

Assessing the resilience of the Test Valley LTES

Test Valley Borough Council
September 2009



1.1 Overview

In April 2007, Test Valley Borough Council (TVBC) commissioned Experian to review and update the Long Term Economic Strategy (LTES) for the Borough. This strategy outlined the long-term aspirations and objectives of the Borough and the policy and actions required to achieve them.

Since then, the economic climate has changed dramatically. The refresh of Test Valley's LTES was set within the context of a relatively benign economic climate, following many years of rapid expansion in the UK, regional and local economy. However, the UK is now in the midst of a deep recession, with 2009 a year of hard-pressed businesses and rising unemployment. Moreover recovery is generally expected to be slow, with only tentative stabilisation next year and no real growth until 2011.

As such, this short commentary considers the resilience of the Test Valley's LTES to the recession. Here we provide qualitative assessment of the relevance of the LTES in the current climate, reviewing the achievability of aspirations and objectives articulated in the Strategy and appropriateness of the actions outlined to deliver them.

1.2 The LTES: Assets, trends and challenges

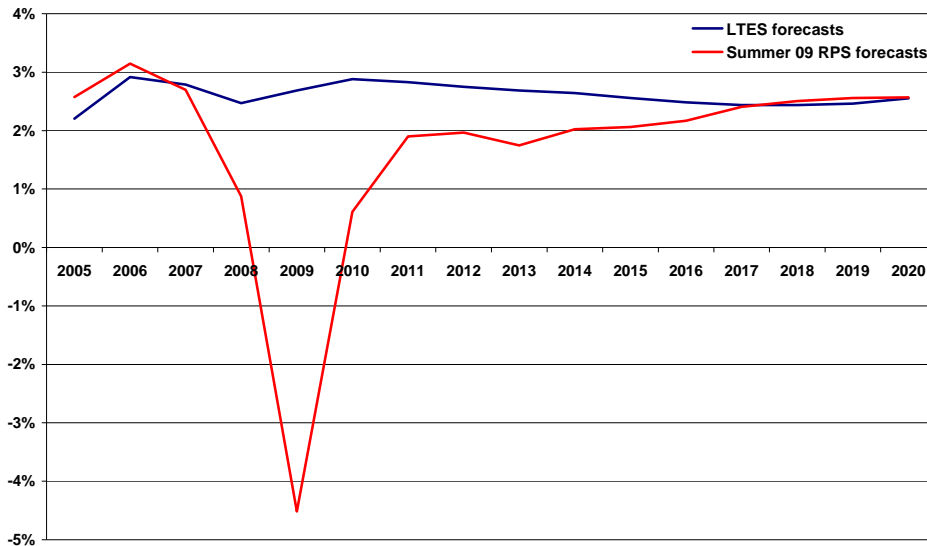
The LTES itself was fundamentally designed to understand the trends, drivers and uncertainties that will influence the Test Valley over the long-term; the challenges and opportunities the Borough will face; and the preferred direction for the Test Valley over the next 15 to 20 years.

Through a detailed programme of work – including literature review, data analysis, economic modelling, a business survey, stakeholder interviews and workshops – the LTES identified the core assets and weaknesses that would support or undermine the economic performance and competitiveness of the Borough over this timeframe. These included, for example, the Borough's environmental assets; its position within wider sphere of economic activity; and its relatively entrepreneurial business base, alongside its low skills; low earnings; and low value jobs. Clearly, *these assets and weaknesses remain very much valid despite the changed economic climate.*

When understanding the Test Valley's future, the research process looked to identify long-term forecasts and external influencers that would likely present both challenges and opportunities for the Borough. Clearly, *in light of the recession, forecasts for the economic performance and growth of the Borough over the period 2005 to 2020 will be more challenging*, as the Test Valley's economy is likely to have experienced contraction, rather than growth, over the past year. How resilient (or otherwise) the Test Valley has been to

the recession, and its path to recovery, will be driven by a variety of factors, particularly the businesses, jobs and sectors that comprise its economy and the people that make up its community. While it is not possible to create updated forecasts for the Test Valley within the scope of this brief commentary, below we provide an illustration of how our outlook for the UK has changed since the drafting of the LTES.

Figure – UK outlook (Average annual change in GVA)



Source: Experian, 2009

Moreover while many argue the worst of the downturn is over, aspirations around job creation will continue to suffer as the economic contraction seen towards the end of 2008 and during the beginning of 2009 works its way through the labour market, potentially leading to further job shedding in the Borough. Clearly, this will have a *knock-on impact on forecasts for job creation and hence the associated employment land requirements* outlined in the LTES.

However, while from a quantitative viewpoint our outlook for the Borough's economic future is likely to have changed, the research identified a wide variety of other trends that would shape the Test Valley's future. These included the move towards a single global marketplace and a UK economy driven by knowledge; the aging of the population; climate change; and shifts in consumer spending towards social, cultural and leisure activities. Clearly, *the economic downturn has not halted the onslaught of these trends*, and these will remain important issues for the Test Valley.

As such *the challenges identified for the Test Valley* – grouped broadly under 'equipping the Borough for the future' and 'maximising the Borough's assets' – *are as valid today as they were when the LTES was drafted. That said, the recession is likely to heighten some of these issues and present additional challenges*, for example around sustaining the dynamic business environment that characterises the Borough; tackling rising levels of worklessness – the claimant count in the Test Valley has doubled over the past year and is likely to continue to increase; or sustaining housing and commercial development despite credit constraints and the slump in the property market. This may mean the Council and its partners may have to work even harder to achieve some of the aspirations the LTES articulates.

1.3 The LTES: Strategic aims & objectives

While the LTES remains relevant, it must be recognised that the downturn will likely impact upon the achievability of some of the aspirations and objectives articulated in the strategy. The LTES articulates two strategic aims:

- Achieve a step-change in Test Valley's economy, pushing it up the value-chain; and

- Forge a higher-profile role for Andover and the Test Valley as a whole;

Clearly these aspirations remain highly relevant for the Test Valley despite the recession, and perhaps even more so as again the industries hardest hit by the economic downturn and slower to recover will largely be low value sectors, and the greatest numbers of jobs lost will be concentrated amongst low skilled workers employed in elementary occupations.

In order to achieve these strategic aims *the LTES articulates a number of objectives, all of which remain important. Some may be harder to achieve* in this challenging economic environment – for example, attracting business investment in a climate where businesses are closing down sites rather than investing in new ones, or addressing skills deficiencies when employers are reigning in spend on training to cut costs. There may also be *important additional objectives* that public sector partners must work towards, in order to respond to the new challenges that this recession presents (as noted above).

1.4 The LTES: Strategic actions

Finally, the LTES outlined a number of actions required to achieve the strategic aims and objectives of the LTES. *Given the LTES aspirations remain of great importance, so too do the actions required to deliver them* and the recession may also add momentum to the work of the Council with the need to promote sustainable economic development and resilience even clearer in light of the recession (and the Local Democracy, Economic Development and Construction Bill). As such, *it is important that the recession does not halt the progress of the Council on implementing these actions*, albeit that some that require private sector investment and buy-in (e.g. TV4: Engaging with businesses and A2: Improving our industrial estates) may be harder to implement in the short-term, and others that require public sector investment (e.g. TV2: Marketing Test Valley and A1: Delivering the Andover Vision) may prove more challenging over the medium term in the face of public sector spending cuts.

Finally, there may also be a need for a shorter-term policy response to the recession. Understanding some of the additional challenges that the economic downturn presents the Borough, and formulating an appropriate short-term policy response may, in fact, be key to ensuring that the progress made in the Borough is not lost, and that the Borough remains on track to achieve its longer-term aspirations for growth and prosperity.

1.5 Key messages

- The Test Valley LTES remains relevant despite the economic downturn, largely because of the long-term focus of the Strategy and the robust process through which it was developed:
 - the Borough's assets and weaknesses identified are very much valid, and the long-term trends identified will continue despite the recession;
 - the LTES strategic aims and objectives are equally, if not more important, in the face of a recession that has impacted low value industries and low skilled workers harder than others;
 - the strategic actions outlined in the LTES must therefore be implemented if the Borough is to achieve its aspirations - it is important that the recession does not halt the progress made by the Council and its partners.
- The recession will, however, mean that forecasts for the economic performance and growth of the Borough over the period 2005 to 2020 will be more challenging. This in turn will impact job creation, and employment land requirements. A number of other objectives outlined in the LTES may also be harder to achieve in light of the recession.
- Finally, the recession will present additional challenges and priorities that may warrant a more targeted short-term policy response to prevent any longer-term impact on the Borough.