Partnership for Urban South Hampshire (PUSH)

South Hampshire Economic Drivers and Growth: Combined Report

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DTZ Consulting & Research
Queen Square House
18-21 Queen Square
Bristol
BS1 4NH

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1 Introduction

DTZ Consulting & Research has worked with the Partnership for Urban South Hampshire (PUSH) since Autumn 2004 to inform PUSH inputs to the South East Plan. This work has included:

- Evaluating the sub-region's economic drivers and business needs;
- Identifying the means of achieving growth and the key performance indicators;
- Identifying and testing a number of growth scenarios;
- Identifying the implications of these growth scenarios; and
- Considering the necessary intervention to deliver higher levels of growth.

The original work was completed in three phases, with each additional phase building on the previous work as the plans and aspirations of PUSH developed. This report draws together all three phases into a single document.

The rest of this report is set out as follows:

- Section 2 sets out the analysis of economic drivers and barriers in the sub-region;
- Section 3 discusses the theory behind delivering economic growth on which the future scenarios are modelled;
- Section 4 summarises the scenario testing undertaken over the course of the three phases of work;
- Section 5 sets out in more detail the PUSH preferred scenario, with an assessment of the implications of delivering this growth; and
- Section 6 brings together the previous sections to set out the intervention requirements to support delivery of the PUSH preferred growth scenario.

1.1 The PUSH Sub Region

Appendix 1 to this report sets out the detailed definition of the PUSH sub-region used in this analysis. The sub-region includes the full district areas of Portsmouth, Southampton, Fareham, Gosport, Havant and Eastleigh plus part of the New Forest, Winchester, Test Valley and East Hampshire district areas.

2 Sub Regional Economic Drivers and Barriers

This section looks at South Hampshire's key economic drivers, barriers to growth and business needs in the context of the Regional Economic Strategy (RES). The assessment also draws from the evidence presented in the following strategic documents:

- South East Hampshire Area Investment Framework (AIF) (DTZ)
- Southampton Area Investment Framework (Arup)
- 'Informing our Future' (Hampshire Economic Partnership)
- The South Hampshire Economic Strategy and Action Plan (GHK)

2.1 South Hampshire

South Hampshire is a wide and diverse economic area ranging from the main industrial and urban areas in the South to the predominantly rural areas in the North of the sub-region. The diversity of the area leads to a variety of economic drivers and business needs. However, within these diverse areas there are interconnections and common themes which also act as constraints to economic growth.

Although South Hampshire represents one target area for the purposes of the sub-regional strategy, it is necessary to recognise the differing characteristics that make up the area, particularly the distinction between the:

- Cities;
- Urban Boroughs; and
- Rural Fringe areas.

In this study we have grouped the various Local Authorities[1] that comprise the South Hampshire sub-region into these sub-area classifications. However, it is apparent that even within these classifications, significant differences exist between both the characteristics and economic performance of the Local Authorities that form these sub-areas.

We begin this chapter by briefly outlining the broad economic context for the South Hampshire sub-region. This is primarily a benchmarking exercise to gain an insight into how the sub-regional economy has performed relative to South East and GB averages in the recent past. We have also looked at the differences in performance at the local level within the sub-region, in order to reflect its differing internal economic characteristics. This brief baseline analysis will complement the information supplied on South Hampshire's drivers / needs by the literature and allow both a quantitative and qualitative assessment of the sub-region's growth dynamics.

[1] This analysis of the Rural Fringe is based on the entire district areas. However, the PUSH area as defined for scenario development includes only part of each of the Rural Fringe districts as outlined at Appendix 1 to this report.

2.2 The Economy

There are two main measures for economic performance of an economy:

- Structure and size of the economy (Gross Value Added) and change over time;
- Productivity and change over time.

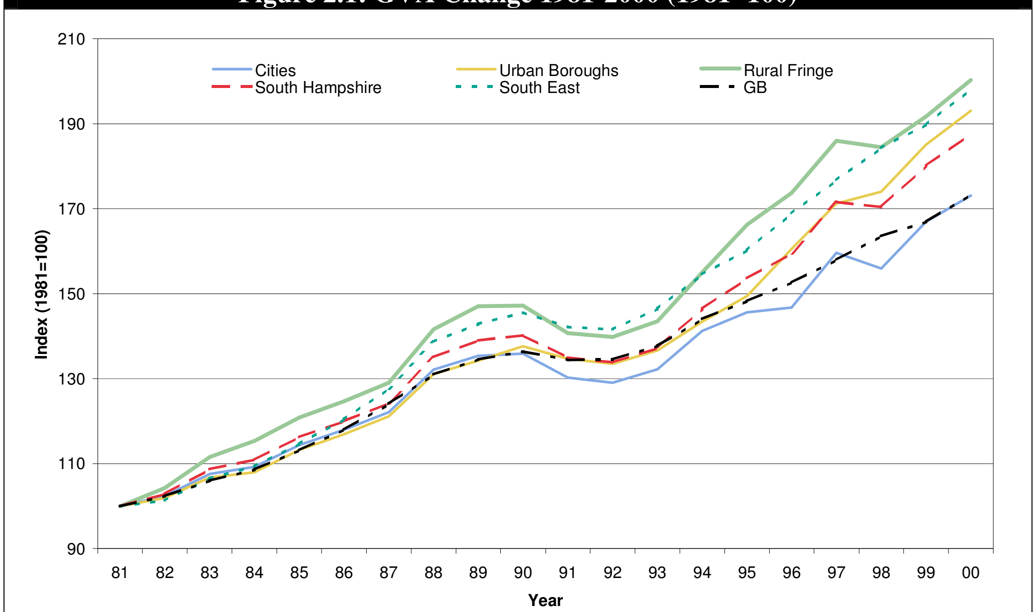
2.2.1 Growth of the Economy

Since the mid 1980's, South Hampshire's economic growth rate has been consistently below that achieved by the South East region as a whole, but above the national growth rate. However, disaggregating the performance of the South Hampshire economy into the Cities, Urban Boroughs and Rural Fringe highlights substantial differences in economic growth rates. It's clear that, relatively speaking, the two cities have significantly under performed over the last two decades, failing to match even the national growth rates.

Over the last decade it has been the rural fringe local authorities, which have really driven growth in the sub-region, consistently achieving a higher rate of growth than the regional average. The urban boroughs converged strongly towards the performance of the rural fringe towards the end of the last decade, and have witnessed the strongest rate of employment growth of out of all the areas comprising the South Hampshire sub-region over the last few years (See Figure 2.1).

However, it is very important to highlight that whilst the aggregate performance of the sub-area classifications has been very strong (particularly in the urban boroughs) it is not necessarily the case that the strong performance has been uniform across all the Local Authorities in that sub-area. The high aggregate performance seen in the Urban Boroughs, for example, has largely been driven by strong economic growth rates in Fareham in particular, whilst Gosport and Havant by contrast have grown significantly more slowly.

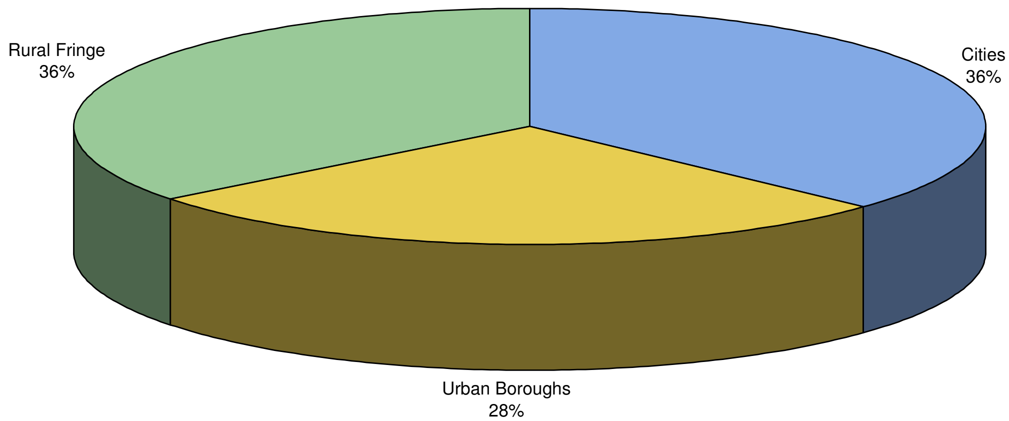
Figure 2.1: GVA Change 1981-2000 (1981=100)



Source: DTZ Locus

Figure 2.2 shows the percentage share of GVA across the three sub-regions of South Hampshire. Overall economic output is well proportioned between the three sub-areas of South Hampshire, but not all the Local Authorities contributed to this output in equal fashion. This highlights the economic importance of each sub-region and the need to coordinate an overall strategy for South Hampshire that includes measures for all sub-areas and composite Local Authorities.

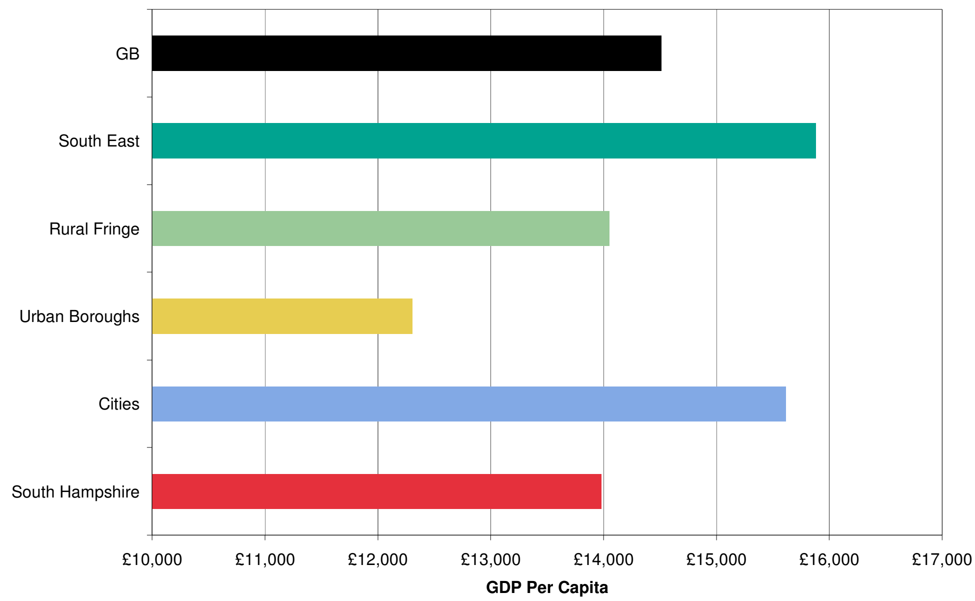
Figure 2.2: GVA Shares, South Hampshire



Source: DTZ Locus

In terms of current economic performance (measured in terms of Gross Value Added per head) South Hampshire lags behind both the South East and Great Britain as a whole. As figure 2.3 shows, overall GVA per head in South Hampshire was 88% of the average for the South East and 96% of the average for Great Britain. Figure 2.3 also reinforces the message about the considerable disparities in economic performance within South Hampshire, with GVA per capita in the Urban Boroughs some 79% of that in the Cities.

Figure 2.3: GVA Per Capita, 2001



Source: DTZ Locus/ONS

2.2.2 Industrial Structure

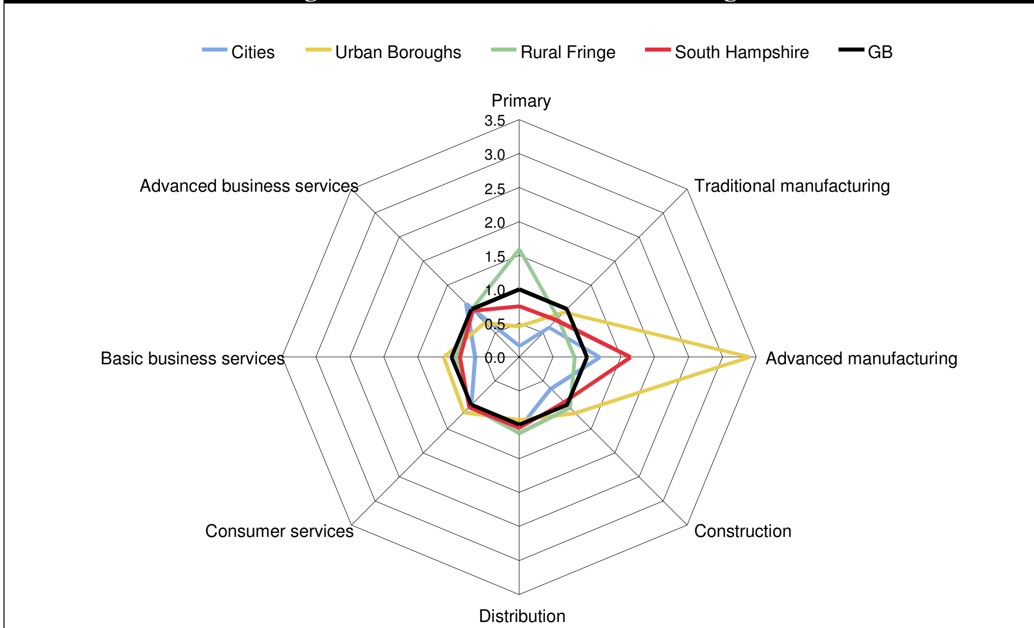
One of the key drivers for economic growth is the industrial structure of an economy. The economy of South Hampshire can generally be considered to be well balanced with a broad mix of sector specialisms underpinning growth.

Figure 2.4 shows the industrial structure strengths of the benchmark areas. A location quotient of 1 indicates that the level of employment in a particular sector in an area is broadly in line with the national average. The chart shows that South Hampshire has an industrial structure broadly similar to the national average, with the exception of the strong specialism in Advanced Manufacturing, particularly in some of the urban boroughs. The strength of this broad sector represents a key driver of growth for the future.

South Hampshire has a similar range of sector specialisms to the South East (see Figure 2.5), but has relative under-representation in sectors such as Distribution and, most importantly, the high value added Advanced Business Services. Employment in Advanced Business Services is growing in the cities, however, and this represents a key development for the future.

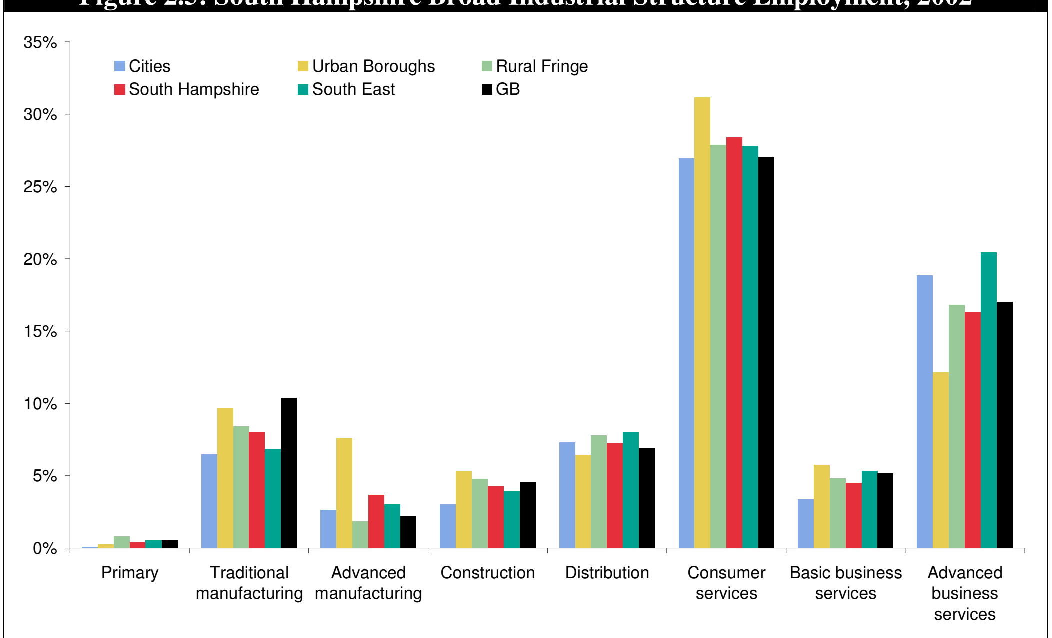
Figure 2.5 shows industrial structure in terms of percentage shares of employment by sector. This mirrors the findings of Figure 2.4, re-emphasising the importance of Advanced Manufacturing and the need to boost concentrations in Advanced Business Services, but also highlighting the relative reliance, particularly compared to the South East, on Public Sector employment (which, in part, is accounted for by the presence of the MoD).

Figure 2.4: Industrial Structure Strengths



Source: DTZ Locus/ABI

Figure 2.5: South Hampshire Broad Industrial Structure Employment, 2002

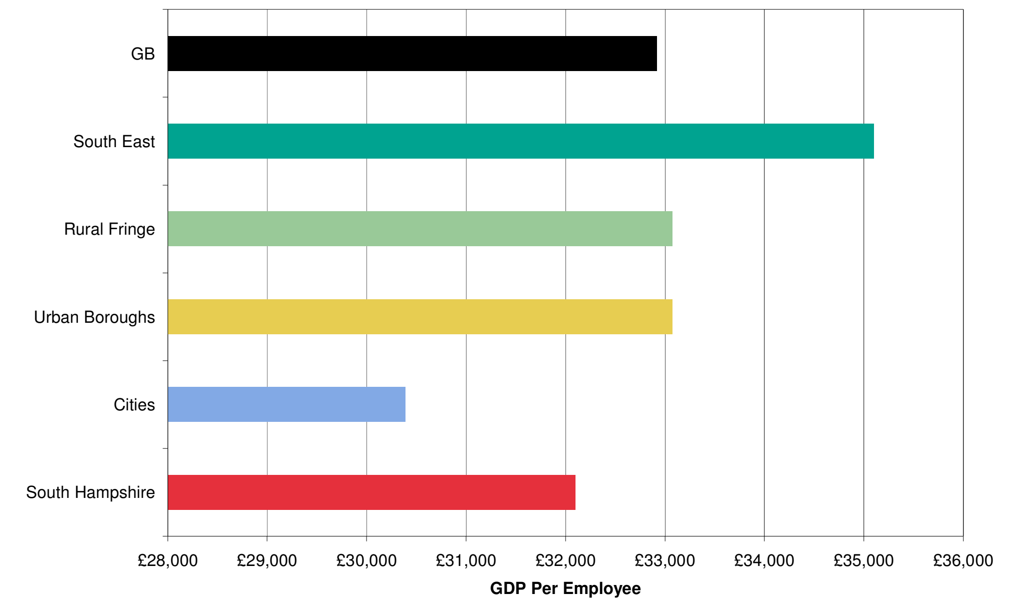


Source: DTZ Locus/ABI

2.2.3 Productivity

Another main driver for overall economic growth is productivity. Despite the strengths embodied in the industrial structure of the sub-regional economy, productivity in South Hampshire is low when compared to both the average for the South East and Great Britain as a whole, as shown in Figure 2.6.

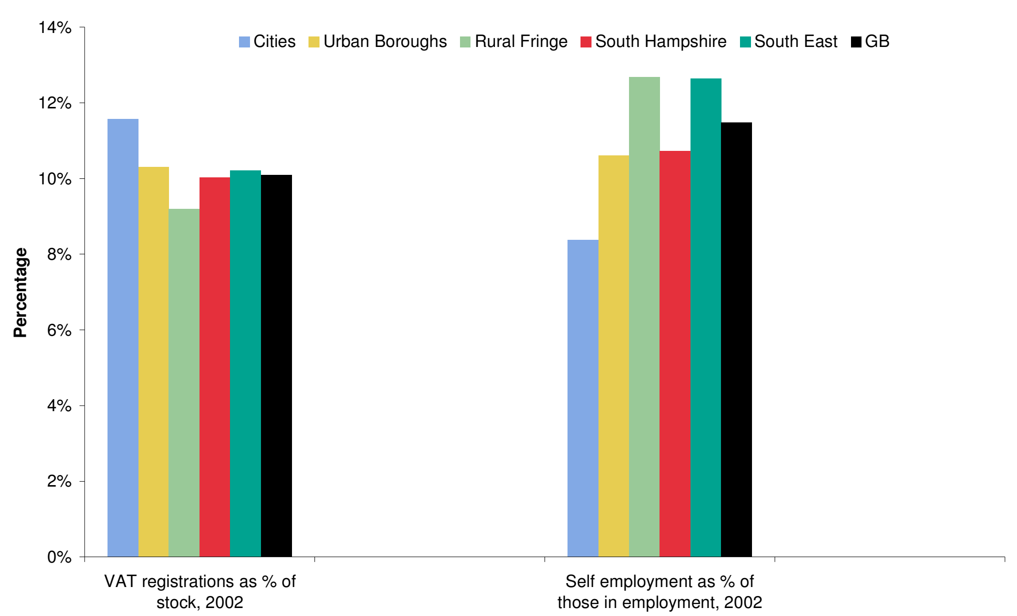
Figure 2.6: GVA Per Employee 2001



Source: DTZ Locus

Some of the main drivers for productivity improvements come from business formation and entrepreneurial activity. As Figure 2.7 shows, the business formation rate and self-employment (which is a proxy for entrepreneurial activity) both lag behind the average for the South East and Great Britain as a whole. Without improvements in these measures it is likely that restrictions in productivity growth will act as a barrier to the potential economic performance of South Hampshire.

Figure 2.7: Entrepreneurial Activity

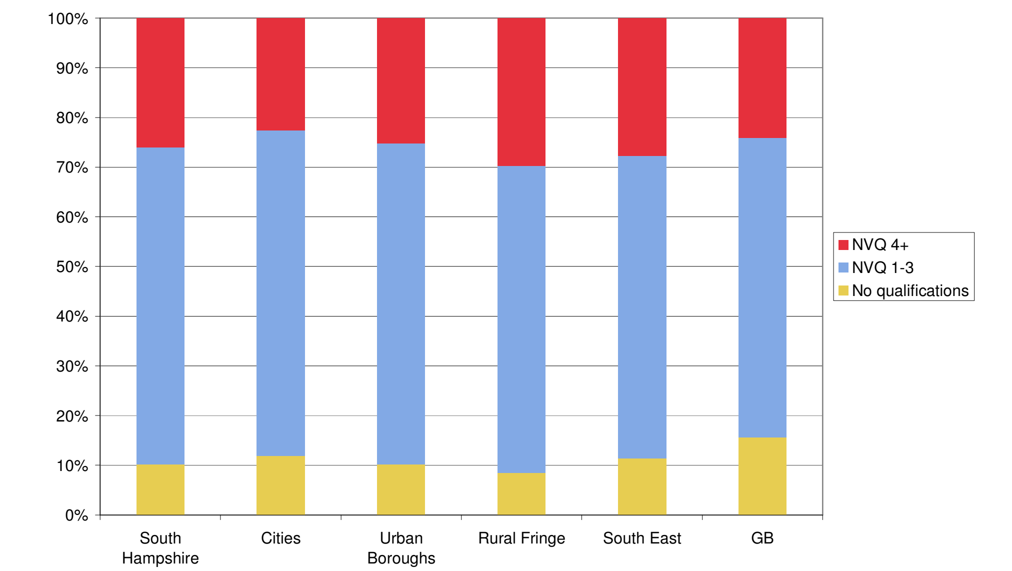


Source: ONS

2.2.4 Labour Markets

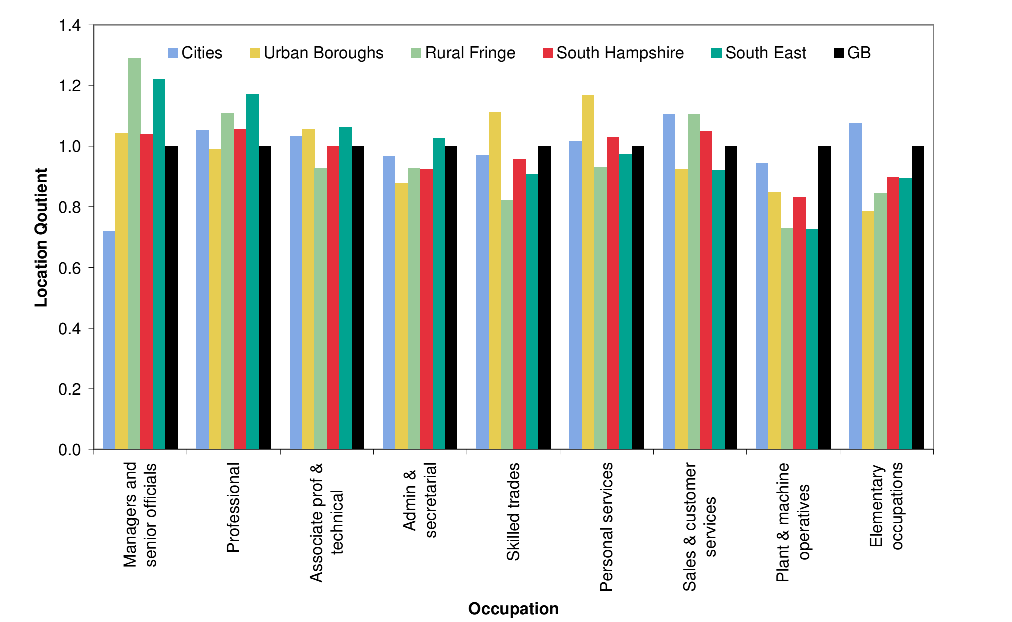
The aggregate labour market performance of the South Hampshire sub-region has been strong in comparison to both the regional and national performance levels. High rates of employment and a highly skilled workforce, especially in the Rural Fringe, are driving economic growth in South Hampshire. Within South Hampshire, however, significant disparities exist (see Figure 2.8 and Figure 2.9 below) which need to be addressed to ensure that the workforce is capable of meeting current and future business need.

Figure 2.8: Workforce Skills 2002



Source: LFS

Figure 2.9: Occupational Structure 2003



Source: LFS

2.2.5 Quality of Life

Although less tangible than the main economic variables, the quality of life is a key economic driver for growth in South Hampshire. Over 20% of the sub-region is designated as either a National Park or an Area of Outstanding Natural Beauty, which in conjunction with its coastal location, makes South Hampshire an attractive location. The strength of the natural environment has contributed to significant population growth, particularly in the Rural Fringe with many people attracted by the quality of life and the relative accessibility to the main employment centres, including London.

However, the high quality environment does result in business need. The New Forest has long been a popular tourist destination and part of the tourism industry in South Hampshire is building on that success. With the tourism sector increasing in importance, the local economy needs to adapt to meet the needs of visitors and the industry to realise the potential growth in this sector. Developing the necessary infrastructure for visitors and matching the skill requirements of the industry will be a vital part of the development and consequent growth of tourism in South Hampshire.

Developing high standards of business and housing infrastructure is also an increasing requirement across South Hampshire. As businesses develop and expand there is increasing pressure to release greenfield land for industrial development as well as for housing need. The balance between economic development and preserving the quality of life in South Hampshire needs to be managed.

Summary of Drivers, Barriers and Business Needs in the South Hampshire Sub-Region

Key Drivers

- Diversified economy with a well balanced industrial structure
- Well represented in high value added industries, particularly Advanced Manufacturing
- Strong aggregate labour market performance, with a good quality skill base
- Good external access across the region and to neighbouring economic centres
- Potential increase in prime waterfront sites through MoD land release developments
- Strong quality of life drivers

Business Needs/Constraints

- Low productivity
- Low business formation and entrepreneurial activity rates
- Need to develop and foster innovation and business development
- Sub-area disparities in economic performance and wealth
- High aggregate skills levels for sub-region mask shortage of high-level skills in the cities and some urban boroughs
- Traffic congestion in urban areas of South Hampshire
- Lack of quality industrial land and premises and on-going loss of employment land
- Need to balance environmental quality and economic development
- Strengths in quality of life undermined by imbalances in housing markets within the sub-region

2.3 The Cities[2]

As Figures 2.4 and 2.5 show, the industrial structure of the Cities is relatively well balanced across the main industrial sectors. A leading driver for the Cities is the strength in advanced business services (Southampton in particular) and the links with advanced manufacturing. Unsurprisingly, the Cities also have strong degrees of specialism in consumer services and distribution. Business formation, which gives us an indication of the level of enterprise and entrepreneurial activity, is high in the cities compared with regional and national level (see Figure 2.7). What is needed is to foster this initial enterprise by providing the opportunities and support for these new businesses to survive and develop. This particularly relates to satisfying the demand for development space from successful business start-ups. Investment in this area is needed if the cities are to enhance the opportunities available in the knowledge based industries and spin out companies from the Higher Educational institutions in the two cities.

It is clear that the industrial base is available for the Cities area to grow. This industrial base needs to be matched by improvements in the skills of the local labour force. The Cities have a below average skill base with the highest proportion of working age population with no formal qualifications in the sub-region, together with the poorest school performance in South Hampshire (see Figure 2.8). A key business need is to match the skill requirements in the Cities with the skilled labour force demanded and then to retain these skilled individuals in the local economy. There is also evidence that other supply side factors such as, the shortage of good quality industrial premises (in part caused by a loss of employment land to housing in both Cities) and inadequate transport infrastructure into the Cities, are also acting as key constraints on the local economy (Ref: South East Hampshire and Southampton Area Investment Frameworks).

Average gross weekly earnings in the Cities area are the highest in South Hampshire reflecting the presence of high value added industries. Despite high earnings, there are a number of deprived areas within the Cities (and also some of the Urban Boroughs), with 7.4% of households as lone parents and 6.8% of households claiming income support. Indeed on a number of indicators, deprivation in the Cities is higher than the average for the South East and Great Britain as a whole. In order for the Cities to be a successful economic area there is a real need to ensure that the more deprived areas share in this success in order to reduce the social inequalities present at the moment.

The Cities perform well in terms of strategic accessibility. The transport links to the Cities are good both by road and by rail, although rail journey times to London could be improved from both Portsmouth and Southampton. Within the Cities, congestion can be an issue during peak periods. The Cities benefit from closeness to markets with good links to London coupled with the Ports opening up the markets of Northern Europe.

[2] Defined as: Portsmouth and Southampton

Summary of Drivers, Barriers and Business Needs in the Cities

Key Drivers	Business Needs/Constraints
• Strength in high value added advanced manufacturing industries • Good strategic accessibility • Strengths in tourism and leisure • Both Portsmouth and Southampton have strong brands/identitities	• Need to improve the skill base and retain skilled labour in the local economies • Need to develop and foster innovation and business development • Shortage of good quality industrial land and premises. • Congestion on roads at peak periods/train times to London • Build on the image of the Cities to attract people and businesses. • Social inequality

2.4 Urban Boroughs[3]

On the basis of aggregate economic performance, the Urban Boroughs in South Hampshire are performing strongly and are growing at the fastest rate. However, it is within the Urban Borough sub-area classification that performance differences between Local Authorities are most significant, which can be concealed by considering them as a combined area.

It is in the Urban Boroughs where South Hampshire's specialism in advanced manufacturing is so prevalent and acts as a driving force for growth in parts of the sub-region (see Figure 2.4). Building on and developing the traditional marine industries has resulted in a number of high value added spin-outs benefiting from an industrial cluster environment. However, there are some areas within the Urban Boroughs that are heavily reliant on traditional declining industries, and the strengths in advanced manufacturing are not uniform across all the Boroughs. The decline in these traditional industries has led to significant job losses and the emergence of social and economic deprivation, particularly in Gosport and to a lesser extent Havant. As traditional manufacturing industries continue to decline further, the replacement of these declining industries coupled with the modernisation into the more value added industries needs to be enhanced to restrict the adverse effects of industrial decline.

The current skill base in some of the Urban Boroughs is above both regional and national levels in terms of school performance and in terms of formal vocational qualifications (see Figure 2.8). However, there are areas within the Urban Boroughs with a poor skills base. These are the same areas that have suffered and continue to suffer the adverse effects of economic decline in traditional industries. As the industrial structure continues to evolve the skills of the local labour force also need to develop with greater attainment of skills across the spectrum from basic to intermediate and advanced.

As in the Cities area, supply side factors act as a constraint to potential growth. A particular issue in the Urban Boroughs is the availability of prime industrial land (Ref: South East Hampshire Area Investment Framework). Many Brownfield sites have been left

[3] Defined as: Eastleigh; Fareham; Gosport and Havant

derelict with considerable investment required to develop these sites into good quality industrial land. The need for considerable investment acts as a disincentive to industrial developers in the Urban Boroughs with many sites left derelict for some time. The development of these sites will be crucial in the future economic growth of the Urban Boroughs.

Transport links to most of the Urban Boroughs are good, although road based access to Gosport in particular is poor and acts as a significant constraint on future growth in that area.

Summary of Drivers, Barriers and Business Needs in the Urban Boroughs

Key Drivers
- Strength in high value added advanced manufacturing industries in some of the Boroughs
- Skills levels to match the industrial structure in some of the Boroughs
- Generally good levels of accessibility to most of the Boroughs
- Potential increase in prime waterfront sites through MoD land release developments

Business Needs/Constraints
- Continued need to move away from traditional declining industries
- Further development of skill base to match future business need
- Address skill issues in the most deprived areas
- Availability of suitable industrial land and premises
- Transport movement needs to be improved within some of the Urban Boroughs
- Economic and social deprivation.

2.5 Rural Fringe[4]

As Figure 2.1 shows, the Rural Fringe has been the fastest growing sub-region in South Hampshire and acts as a real driving force for economic growth in South Hampshire. Overall economic output in the Rural Fringe is comparable to the Cities sub-region of South Hampshire and its economic significance should not be underestimated.

The environment is a capital resource that underpins much economic activity in the region. It is also one of the prime reasons for the high quality of life that people in the sub-region value so highly (Ref: The Regional Economic Strategy for South East England). It is in the Rural Fringe where the high quality of life acts as an important driver to economic growth. The Rural Fringe is home to many of the highly skilled individuals (see Figure 2.8) in South Hampshire who utilise the good accessibility to the cities of Portsmouth and Southampton as well as the thriving economic areas of Surrey and the Thames Valley.

The Rural Fringe is well represented across the broad industrial sectors with its overall industrial structure not too dissimilar from that of Great Britain as a whole (see Figures 2.4 and 2.5). Entrepreneurial activity is high in the Rural Fringe when measured on the self employment measure. However, the business formation rates in the Rural Fringe are low (see Figure 2.7). Special attention needs to be paid to ensure that businesses in rural areas gain access to appropriate business support and have access to essential business infrastructure. There is a continued need to promote the rural economy and encourage innovation and business development to enhance diversification in products and markets.

Generally, the Rural Fringe is a strong economic area, although there are small pockets of social and economic deprivation. Enhanced communication and infrastructure are required to link the deprived and affluent areas in order to maximise new opportunities to improve the prospects of rural areas across South Hampshire and reduce social inequality.

With a high proportion of land in the Rural Fringe designated as National Park or Areas of Outstanding Natural Beauty (AONB), land use issues are of particular importance, where the balance between economic development and the protection of the environmental assets needs to be managed. Continued recognition that investment in the sub-region's environment is part and parcel of the infrastructure on which prosperity depends is needed.

To build on the economic success of the Rural Fringe businesses need to be able to develop and expand. The aspirations of business development need to be matched with the availability of industrial land to ensure that businesses can continue to succeed in the Rural Fringe. In the context of a continuing loss of urban employment land to housing the availability of a range of suitable employment sites will be key to the continued economic success of the Rural Fringe. Affordability of housing is also a constraint with house price to income ratios above the average for South Hampshire and the South East as a whole. This house price to income ratio severely restricts access to the Rural Fringe to many in South Hampshire.

[4] Defined as: East Hampshire; New Forest; Test Valley and Winchester

Summary of Drivers, Barriers and Business Needs in the Rural Fringe

Key Drivers
- High quality environment
- High quality of life
- Well balanced industrial structure
- Highly skilled workforce

Business Needs/Constraints
- Infrastructure support of rural businesses to diversify and innovate
- Enhanced access to prosperity to reduce social exclusion
- Land constraints and the need to manage environmental quality and economic development
- Availability of industrial land
- Affordability of housing

3 Achieving Economic Growth

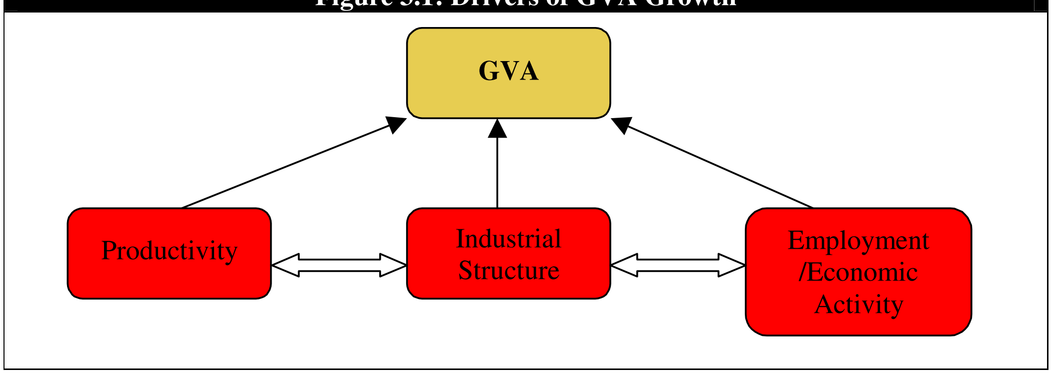
This section provides a theoretical overview of the main economic indicators that can be used to construct future growth scenarios for South Hampshire. The analysis draws links from a theoretical framework and applies them to the economic performance and characteristics of the sub-region. In particular, links will be drawn from Section 2 on the key drivers and barriers to economic growth in South Hampshire and the key measures required to build on the region's current strengths and stimulate further economic growth.

3.1 Measuring Economic Performance

The conventional method for measuring the overall economic performance of an economy is Gross Domestic Product (GDP). References to growth in the economy are quoted by changes in GDP during a specified period, usually the preceding quarter or year. In terms of regional economic performance, Gross Value Added (GVA) is used since GVA measures the contribution to the economy of each individual producer, industry or sector located in a particular area. It is also used because it is difficult to regionalise the effects of taxes and subsidies, which GDP measures take into account.

Economic theory suggests that there are three main drivers of economic growth. These drivers are outlined in Figure 3.1. GVA is principally driven by productivity, industrial structure and employment/economic activity. Within these three main drivers there are interconnections, as showed by the block arrows connecting the drivers. These main drivers and their interconnections will be discussed further in the following Section. A summary diagram linking all the performance indicators and drivers is shown in Figure 3.5 at the end of this chapter.

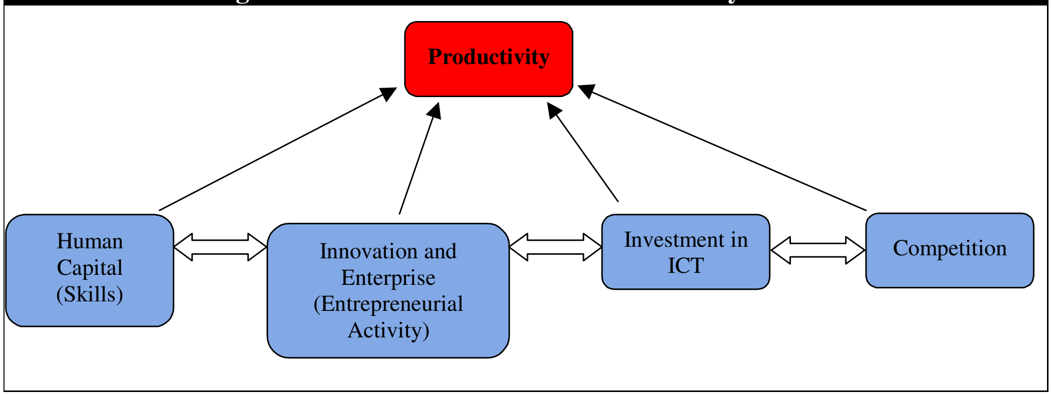
Figure 3.1: Drivers of GVA Growth



3.1.1 Productivity

Over the long term, productivity improvements are the main driver of economic growth. Factors that drive productivity change include changes in: human capital; innovation and enterprise; investment in technology and competition. Figure 3.2 provides an overview of the main drivers of productivity.

Figure 3.2: The Main Drivers of Productivity Growth



3.1.2 Human Capital

Of the main drivers for productivity growth, human capital is perhaps the easiest to identify and measure. The economic rationale is that a workforce that is highly skilled will be able to perform more effectively and efficiently thus increasing the output of the firm employing them. A highly skilled workforce will also be able to adapt to new working environments and operations more effectively and are more likely to innovate in the workplace. It is also likely that less skilled individuals will benefit from working with highly skilled individuals by learning new skills and expertise 'on the job'.

There are many ways of developing human capital, ranging from the acquisition of basic skills, to the attainment of formal educational qualifications and the completion of training. In terms of acquisition of basic skills and formal qualifications, South Hampshire performs well with above average attainment when compared to the South East and GB level. However, within South Hampshire the distribution of a well skilled, well balanced workforce is not uniform, particularly in the Cities and some of the Urban Boroughs. As the industrial structure of the region diversifies into more value added industries, there is an increasing requirement to match the skill levels with current and future business needs. Greater attainment of intermediate and advanced skills will be an increasing requirement and the links to the higher education institutions need to be enhanced so that the local labour force can respond to these business needs.

3.1.3 Innovation and Enterprise (Entrepreneurial Activity)

There are clear links between human capital and other drivers of growth and productivity change. Innovation and enterprise is one such connection. Evidence suggests that the highly skilled are more likely to innovate and be involved in entrepreneurial activity. Much of the innovative and entrepreneurial activities lead to business development with reductions in costs and increases in output leading to productivity improvements. As the economy strives to be more productive, the uptake of these innovative and entrepreneurial activities is key.

Innovation and enterprise is difficult to quantify. Two measures that are used are the rates of business formation and the level of self employment. As Section 2 highlighted, South Hampshire as a whole has below average performance in both these measures. A key means of achieving growth would be to develop the support, information and infrastructure to help create an environment where business innovation and enterprise can develop.

3.1.4 Investment in Technology

Long term growth is largely driven by investments in new technology. These investments help the labour force become more productive and therefore help the economy to attain a higher level of aggregate output.

The promotion of ICT in businesses is a key driver to productivity growth, particularly with the structural shifts in the economy towards higher value added service sector activities. Equality of access is vital to ensure that all businesses across South Hampshire can benefit from the latest technology and business applications. This is particularly true in the Rural Fringe where business diversification is required and where the application of ICT can make a crucial difference.

3.1.5 Competition

Competition is a key element for achieving productivity increases. As the DTI state[5], "…*The competitive environment provides the framework under which labour, capital and product markets operate. These rules and institutions are fundamental for productivity because they facilitate the efficient operation of markets*…"

In markets where competition is weak, there are relatively few opportunities to compare performance and therefore firm survival is not immediately threatened by inefficient performance. Thus, slack and the sub-optimal use of factor inputs can persist. As competitive pressures increase, performance comparisons become easier and the risk of losing market shares encourages the elimination of inefficient practices.

A strong competitive environment within South Hampshire will help the sub-region to compete with other areas within the South East, UK and Europe. Competition between sectors/firms within the sub-region will help to boost efficiency and productivity making South Hampshire as a whole more competitive relative to competing locations.

[5] UK Productivity and Competitiveness Indicators 2003

Summary of the Main Drivers of Productivity

Human Capital

- Improve basic skills, particularly in the Cities area and some Urban Boroughs;
- Increase the attainment of intermediate and advanced skills;
- Match changing business needs with skill attainment;
- Enhance links between business organisations and the education institutions to respond to business demands.

Innovation and Enterprise

- Support business start-ups;
- Encourage growth in existing and newly developed businesses;
- Enhance links with higher education institutions to encourage university spin offs.

Investment in ICT

- Develop an effective Broadband infrastructure and encourage access by all.
- Support equality of access to ICT improvements and applications.

Competition

- Encourage competition within sub-region as a response to competitive pressures from outside.
- Ensure that the competitive environment is transparent and comprehensible to ensure that individuals and organisations recognise their rights and responsibilities.

3.1.6 Industrial Structure

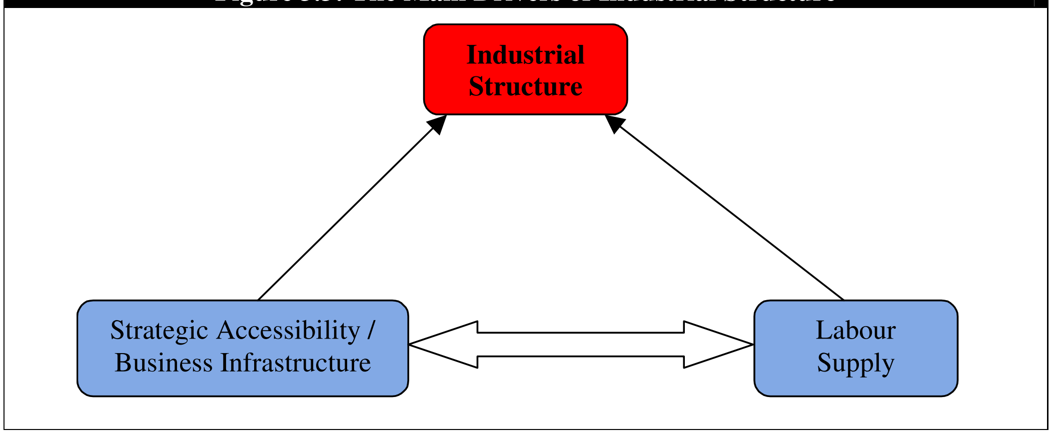
The industrial structure of the economy is a vital contributor to its overall economic performance. There are essentially two important concepts in relation to industrial sector. Firstly, it is important to have a well balanced mix of industries. An economy that is well represented across the industrial sectors reduces the over-dependency on a small number of industries, thus reducing the relative economic impact of any industry-specific slow down.

Secondly, it is important to be well represented in high value added industries. High value added industries are those that typically require relatively smaller inputs for larger outputs. Advanced business services is a typical example of a high value added industry. The value of the input (typically labour) is relatively small, however, the value of the output (for example, stock market transaction) produced generally generates significantly higher levels of value added, relative to more labour and capital-intensive sectors.

The industrial structure of the South Hampshire economy is well balanced as illustrated by figures 2.4 and 2.5 in Section 2. The economy is also well represented in a number of high value added industries, notably advanced manufacturing in the Urban Boroughs and advanced business services in the Cities (particularly Southampton). The urban economy of South Hampshire has been going through a phase of transition away from the traditional manufacturing industries into more advanced manufacturing and general service-based activities. Managing the decline of the more traditional industries in the economy and promoting the growth of the knowledge-based sectors will be the key challenge for the economy of South Hampshire.

The industrial structure of the economy is primarily a function of two key variables as illustrated in Figure 3.3.

Figure 3.3: The Main Drivers of Industrial Structure



3.1.7 Strategic Accessibility / Business Infrastructure

The concept of strategic accessibility refers to the relative accessibility of an area to the major urban centres and international gateways in the UK and is of critical importance in explaining differences in regional, sub-regional and local economic performance. It is a function of both the location of the area and the quality of the transport infrastructure serving it and the quality of transport and communications within the area.

Business infrastructure comprises both physical and non-physical elements. Taken together, these elements form the necessary supporting conditions for companies to trade and develop. The physical elements relate to the availability and quality of land and premises and also the presence of business support services such as accountancy, marketing and legal firms. The non-physical elements relate to the presence of business networks and relationship systems to generate formal and informal flows of knowledge and information.
In conjunction with the quality and volume of labour supply, the endowment of these factors (the levels of strategic accessibility, the availability and quality of business infrastructure, the supply of labour) will greatly influence the industrial structure of an area.

It is a basic requirement that businesses have access to suitable land and business premises. These locations are made viable by having good access to an efficient transport network. Good transport infrastructure has the potential to reduce transport costs, improve access to raw materials and improve access to skilled labour. Insufficient or inadequate transport infrastructure capacity can act as a brake on development.

South Hampshire is relatively well placed in terms of strategic accessibility, although transport connections within the sub-region need improving, particularly within the cities and urban boroughs. The sub-region benefits from good road links to London and the Ports play a vital role in access to global markets.

Business infrastructure is an area of relative weakness for the sub-region, particularly the availability of good quality modern sites and premises. Recent years have seen a reduction in the amount of employment land created in the sub-region which, together with the generally low quality of the existing stock of business sites/premises, has acted as something of a brake on development, particularly in the cities/urban boroughs. The sub-regional labour supply and factors affecting this are discussed below.

3.1.8 Labour Supply

As noted above, labour supply is a key factor in business location decisions and therefore significantly shapes an area's industrial structure. It is important that the local labour supply can match the needs of businesses in the area as different industries demand different levels of skills in order to operate effectively and efficiently. Labour supply is itself a function of a number of variables, namely:

- demographic profile and health;
- infrastructure/accessibility;
- earnings;
- human capital (skills).

The demographic profile of a region will influence labour supply to a large extent. The larger the potential stock of employees i.e. those of the working age population willing to work and in good health, the greater likelihood of employment. Demographic trends, in particular in terms of the ageing of the population, are likely to have a significant effect on labour supply nationally, not just in South Hampshire. As the population becomes proportionately older, so there is likely to be a contraction in the labour supply although this may be countered by the fact that people spend more of their lives working, for reasons associated with inadequate pensions and as a response to a shortage of young people in the workforce.

Access to employment is also an important factor of labour supply as without adequate access to transport infrastructure, individuals can be restricted from the labour market. This is a key factor for the economy of South Hampshire in terms of promoting inclusion in the labour market. The higher the potential earnings on offer the more likely an individual will supply their labour. In some low paying industries an individual can be financially better off by claiming unemployment benefits than entering employment.

Earnings are themselves a function of industrial structure, but are also a function of the human capital of an individual. The higher the level of skills the individual posses, the higher the return they receive through higher earnings. As discussed earlier, it is important that the labour force has the required skills to meet business needs, therefore there is a need to match business need with the demands of employers.

Summary of the Main Drivers of Industrial Structure

Infrastructure/Accessibility

- Increase the availability of sites and premises including the development of Brownfield land;
- Ensure appropriate quality sites are available;
- Support and develop effective transport and communications infrastructure;
- Encourage the accessibility and uptake of ICT technology in fringe areas away from the main customer markets.

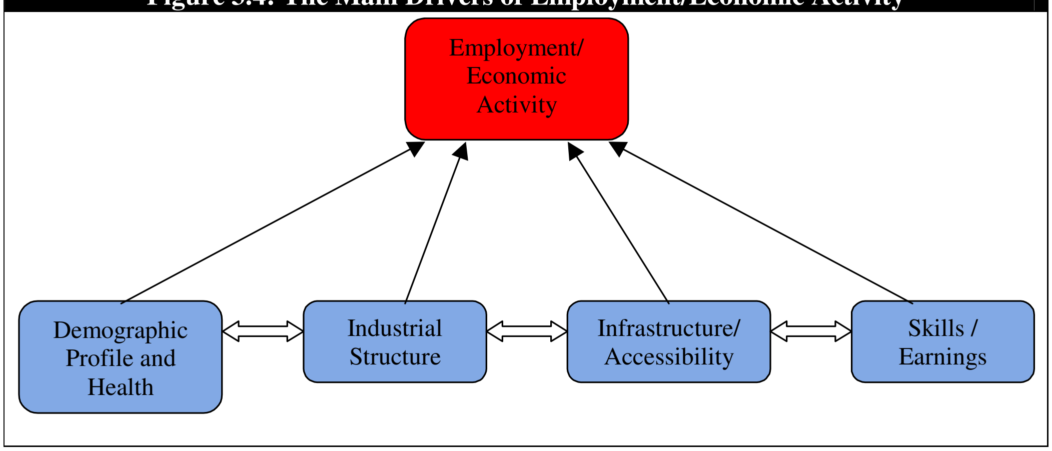
Labour Supply

- Match skill attainment with changing needs as the industrial structure develops.

3.2 Employment/Economic Activity

The third main driver of economic growth is employment levels or economic activity. Participation in the labour market is the key indicator and acts as a vital driver of economic growth. Figure 3.4 illustrates the variables driving employment.

Figure 3.4: The Main Drivers of Employment/Economic Activity



As Section 2 highlighted, employment levels in South Hampshire are above regional and national benchmarks. This high participation in the labour market is one of the main drivers of economic growth in South Hampshire. Within South Hampshire, disparities do exist, with a lower employment rate in the Cities being counter balanced by higher employment rates in the Rural Fringe. Despite these variations, no local authority in South Hampshire has an employment rate below the national average.

There are essentially two methods of increasing labour supply; encouraging more individuals into the local labour market (in-migration or commuting) and encouraging those individuals currently economically inactive back into the labour market. Generally the second method is preferred since this does not lead to the same infrastructure problems associated with in-migration and commuting and it can also reduce social inequalities. A key element in encouraging the inactive back into the labour market is improving the basic skills of those individuals and offering support schemes to facilitate the transition back into the workforce.

The main drivers for employment growth/labour supply have been discussed in paragraph 3.1.8 and can be summarised in the following table.

Summary of the Main Drivers of Employment/Economic Activity

Demographic Profile/Health

- Improve labour market participation rate by supporting those willing and able to work and encourage those currently out the labour force back into employment;
- Support the deprived areas of South Hampshire to reduce social inequalities.

Industrial Structure

- Support the changing industrial structure by matching skill requirements of businesses with suitably trained individuals.

Infrastructure/Accessibility

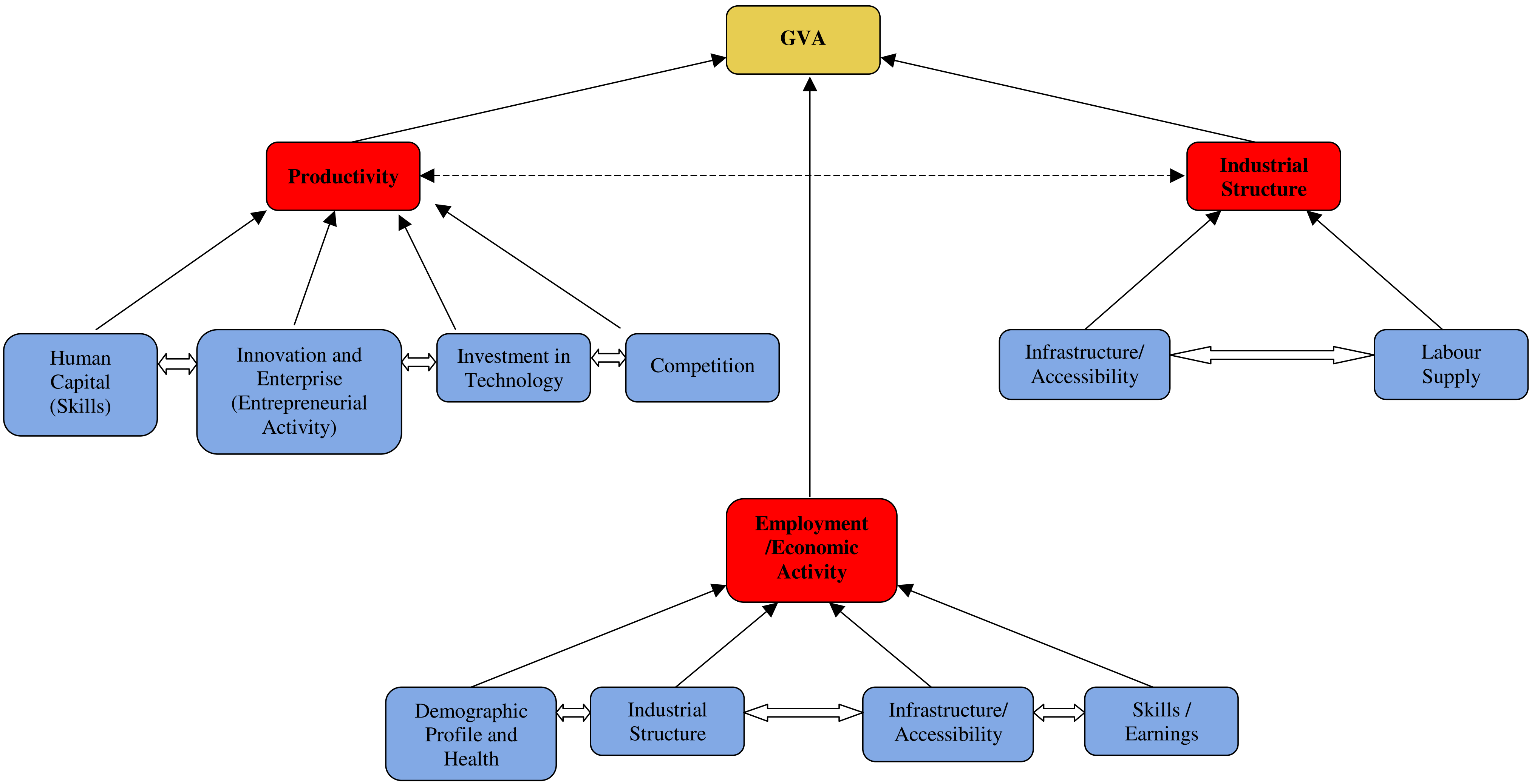
- Ensure equality of access to employment opportunities to all in South Hampshire by effective transport and training opportunities.

Skills / Earnings

- Ensure work pays in South Hampshire by increasing skill attainment and providing cheap transport to encourage individuals back into the labour force.

Figure 3.5 overleaf brings together all of the previous discussions into a single diagram which summarises the relationship between all the factors which influence sub-regional GVA.

Figure 3.5: Broad Economic Performance Indicators and Drivers



4 Scenarios for Growth

This section sets out a summary of how future scenarios for the PUSH sub-region have been developed and refined. The scenarios modelled are just a selection of the infinite possible growth trajectories for the sub-region. In reality a wide variety of factors (both within and outside stakeholder control) will influence the economic growth of the sub-region. However, developing scenarios illustrates some potential options to enable policy makers to consider the likely implications. It also allows for consideration of how policy can influence the achievement and implications of economic growth.

4.1 Scenario Modelling

Appendix 2 to this report sets out the background and methodology underlying the modelling process for each of the future scenarios. The key principles within the model are:

- Gross Value Added (GVA) growth is a product of both employment growth and productivity increases;
- Employment growth is the more significant contributor to GVA growth over the short to medium-term; and
- Productivity increases are the more significant contributor to GVA growth over the medium to long-term.

Assumptions for both the rate of GVA growth and productivity growth can be made outside the model. This enables a wide variety of scenarios to be tested.

4.2 Scenario Development

The PUSH steering group asked DTZ to test a range of alternative GVA growth scenarios for the sub-region. These were based around the following GVA growth trajectories:

- 2.5% per annum;
- 3.0% per annum; and
- 3.5% per annum.

These three GVA assumptions were tested with a range of productivity growth assumptions. These highlighted the variation in employment implications of different rates of productivity growth.

The aspiration of PUSH is to see the economy's output grow at an increasing rate, and where possible, fuelled by growth in productivity. This represents a shift in economic performance from that identified in Section 2 of this report where reasonably strong sub-regional GVA growth was largely fuelled by high levels of employment, as opposed to highly levels of productivity. PUSH therefore aspires to grow sub-regional productivity strongly to boost economic growth in the sub-region.

To set a baseline trend level of growth data on GVA change at both the sub-regional[6] and Hampshire County[7] level were considered. The annual changes fluctuate widely from year to year (a common feature of sub-regional data), however, analysing average change over a longer period (e.g. 10-15 years) provides a more useful benchmark. Notwithstanding,

[6] DTZ Locus
[7] Cambridge Econometrics

changes in the way employment data is collected and reported in the late 1990's impact upon the available information. Due to the wide fluctuations in annual change, the inclusion or exclusion of data from a particular year can have a significant influence on the ten-year average. For this reason we looked at the range of average annual change both including and excluding the marginal years.

The ten-year (1991-2001) average annual GVA change for South Hampshire ranges from 1.7% to 3.0%. Analysis of County level data (1987-2001) suggests an average of 2.5% to 3.1%. In order to set a base for the modelling process from this data we believe it sensible to adopt an initial trend rate of growth around 2.75% per annum.

A preferred target level of GVA growth emerged in line with the 3.0% p.a. scenario. This was in line with achieving a rate of GVA growth slightly above trend without being unrealistic about future expectations and the impact of likely implications. This rate of growth was also broadly in line with other growth forecasts for the South East region. However, this would represent a step change in South Hampshire performance, with historic growth rates lagging the regional average.

PUSH also set a target for an average 2.3% p.a. productivity growth. Again this is above historic trend rates but in line with the PUSH aspiration to attract greater concentrations of high added value activities. However, it is recognised that to achieve productivity growth of this magnitude will require PUSH stakeholders to put in place conditions to foster this growth.

Appendix 3 to this report provides the assumptions and headline outputs for each of the considered scenarios. PUSH decided upon a preferred scenario from those tested, around which to plan for the future. This is analysed in more detail in the following section.

5 The Preferred Scenario

This section sets out in some detail the PUSH preferred growth scenario.

5.1 Assumptions

The PUSH preferred scenario is based upon the following underlying assumptions:

- Initial GVA growth is set at 2.75% per annum in line with historic trends;
- Annual GVA growth gradually increases[8] over time, reaching 3.33% in the year 2026;
- Annual labour productivity (GVA per employee) growth increases[9] over the scenario period;
- However, average annual productivity growth over the period 2002-2026 is constrained to 2.3% p.a.

Figure 5.1 below shows the average annual growth rates for both GVA and productivity within the model. Average annual GVA growth 2006-26 stands at 3.1%. This is above the historic trend rate of growth for South Hampshire. This compares to a GVA growth forecast for the South East region[10] of 2.6%-2.9% p.a. over the period to 2010 and 2.8% p.a. thereafter. Historically South Hampshire has lagged behind the South East and would therefore need to achieve a step change in economic performance to attain this aspirational growth rate. Rates of productivity growth are the main driver behind this. The PUSH preferred scenario includes an average rate of productivity growth above historic and 'policy neutral' forecast rates.

Figure 5.1 Forecast Average Annual GVA and Productivity Change in South Hampshire Under the Preferred Scenario

	2002-06	2006-11	2011-16	2016-21	2021-26	2006-2026
GVA	2.8%	2.8%	3.0%	3.1%	3.3%	**3.1%**
Productivity (GVA per employee)	1.7%	2.0%	2.4%	2.6%	2.7%	**2.4%** (2.3% - 2002-26)
Note: Figures may not sum due to rounding						

5.2 Headline Outputs

Figure 5.2 below shows the headline outputs from the DTZ model for the preferred scenario. Over the period 2006-2026 this scenario generates some 59,000 forecast net additional jobs in the economy and an increase in GVA of almost £13 billion.

[8] Modelled as a straight line increase from 2006-2026.
[9] Productivity growth increases each year at an ever decreasing rate.
[10] Cambridge Econometrics regional forecasts

Figure 5.2 Forecast Employment and Productivity in South Hampshire Under the Preferred Scenario							
	2002	**2006**	**2011**	**2016**	**2021**	**2026**	**Change 2006-2026**
GVA (£m)	13,900	15,500	17,800	20,600	24,100	28,300	**12,800** (82%)
Employment	431,000	449,000	467,000	481,000	494,000	508,000	**59,000** (13%)
GVA per Employee (£)	32,000	34,000	38,000	43,000	49,000	56,000	**21,000** (61%)
Note: Figures may not sum due to rounding							

5.3 Implications

The outputs of the modelling process have been used as a basis for more detailed interrogation of the implications on the sub regional economy arising from growth. The impact assessment includes:

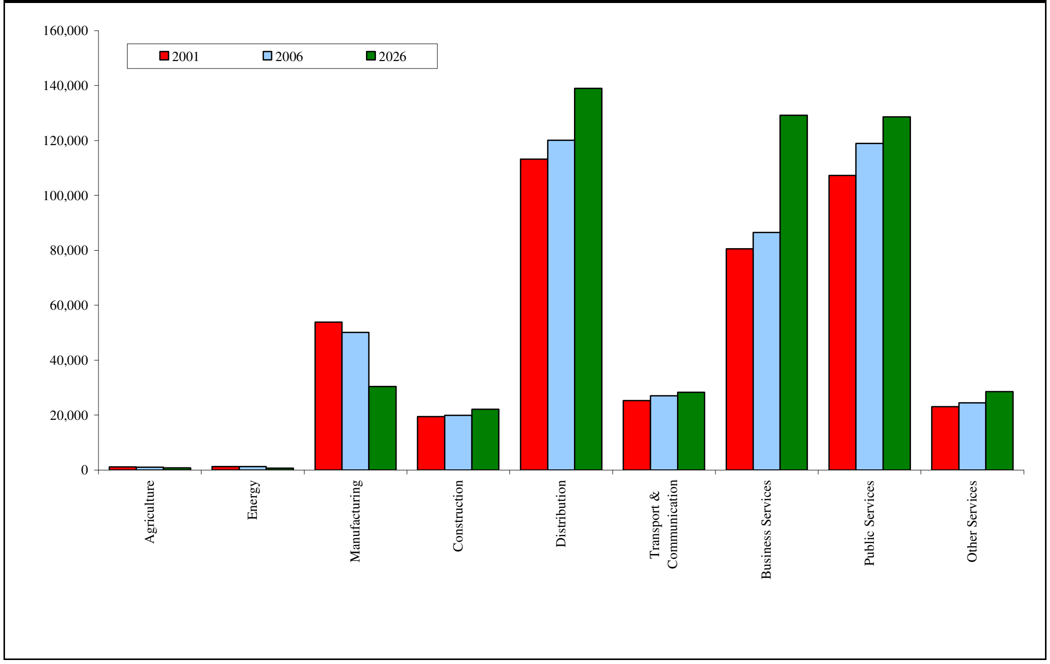
- The Labour Market (sectors, occupations and skills);
- Industrial and Commercial Floorspace and Land Requirements; and
- Future Housing Requirements

5.3.1 Labour Market Implications

Figures 5.3 and 5.4 present DTZ estimates for industrial sector change. Employment is forecast to be driven by growth in business services and distribution (which includes retail and tourism sub-sectors). In aggregate, manufacturing is forecast to decline in total employment terms, but this disguises the important contribution of the sector to sub-regional output, particularly the advanced manufacturing sector.

Figure 5.3: Forecast Sectoral Employment Growth in South Hampshire Under the PUSH Preferred Scenario						
	2006		**2026**		**Change 2006-2026**	
	Number	**% of Workforce**	**Number**	**% of Workforce**	**Number**	**% Point Change**
Agriculture	1,000	0.2%	800	0.2%	-200	-0.1%
Energy	1,200	0.3%	600	0.1%	-600	-0.1%
Manufacturing	50,100	11.2%	30,500	6.0%	-19,700	-5.2%
Construction	19,900	4.4%	22,100	4.4%	2,200	-0.1%
Distribution	120,100	26.7%	139,100	27.4%	19,000	0.6%
Transport	27,000	6.0%	28,300	5.6%	1,300	-0.4%
Business Services	86,500	19.3%	129,300	25.5%	42,800	6.2%
Public Services	119,000	26.5%	128,700	25.3%	9,700	-1.1%
Other Services	24,500	5.4%	28,500	5.6%	4,100	0.2%
Total	**449,300**		**507,900**		**58,600**	
Note: Figures may not sum due to rounding						

Figure 5.4: Chart of Forecast Sectoral Employment in South Hampshire Under the PUSH Preferred Scenario



The biggest changes in the industrial structure of South Hampshire are the absolute and relative decline in the role of the Manufacturing sector; and the absolute and relative growth in the Business Services sector.

Overall there are some 58,600 net new workers between 2006 and 2026 forecast in South Hampshire, increasing from 449,300 to 507,900 over the twenty-year period. Business Services sees the largest increase in workers (42,800) followed by the Distribution sector (19,000). However, this represents only a 0.6 percentage point change in the proportion of the workforce in the Distribution sector. Manufacturing is predicted to undergo a decrease in workers of around 19,700, a 5.2 percentage point fall in the proportion of employment in the sector. The only other sectors projected to decrease in absolute terms are the Agriculture (-200) and Energy (-600) sectors. Despite absolute increases both Public Services and Transport are forecast to be less important in proportional terms.

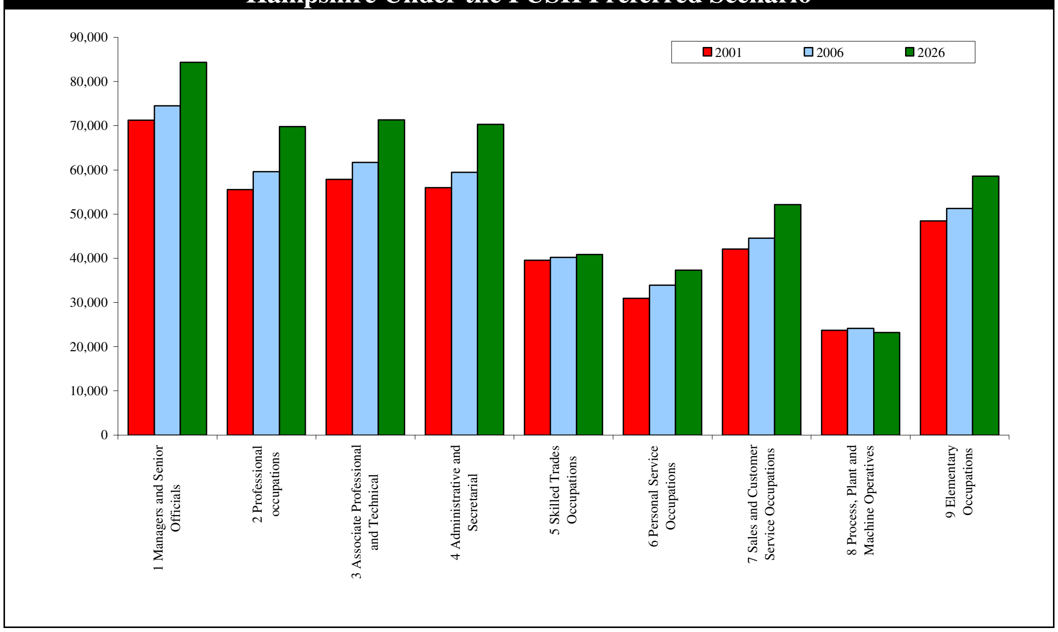
Figures 5.5 and 5.6 below show the occupational change in South Hampshire between 2006 and 2026 as absolute numbers and in percentage terms.

Figure 5.5: Forecast Growth in Occupations in South Hampshire Under the PUSH Preferred Scenario

	2006		2026		Change 2006-2026	
	Number	% of Workforce	Number	% of Workforce	Number	% Point Change
1 Managers and Senior Officials	74,500	16.6%	84,400	16.6%	9,900	0.0%
2 Professional occupations	59,600	13.3%	69,800	13.7%	10,200	0.5%
3 Associate Professional and Technical	61,700	13.7%	71,300	14.0%	9,600	0.3%
4 Administrative and Secretarial	59,500	13.2%	70,400	13.9%	10,900	0.6%
5 Skilled Trades Occupations	40,200	8.9%	40,800	8.0%	700	-0.9%
6 Personal Service Occupations	33,900	7.5%	37,300	7.4%	3,400	-0.2%
7 Sales and Customer Service Occupations	44,500	9.9%	52,200	10.3%	7,700	0.4%
8 Process, Plant and Machine Operatives	24,200	5.4%	23,200	4.6%	-1,000	-0.8%
9 Elementary Occupations	51,300	11.4%	58,600	11.5%	7,300	0.1%
Total	**449,300**		**507,900**		**58,600**	

Note: Figures may not sum due to rounding

Figure 5.6: Chart of Forecast Occupational Breakdown of Employment in South Hampshire Under the PUSH Preferred Scenario



Process, plant and machine operatives is the only occupational group expected to experience a net decrease in workers (-1,000) although skilled trade occupations is forecast to experience only very modest growth (700). The largest forecast decrease in terms of workforce proportions is 0.9 percentage points in skilled trade occupations, followed by process, plant and machine operatives (-0.8). Although the largest absolute increase in workers is seen in the administrative and secretarial occupations (10,900), professional occupations (10,200), managers and senior officials (9,900) and associate professional and technical occupations (9,600) follow closely. However, as a proportion of the workforce managers and senior officials experiences no change despite the large absolute increase, administrative and secretarial occupations shows the largest increase in workforce proportions at 0.6 percentage points.

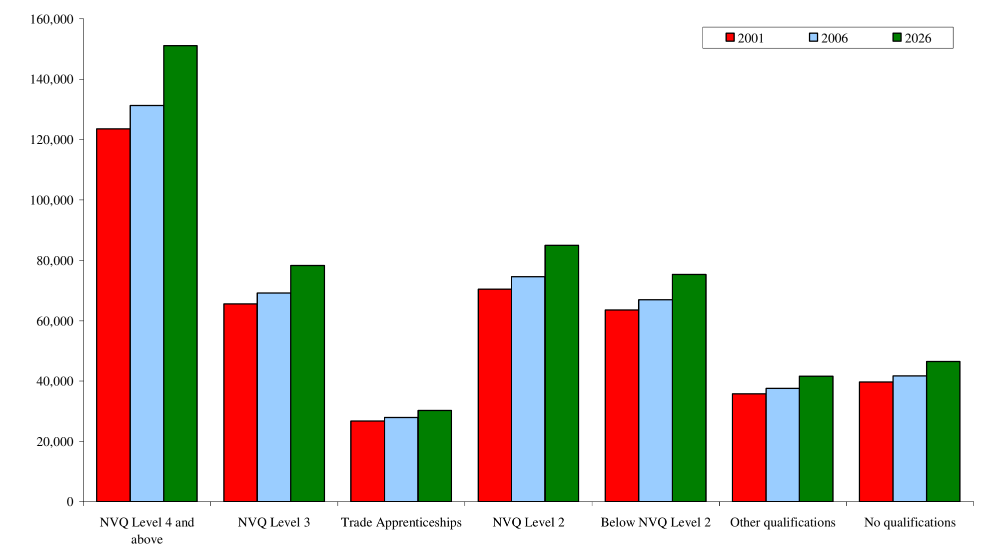
The forecast qualification levels breakdown within South Hampshire is shown in Figures 5.7 and 5.8 below, again showing the absolute and percentage point changes between 2006 and 2026 as the occupational structure changes.

Figure 5.7: Growth in Demand for Skills Levels in South Hampshire 2006-2026 Under a 2.5% Annual Increase in GVA

	2006		2026		Change 2006-2026	
	Number	% of workforce	Number	% of workforce	Number	% Point Change
NVQ Level 4 and above	131,300	29.2%	151,100	29.8%	19,800	0.5%
NVQ Level 3	69,200	15.4%	78,200	15.4%	9,000	0.0%
Trade Apprenticeships	27,900	6.2%	30,200	6.0%	2,300	-0.3%
NVQ Level 2	74,600	16.6%	84,900	16.7%	10,400	0.1%
Below NVQ Level 2	67,000	14.9%	75,300	14.8%	8,300	-0.1%
Other qualifications	37,600	8.4%	41,600	8.2%	4,000	-0.2%
No qualifications	41,800	9.3%	46,500	9.1%	4,700	-0.1%
Total	**449,300**		**507,900**		**58,600**	

Note: Figures may not sum due to rounding

Figure 5.8: Chart of Forecast Skills Levels in South Hampshire Under the PUSH Preferred Scenario



Expansion in areas such as professional occupations leads to an increase in the need for workers at NVQ Level 4 and above (degree level and above), which is projected to be the educational tier that will experience the highest absolute and proportional increase in demand. Between 2006 and 2026, 19,800 new NVQ Level 4 and above qualified employees are forecast to be demanded in the South Hampshire economy. The demand for lower level qualifications is less robust, NVQ Level 3 demand does not change as a proportion of the workforce. The number of NVQ Level 2 qualified employees is expected to grow moderately compared to the higher level occupations (10,400), just a 0.1 percentage point increase in the proportion of the workforce. Demand for qualifications below NVQ Level 2 are expected to decline as a proportion of the workforce, despite growth in absolute terms. Trade Apprenticeships are projected to experience only limited growth (2,300) representing a fall in the proportion of the workforce of some 0.3 percentage points.

5.3.2 Industrial and Commercial Floorspace and Land Requirements

Demand for industrial and commercial floorspace and land is not simple to calculate. There are issues around quality, location and requirements of occupiers which cannot be easily captured within a quantitative model. For the purposes of this exercise we have considered the potential increase in demand for land/floorspace as a result of additional employees in the sector. This analysis is indicative only and a more detailed assessment would be required to understand the detailed land implications as a result of this growth scenario.

The key area of growth in the economy is Business Services and this is reflected in the future additional requirement for floorspace. Other sectors with large requirements will be Distribution and Retail & Leisure. As a result the major growth area will be within the B1a Use Class Order.

Figure 5.9 Indicative Net Additional Floorspace/Land Take Requirements For South Hampshire 2006-2026 Under the PUSH Preferred Scenario

Sector	Employment Change	Use Class	Employment Density (m^2 per worker)	Gross External Floorspace (m^2)	Site Coverage of Buildings	Land Take (ha)
Manufacturing						
Distribution	4,700	B8	80	379,300	35%	110
Retail & Leisure	14,200		30	426,700	35%	120
Transport & Communications	1,300	B8	80	106,800	35%	30
Business Services	42,800	B1a	25	1,069,000	35%	310
Public Administration[11]	1,900	B1a	19	37,000	35%	10
Other Services	4,100	Various	25	101,900	35%	30
Total				**2,120,800**		**610**

5.3.3 Future Housing Requirements

Figure 5.10 below shows the forecast future dwellings requirement related to employment growth identified within the preferred scenario. The dwellings figures have been calculated by Anglia Polytechnic University using the Chelmer model.

Figure 5.10 Future Dwellings Requirement in South Hampshire Under the PUSH Preferred Scenario

	2006-11	2011-16	2016-21	2021-26	2006-2026
Dwellings Requirement	16,400	17,000	15,200	25,500	**74,000**

Source: Anglia Polytechnic University
Note: Figures may not sum due to rounding

Over the 20-year analysis period there is a requirement for an additional 74,000 dwellings in the PUSH sub-region. The rate at which dwellings will be required is fairly even over the first three five-year intervals. However, 35% of the total requirement is forecast to occur within the last period.

[11] For Public Services; we have assumed 20% of the overall forecast public service employment growth will require B1a accommodation. We have removed Education & Health and Recreation from our public sector employment figure in this table.

6 Delivering the Preferred Scenario

The PUSH preferred scenario represents growth in the economy over and above that which may be expected without any intervention. Within phases two and three of the research carried out by DTZ the potential actions to be undertaken to support the aspirational growth in the sub-regional economy were considered. This focused on a number of critical areas:

- Labour market interventions, particularly around reducing inactivity and increasing the skills of the workforce. The changing sectoral structure of the economy and forecast future requirements for higher level skills will require significant labour market support.
- Increasing productivity to support economic growth, including business support, enterprise, innovation and infrastructure issues which impact on business performance. In order to deliver economic growth without future housing requirements over and above that which is deliverable it is vital that significant productivity gains are achieved in the sub-region.

A key element of this work was to consider those actions that the public sector is able to influence. In reality, many decisions which will influence the growth of the South Hampshire sub-regional economy will be taken by businesses in the private sector. However, it is critical that the public sector can, where possible, create the conditions to foster economic growth, particularly productivity growth.

A range of actions have been identified through discussions with key stakeholders, research into sub-regional education and training provision and a review of relevant research and policy documents including: the Area Investment Frameworks for South East Hampshire (DTZ) and Southampton (Arup), The South Hampshire Economic Strategy and Action Plan (GHK), 'Informing our Future' (Hampshire Economic Partnership) and Sustaining Success in a Prosperous Region (Deloitte).

Figure 6.1 overleaf lists the potential actions, indicated as short, medium or long-term, under the following headings:

- Skills;
- Enterprise, Innovation & Business Support; and
- Land, Property & Infrastructure.

Figure 6.1: Actions to Support the Economy of South Hampshire 2006-2026			
	Skills	**Enterprise, Innovation & Business Support**	**Land, Property & Infrastructure**
Short Term	• Reduction of economic inactivity and unemployment in specific areas and amongst specific socio-economic groups; • Capacity building amongst providers to accommodate and cater for increasing numbers of people in employment in the sub-region ; • Clarity on progression routes to higher-level skills education; • Strengthened and targeted provision of basic skills; • Workforce Development and Up-skilling; • Provision of training for generic skills; • Strengthening flexible learning and e-learning; • Promote transitional programmes, particularly in the workforce, to assist in efficient redeployment of labour in new activities/sectors	• Develop and promote business networks in key growth sectors in South Hampshire to support the spreading of best practice and collaboration. • Promote knowledge transfer mechanisms between HEIs/FEs and businesses in the sub-region in the key sectors of business services; advanced engineering (particularly marine) and leisure/tourism. • Develop the business support mechanisms in the sub-region to contribute towards developing a strong enterprise culture. • Promoting the quality of life offered by the sub-region. This is very important in attracting and retaining talented people in the area;	• Engage with the key sectors/businesses (particularly advanced manufacturing) to understand their future requirements for sites and premises. • Address shortages in starter and move-on business premises to stimulate enterprise development. • Bring forward as many of the employment sites as possible identified in the Area Investment Frameworks for Portsmouth (South East Hampshire) and Southampton. • Develop the cultural and leisure facilities of the sub-region to complement the strong environmental drivers of quality of life.

Figure 6.1: Actions to Support the Economy of South Hampshire 2006-2026			
	Skills	**Enterprise, Innovation & Business Support**	**Land, Property & Infrastructure**
Medium Term	• More dialogue between further education, higher education and businesses to enable learning providers to respond to trends in the labour market more easily; • More courses related to business services must be provided by the further education sector; • Further research should be taken to explore skills gaps in the distribution sector. • Some specialist provision in high technology manufacturing is needed to deal with the up-skilling of the declining traditional manufacturing sector; • Ensuring that businesses are aware of provision and able to access it will be important if the sub-region is to meet its skill demands; • Encouraging local businesses to invest in developing their workforce; • Increased funding and initiatives to encourage FE institutions to provide courses at the higher end of vocational training/skills spectrum.	• Continue to develop and promote business networks in key growth sectors in South Hampshire. • Further promotion of knowledge transfer mechanisms between HEIs/FEs and businesses in the sub-region in the key sectors of business services; advanced engineering (particularly marine) and leisure/tourism. • Support the take up of ICT, especially digital connectivity in smaller firms. • Establish a unit responsible for place marketing and investment support for the whole sub-region. • Improve access to finance for small businesses. • Promote investment by business. • Developing mechanisms to create an enterprise culture.	• Continue short-term activities. • Public sector investment is required to help continue to bring forward sites, notably in: feasibility work, site acquisition and remediation, infrastructure and marketing. • Invest in consolidating and intensifying employment development on existing sites • Promote high quality employment sites in mixed use schemes throughout the South Hampshire sub-region. • Land will need to be identified in the Local Development Frameworks to enable manufacturing to respond to changing conditions • Ensure Utilities infrastructure has capacity to support economic growth. • Address bottlenecks in traffic flows along the M27 as well as within the cities and urban boroughs. • Invest in public transport within the sub-region to facilitate workforce movements and promote inclusion in the workforce. • Ensure rail journey times to London are as short and reliable as possible and develop public transport links to Heathrow airport; • Invest in the urban areas of the sub-region to attract the graduates/young professionals who look for high quality accommodation, good transport and dynamic nightlife. • Equally, ensure good supply of attractive environments with good services and high quality housing to attract the managers/professionals

Figure 6.1: Actions to Support the Economy of South Hampshire 2006-2026			
	Skills	**Enterprise, Innovation & Business Support**	**Land, Property & Infrastructure**

Long Term	• Encourage investment in induction and initial training to substantially reduce recruitment and retention costs;
	• Ensuring that businesses are aware of provision and able to access it will be important if the sub-region is to meet its skill demands.
		• Developing mechanisms to create an enterprise culture.
		• Promote investment by business.
			• Public sector investment is required to help continue to bring forward strategic employment sites, notably in:
			  • Feasibility work
			  • Site acquisition and remediation
			  • Infrastructure
			  • Marketing
			• Invest in consolidating and intensifying employment development on existing sites
			• Develop the capacity of Southampton airport;
			• Continue to Invest in the urban areas of the sub-region to attract the graduates/young professionals;
			• Ensure good supply of attractive environments with good services / high quality housing to attract the managers/professionals