It is likely that there would be an increase in the number of older people in both options under consideration, which may lead to an increased requirement for health and care services. The number of school children will fluctuate over the assessment period, and this will impact on the demand for school places over time. There are also uncertainties around the extent to which future development will address the isolated pockets of deprivation within rural areas.

6.5 Summary

Overall, the comparison between the EDS preferred scenario and baseline scenario is generally positive. The thrust of the strategy development is around improving economic and social sustainability by securing growth, engaging and investing in the workforce to improve labour market outcomes and focusing development on the cities. The Sustainability Appraisal has shown that the proposed policy options will largely enhance economic, social and environmental sustainability.



The greatest challenge in achieving PUSH aspirations is that of flood risk, particularly in the cities. If the cities are to fulfil a role as the drivers and hosts of growth in both employment and housing terms, there is a vital need to ensure underpinning investment in flood defence and mitigation is in place.

7. Risk, Uncertainty, Monitoring & Review

This strategy has been prepared in an environment of considerable uncertainty. In particular there are two major uncertainties that bear heavily on the strategy.

First, the future course of the UK economy is very uncertain, given that this depends on the future pattern of growth of the global economy and that of the UK's major trading partners, the Eurozone nations and the USA. At the time of writing many commentators are expressing concern about how simultaneous deficit reduction programmes might engender a double dip recession or at least impair the pace of economic recovery. Other commentators are of the view that deficit reduction programmes are essential to stem concerns about sovereign debt and to prevent capital flight and higher interest rates. The pattern of growth of the UK economy is the principal determinant of the overall level of economic growth and employment in South Hampshire.

Second, the recently announced Comprehensive Spending Review has set out plans to substantially reduce resources for economic development at both central government and local authority level. However, the full detail of how this will impact is uncertain.

Nevertheless, in our view the Economic Development Strategy is robust and has sufficient flexibility to respond to changing circumstances. In terms of robustness, we have tested the deliverability of the strategy through the headline sustainability appraisal and through sensitivity testing of our preferred growth scenario. In terms of flexibility, the priority actions will remain priorities whether the economy does better than anticipated or worse. However, we are committed to developing a framework for careful monitoring of the economic situation and to reviewing our strategy and prioritisation of actions accordingly. The following table provides a headline assessment of potential areas of refocus given higher or lower growth.

	Faster Growth	Lower Growth
1: Leading on Employment & Skills	Greater focus on skills shortages to support growth of key sectors and ensure local residents can access job opportunities.	Greater focus on responding to redundancy and pathways to work.
2: Supporting the Growth of Our Cities	Increased focus on ensuring development sites come to market to meet growth requirements.	Greater efforts on multi agency approaches to prevent long term impacts of worklessness.
3: Creating, Sustaining and Growing Businesses	Additional focus on mentoring support for growing businesses to capitalise on growth opportunities.	Increased priority of promoting self employment and new business starts as an alternative to unemployment or inactivity.
4: Facilitating Site Development to Support Growth	Higher priority around intervention to deliver strategic sites to market ahead of schedule.	Lesser focus on long term sites towards employment creation and support activities.

5: Establishing a Single Inward Investment and Place Marketing Function	Dependent on trends in global economy and potential impact of activity. If global economy showing more rapid growth than UK activity to attract inward investment and international tourism should increase. If global recovery appears more sluggish there may be scope to shift focus to other actions.	
6: Developing Our World Leading Sectors	Increase skills and training focus to avoid constraints on growth.	Increase innovation focus to develop new products and markets and increase growth.
7: Strengthening Innovation Networks to Drive Productivity Growth	This remains an important priority to ensure long term sustainable growth.	Increase innovation focus to develop new products and markets and increase growth.
8: Innovation in Public Sector Delivery & Funding	Whilst there could be an improvement in private sector funding, public funding will remain constrained and innovative approaches should still be investigated.	Will be increasingly important as private sector funding capability is reduced further.

Our aim is to use the resources we have to maximum effectiveness. We will not be able to do everything we want to do; and while we have identified clear priorities in this strategy for action, we may have to further prioritise our interventions as it becomes clearer what resources are available for economic development in South Hampshire. We will ensure that we do not spread resources so thinly that we do nothing well.

The key risk to the overall strategy is that, in a context of constrained resources, partners step back from the collaborative process that has underpinned the PUSH approach. This risk is regarded as slight, bearing in mind what has been achieved to date, and the need in times of constrained resources to pool efforts in order to maintain delivery and to deliver enhanced value for money from the public resources that continue to be available.

PUSH therefore commits to:

- Monitoring key economic indicators on a month by month basis, with quarterly summaries brought to the PUSH Programme Board
- Monitoring and (where necessary) responding to significant risks and shocks to the PUSH economy.
- An annual review of the changing economic context as part of an annual review of outputs and outcomes, with specific consideration of the implications for the strategy.
- A full review of the evidence base and strategy in five years time (2015), including a review of key demographic and economic projections.

Appendix 1: PUSH Preferred Scenario- Key Indicators

The following table includes data on key indicators for the PUSH Preferred Scenario compared against Baseline projections for the sub-regional economy. The projections were developed by Oxford Economics and all data is presented for the period 2006-26 unless otherwise stated.

Further information can be found in the accompanying report *PUSH Economic Development Strategy – Preferred Growth Scenario*.

	Preferred Scenario	Baseline
GVA Growth	+£9.6bn	+8.7bn
GVA Growth Rate (CAGR)	2.1%	2.0%
GVA per Capita Change	+£6,400	+£5,300
GVA per Capita Gap - PUSH vs South East (2026)	7%	12%
Employment	+51,200	+41,300
Employment Rate (2026)	75.9%	72.7%
Employment Rate Change	+0.8% points	-2.4% points
Productivity Growth (CAGR)	1.7%	1.6%

Source: Oxford Economics

All data is 2006-2026 unless otherwise stated.