

Test Valley LTES: Update 2012

Test Valley Borough Council
August 2012



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Introduction

- I.1 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.
- I.2 At the time of publication, the national economy had enjoyed over a decade of uninterrupted annual growth in output and employment. Consumer and public spending was high, unemployment was low and the housing market was booming. The economic and policy climate has however changed dramatically since the publication of the original strategy.
- I.3 The economic downturn has fundamentally impacted the UK economy, with no local area or sector unaffected and, despite a short respite of tentative stabilisation during 2010/2011, the economy has now fallen into 'double-dip' recession. The recession has also left a sizeable structural deficit in public finances and we are now in the midst of the Coalition Government's tough deficit reduction plan, the scale of which we have not seen since the end of World War II. With weak domestic and international demand, public sector fiscal austerity measures and continued downside risks attached to the Eurozone crisis, the path to recovery is forecast to be slow, with no real expansion expected for the next few years and the potential of a more modest economic trajectory thereafter.
- I.4 It is within this context that the Council now operates. The Council is in the process of reviewing its Local Plan, particularly in the light of the new Coalition Government's proposals for the planning system and the development of the National Planning Policy Framework (NPPF). There is a general aim amongst the new Government to streamline the planning system and to return decisions on housing supply issues to local planning authorities and communities, more closely recognise the links that exist between housing and economic development, and to better incentivise growth. As such, there is greater responsibility than ever on local councils to ensure that the evidence base for housing and commercial development requirements is sound.
- I.5 In light of this, TVBC has commissioned Experian to provide a short update of the LTES to consider its validity in light of the changed economic and policy environment. In particular, this update seeks to assess changes in growth forecasts, the Government austerity programme, and the impact of the recession and slow recovery on those with lower skills and young people. It also seeks to consider the sectors which have potential for growth, to ensure that the Council can be positive in promoting growth in line with the National Planning Policy Framework (NPPF). Finally the update considers the achievability of aspirations and objectives articulated in the Strategy and appropriateness of the actions outlined to deliver them.

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1 A changed backdrop for the LTES

1.1 Introduction

- 1.1 This section explores the key issues that have developed since the publication of the Test Valley LTES in 2007. Incorporating national and regional trends where relevant, this section focuses on the local impact of key issues – building upon the evidence presented in the original study and providing a detailed and robust evidence base to inform policy makers.
- 1.2 Five years on from the original study, the climate is dramatically different. This section will consider:
- The economic downturn;
 - Public sector fiscal austerity measures; and
 - The socio-economic impact of these trends.

1.2 The economic downturn

- 1.3 When the original research was published in 2007, the national economy had enjoyed over a decade of uninterrupted annual growth in both output and employment. By 2007 the economy was performing well, underpinned by high employment levels (not least in the public sector) and high output levels driven by the performance of key sectors (particularly financial and business services), growth in tourism, high levels of consumer spending, and a booming housing market.
- 1.4 Test Valley had also enjoyed a period of strong expansion, with the local economy growing at a rate in excess of both Hampshire and the South East as a whole. Moreover, prior to the onset of the recession, the Test Valley economy continued to perform well, expanding at a rapid rate of 5.8 per cent during 2007, slightly below Hampshire (6.1 per cent) but in excess of the regional and national economy (4.7 per cent and 3.4 per cent respectively).
- 1.5 However, the recession has fundamentally changed the economic backdrop – both nationally and locally. The economic downturn has dramatically affected the UK economy, with no sector or local area immune to its impact. A combination of the credit squeeze, a housing market slump and unsustainable levels of borrowing led to six consecutive quarters of negative growth in the UK economy between Q1 2008 and Q2 2009. Moreover, despite a short respite during 2010/2011, the UK economy has now returned to recession – essentially a ‘double-dip’ – with three consecutive quarters of contraction in GDP since the end of 2011 (Q4 2011, Q1 2012 and Q2 2012).

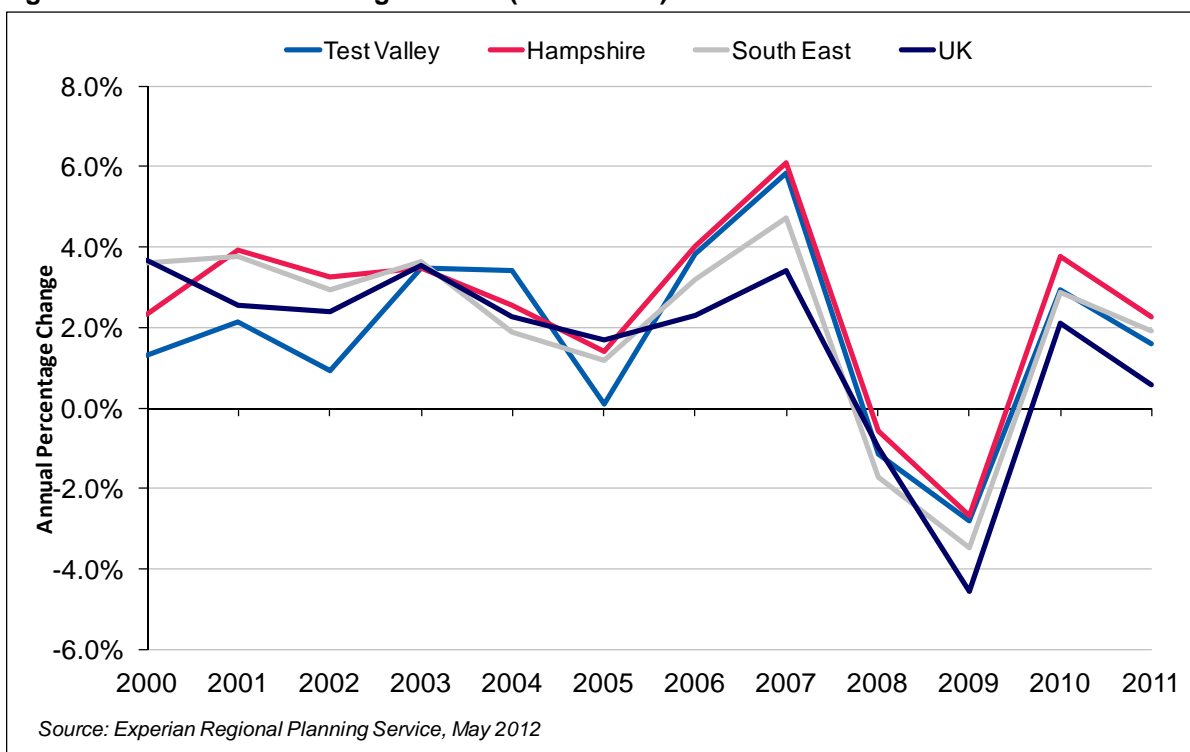
The Test Valley economy fared relatively well during the recession in terms of GVA output...

- 1.6 Naturally the impacts of recession have been felt differently in different parts of the UK, based upon a number of factors.¹ The South East has proved more resilient to the impacts of the recession than the majority of regions. However, declines in output and employment together with increased levels of worklessness are evident across the region.

¹ The skills base and sectoral composition of local areas have in particular affected the extent of the impacts of the economic downturn, although economic resilience will be underpinned by a range of factors relating to business; people, community and place.

- 1.7 Compared to national, regional and county level benchmarks, the Test Valley has weathered the economic storm reasonably well with regard to levels of GVA output.² The economic contraction experienced during the worst of the recession was less severe than that seen across the South East and UK, with the local economy declining by 2.8 per cent between 2008 and 2009 in GVA terms, compared with a contraction of 3.5 per cent across the region, and 4.6 per cent nationally.
- 1.8 Moreover, the local economy emerged from (the first part of) the recession quicker. Indeed, Test Valley witnessed output growth amounting to 2.9 per cent during the course of 2010 as the recovery kicked in and despite slightly lagging the resurgence seen across Hampshire (3.8 per cent) it is in line with the growth witnessed across the South East (2.9 per cent) and higher than the UK rate (2.1 per cent).
- 1.9 This favourable performance relative to regional and national benchmarks has been underpinned by the relative resilience of the Test Valley's Finance, Food & Drink Manufacturing, Construction and Public Sector, as the Borough has been relatively protected from cuts in the Banking sector, Central Government departments and large-scale infrastructure projects. In contrast, the Retail and Hospitality sectors have been hit to an even greater degree locally, than has been the case regionally and nationally – a likely reflection of the impact of the recession on the Borough's labour market, which will have had a significant impact on consumer spending locally (see paragraph 1.11).
- 1.10 However, as has been the case nationally and regionally, 2011 saw the recovery in the Test Valley begin to falter in the face of weak domestic demand, public sector spending cuts, anaemic recovery amongst the UK's major trade partners and ongoing uncertainty in the Eurozone.

Figure 1.1: Annual % change in GVA (2000 - 2011)

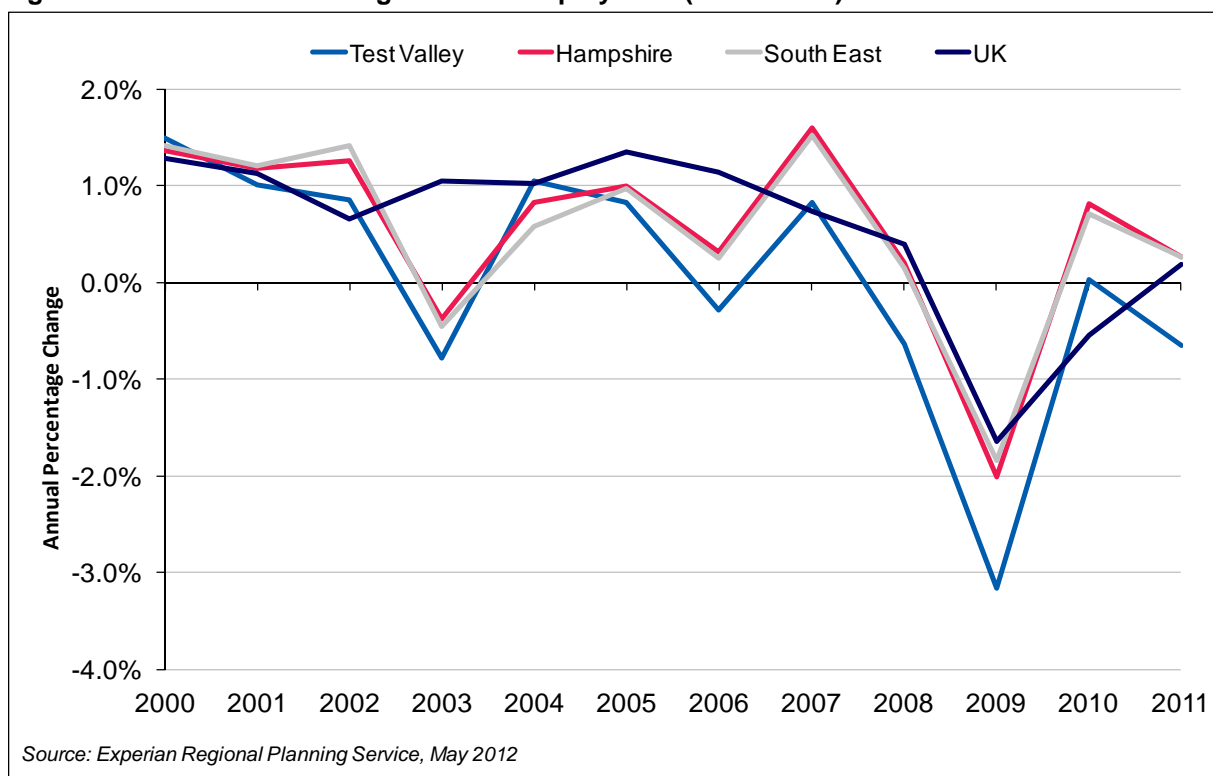


² GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. GVA is an important measure in the estimation of Gross Domestic Product (GDP) and is the preferred measure of Government in assessing the overall economic well-being of an area. It has been increasingly used as a mechanism to gauge the overall performance of the local areas.

...but was hit by the low-value nature of its economy and witnessed substantial contraction in its labour market.

- 1.11 While in GVA terms Test Valley's economy has weathered the economic storm relatively well, this has not been the case for the Borough's labour market and it is likely that the low-value nature of the Borough's economy is a key driver.
- 1.12 Indeed, while nationally the labour market has proved much more resilient to the impact of sharp cuts in economic activity than expected, this has not been the case in the Test Valley, where businesses have had to shed more jobs in terms of total number because of their low value nature.
- 1.13 As such, the recession has had a severe impact on employment levels across Test Valley with a 3.2 per cent contraction in employment in the Borough during the worst year of the downturn (2009) – substantially higher than witnessed across Hampshire (2.0 per cent), the South East (1.8 per cent) and the UK (1.6 per cent). Moreover, the labour market in the Test Valley barely recovered during 2010, before experiencing further contractions during 2011.

Figure 1.2: Annual % change in Total Employment (2000 - 2011)

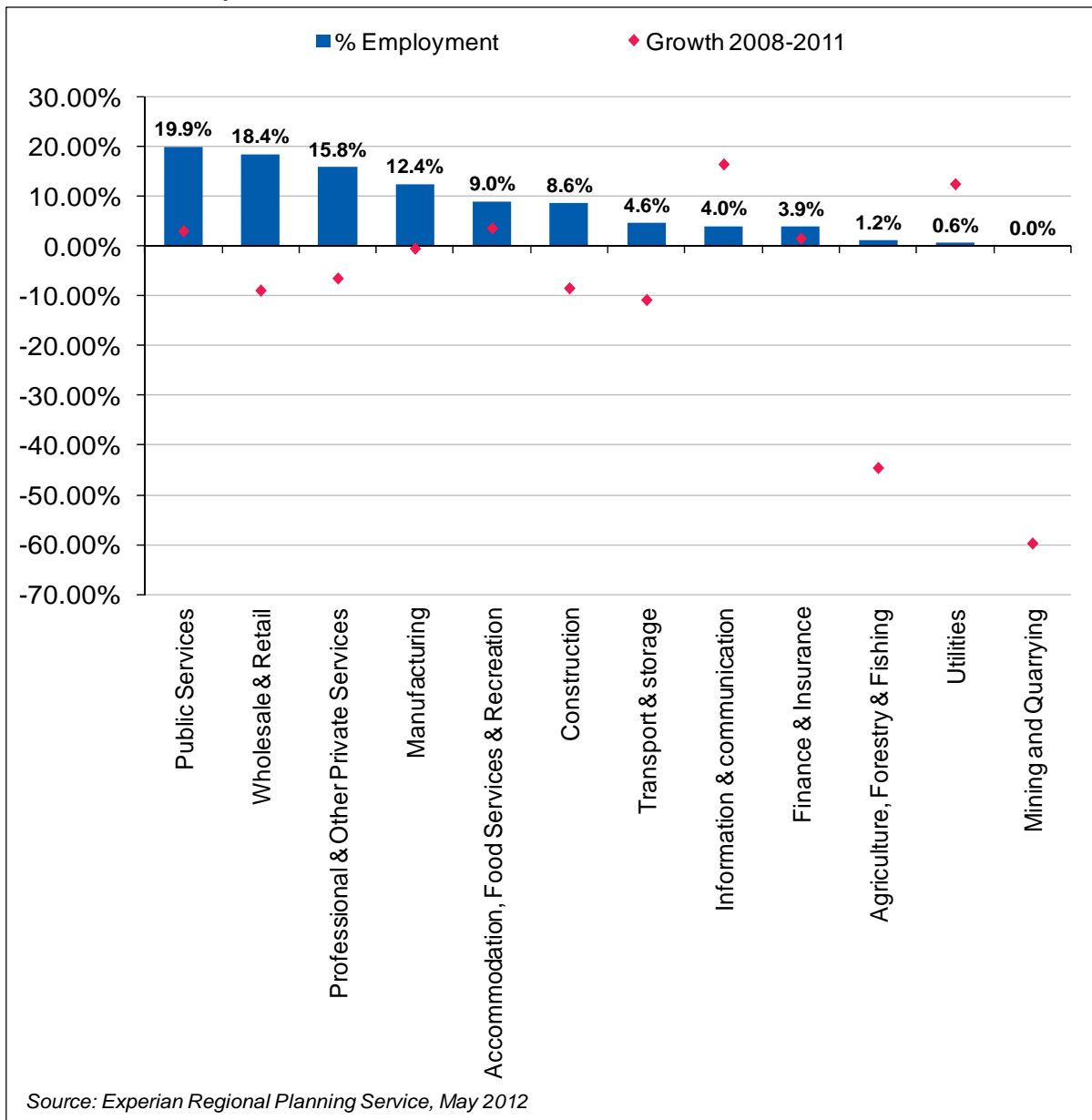


- 1.14 In total, we forecast that over 2,500 jobs have been lost from the local economy since 2007 – equivalent to over 4% of all workforce jobs – with job shedding in some of the Test Valley's largest sectors, including:
 - Wholesale & Retail trade, which has been severely impacted as a consequence of rising unemployment, declining disposable incomes and the knock-on effect these have had on consumer spending;
 - Professional and Other Services, driven largely by a contraction in lower value Administrative & Supportive Service Activities including administrative support; estate, recruitment and travel agents all hit by the hard-pressed business sector, housing and labour market.

- Construction, which has been one of the hardest hit sectors during the recession as a consequence of the drying up of funding that has led to many construction projects stalling or being axed; and
- Logistics, which has suffered in the face of contraction in the wholesale & retail sector and anaemic export demand.

1.15 In contrast, the Public Sector, parts of the manufacturing sector (particularly Chemicals, Machinery and Food & Drink manufacturers) and the Hospitality sector have proved more resilient to the downturn in terms of employment.

Figure 1.3: % change in total employment by sector 2008-2011, and % of total employment by sector in Test Valley, 2011



1.16 Ultimately these trends are of great concern for the Borough and they are also likely to understate true labour market conditions, as nationally we have seen substantial growth in ‘underemployment’ with large numbers of people working in part-time employment despite seeking full-time roles. Moreover, the impact of recessions on labour markets tend to be much more entrenched and tend to lag trends in economic activity meaning we are yet to see the full impact of the ‘double dip’ on the Test Valley’s

labour market. This is also set within the context of public sector fiscal austerity measures – the full force of which we are likely to feel over the coming years.

1.3 Public sector cuts

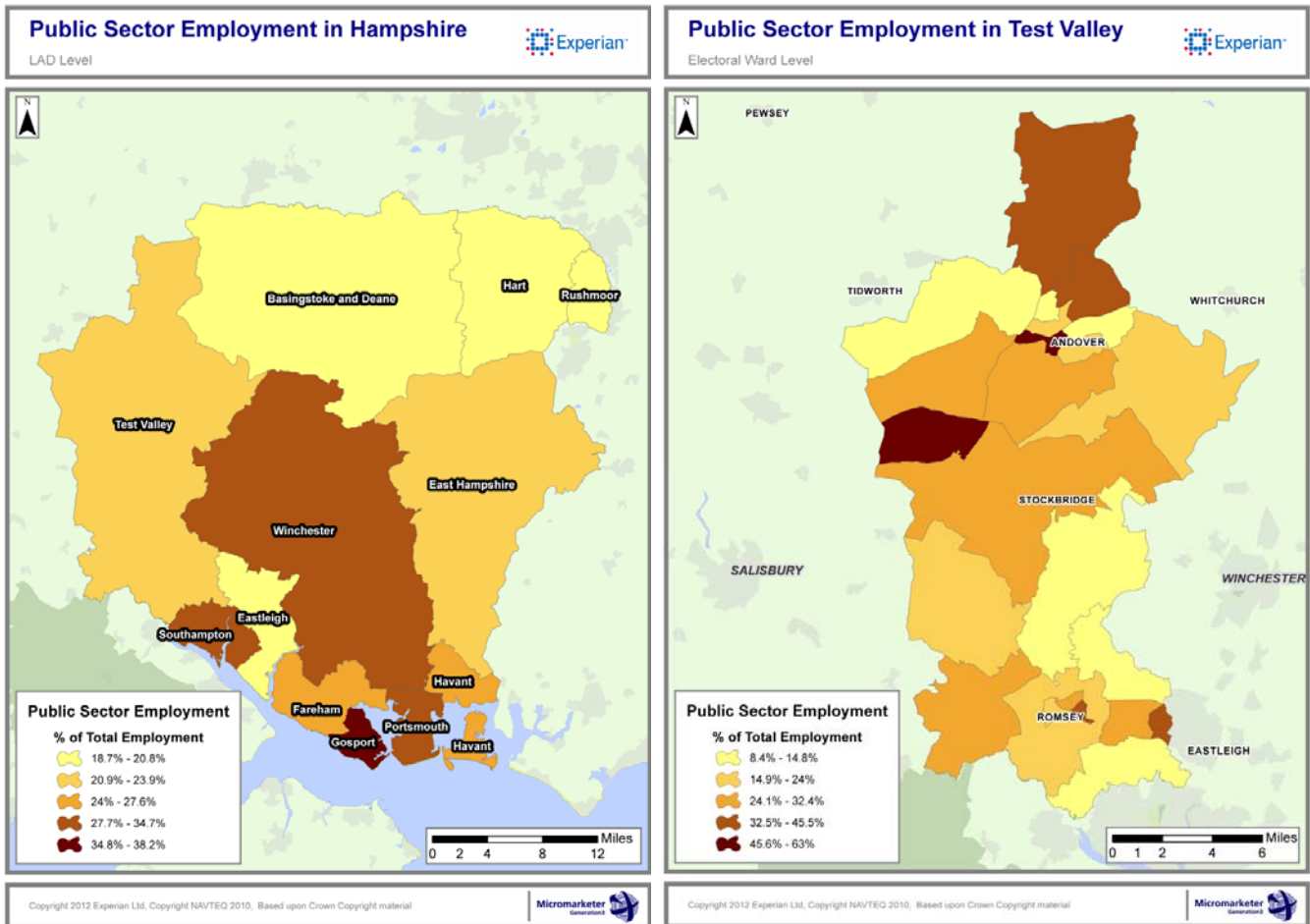
- 1.17 In reaction to the effects of the downturn on public finances, the Coalition Government embarked on a programme of spending cuts and efficiency savings aimed at reducing the deficit – identified as a priority in order to secure economic stability at a time of continuing uncertainty in the global economy, and put Britain's public services and welfare system on a sustainable long term footing.
- 1.18 The headline announcement was that £81 billion of savings would be required by 2014-15 and on the 20th October 2010, the Chancellor presented the Government's Spending Review (CSR), which fixed spending budgets for each Government department up to 2014-15 and set out how the Coalition Government was to carry out Britain's deficit reduction plan.
- 1.19 Two years on and the UK Government is in the midst of implementing these measures. In their Economic and Fiscal Outlook 2012, The Office of Budget Responsibility (OBR) estimated that the Government had a greater than 50 per cent chance of balancing the cyclically-adjusted current budget (CACB) by 2016/17 (the target is measured over a rolling, five-year period), and a less than 40 per cent chance of doing so a year early. However, these forecasts were predicated on the UK economy avoiding a double-dip recession and growing at a modest but optimistic 0.8 per cent during 2012. It is now clear, with three consecutive quarters of economic contraction (the latest figures for Q2 2012 estimating a substantial -0.7 per cent) that we are facing a very different economic reality. With our forecasts suggesting zero growth in the UK economy this year (0.0 per cent) and anaemic growth next year (1.4 per cent), there is the risk that below forecast tax receipts and above forecast welfare spend could seriously undermine the Government's ability to meet these targets.
- 1.20 Whether or not the Government is able to meet its targets, it is clear that public sector fiscal austerity measures are having a substantial impact across the UK. In total, the OBR forecast that General Government Employment (GGE) will decrease by around 730,000 between the start of 2011 and the start of 2017. While the impact of the cuts will be widespread, those local economies which are highly dependent on public sector employment are likely to be hit hardest.

While at a headline level, the Test Valley is less dependent on the Public Sector, there is substantial variation within the Borough...

- 1.21 The public sector is vital to economic prosperity in the UK. Across Great Britain as a whole it accounts for 28.8 per cent of employees – a greater share of the workforce than Financial and Business Services (20.2 per cent) and more than three times the size of the Manufacturing sector (8.8 per cent).
- 1.22 However, there is often substantial variation in public sector dependence at a local level. This is also the case when we look at Local Authority Districts (LADs) in Hampshire, with a number of areas heavily dependent on Public Sector employment, particularly Gosport and Winchester where over 1 in 3 employees work in the Public Sector, while the districts to the north of the County (Rushmoor, Basingstoke and Deane, and Hart) and Eastleigh are much less so.
- 1.23 As noted in the original LTES the Public Sector is also the largest employer in the Test Valley, accounting for 10,820 employees in the Borough in 2010. This equates to 22.5 per cent of those employed in the Borough – below the average across Hampshire, the South East and Great Britain – meaning at a headline level, the Borough could be relatively less impacted by Public Sector spending cuts than elsewhere in the UK.

- 1.24 There is however substantial variation within the Borough, with much greater Public Sector dependency in a number of wards, particularly Millway and Over Wallop – where 1 in 2 jobs are in the Public Sector – followed by Tadburn (45.5 per cent) and Valley Park (41.4 per cent).
- 1.25 Moreover, it is also likely that some of Test Valley’s residents may commute outside of the Borough to work in the Public Sector elsewhere, particularly neighbouring Winchester and Southampton, further exposing the Test Valley to Public Sector spending cuts.

Figure 1.4: Public sector employment as a % of total employees



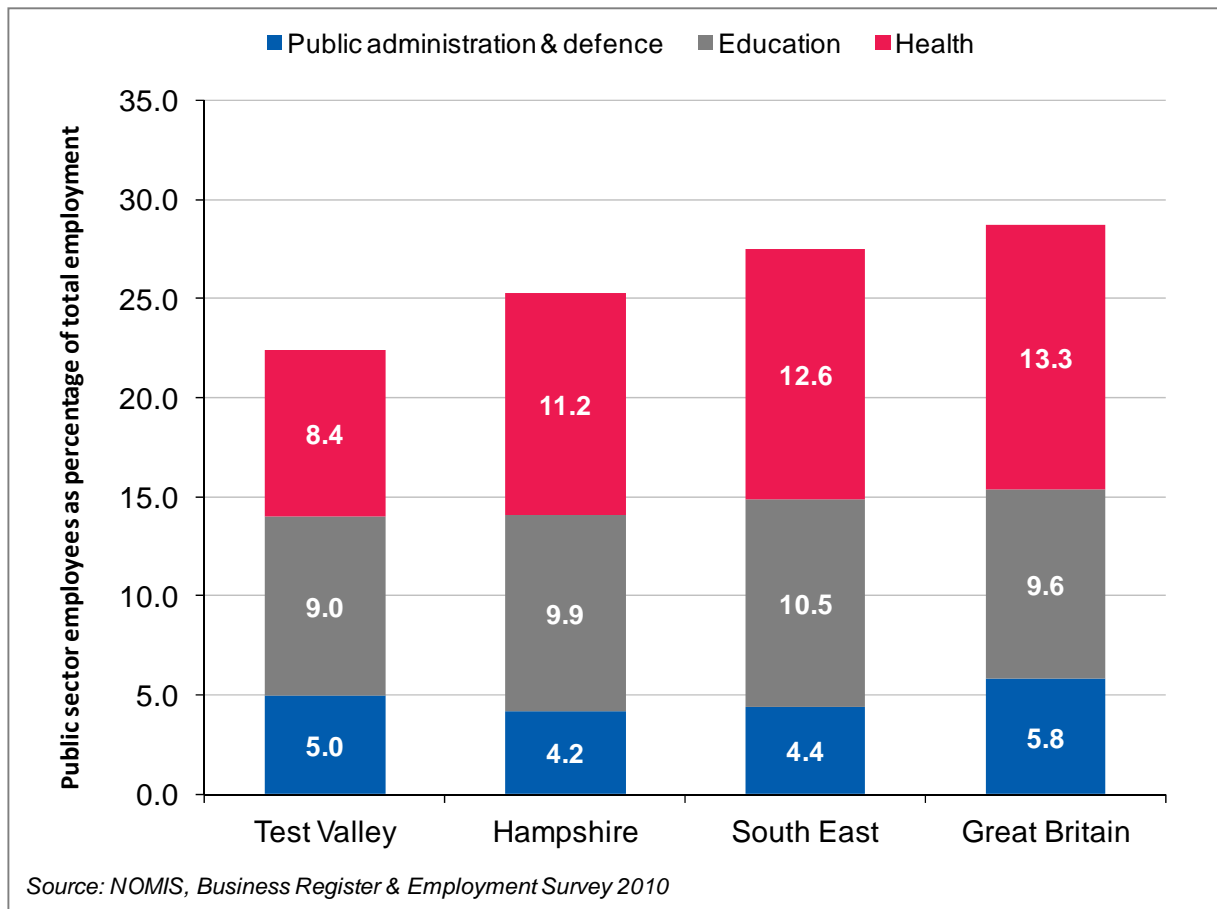
Source: NOMIS, Business Register & Employment Survey 2010

... and the Test Valley is more exposed to those parts of the Public Sector which are bearing the brunt of spending cuts.

- 1.26 Moreover, when we explore the composition of the Public Sector in the Borough there is greater cause of concern. Indeed, while the Public Sector as a whole is relatively smaller in the Borough, the Public Administration sector is over-represented, accounting for 5.0 per cent of the local economy – significantly above county and regional benchmarks (4.2 per cent and 4.4 per cent respectively). It is likely to be this sector which will feel the full force of public sector spending cuts given substantial cuts to departmental budgets and Local Government.
- 1.27 In contrast the Education and Health sector, whose departmental budgets have been relatively protected from spending cuts, are under-represented locally, particularly the latter which only accounts

for 8.4 per cent of employees locally, compared with Hampshire (11.2 per cent), the South East (12.6 per cent) and Great Britain (13.3 per cent).

Figure 1.5: Public Sector Employment split by Health & Social Work, Education, Public Admin & Defence



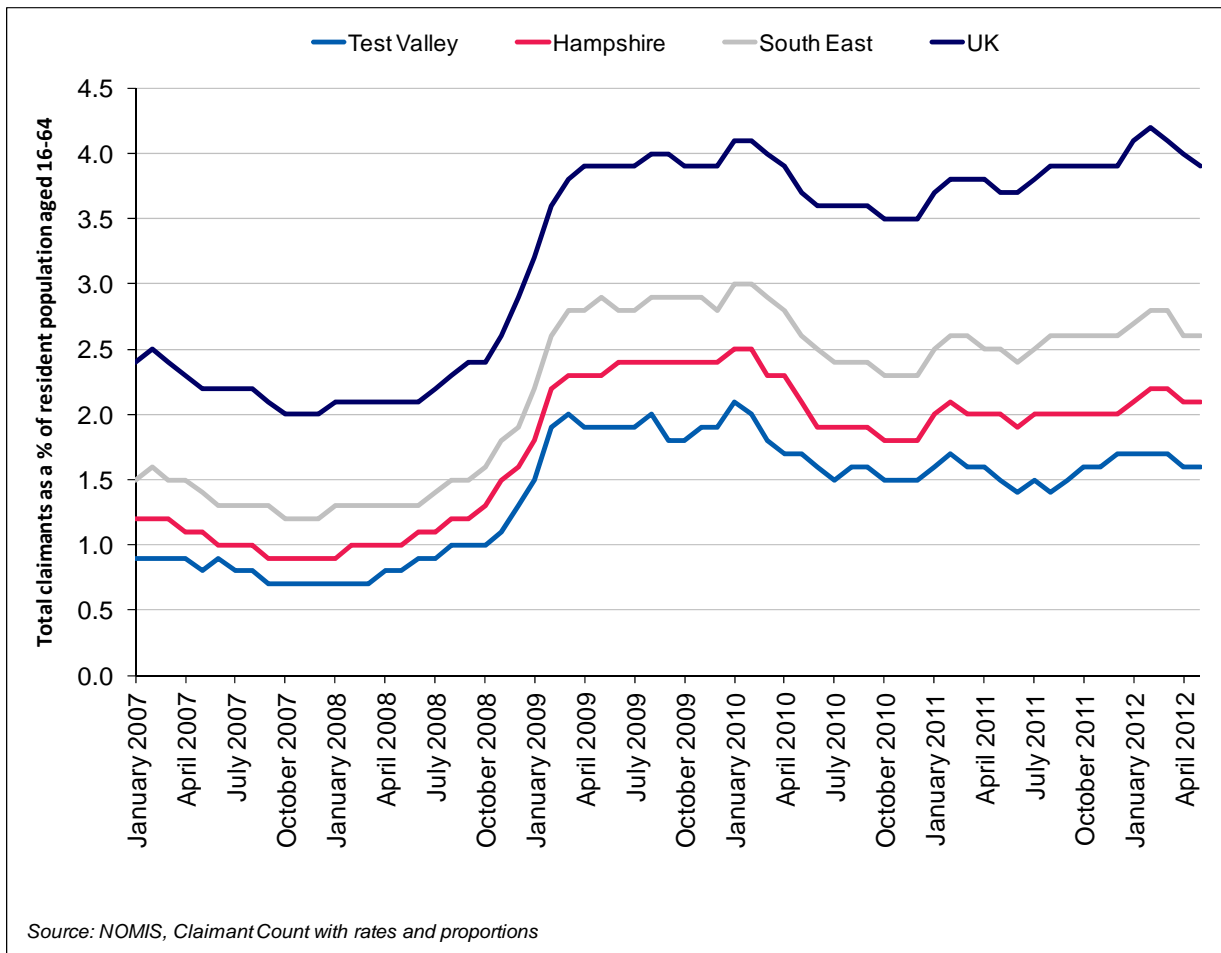
1.4 Understanding the socio-economic impact

Unemployment levels have doubled within the Test Valley, albeit from a lower base level than the UK as a whole

- 1.28 The recession has directly impacted on unemployment levels across the UK, South East and Test Valley. At a national level the claimant count, a measure of unemployment, rose from just below 2.5 per cent in October 2008 to around 4 per cent by April 2009; the rate has not fallen below 3.5 per cent to date and has continued to rise from January 2011 onwards. Given that we have now entered a second recessionary period we can expect little change in this trend.
- 1.29 The South East has followed the same pattern, albeit from a lower level starting point, reflecting the resilient nature of the region compared to other parts of the UK. Claimant count levels peaked at 3 per cent in January 2010; at the end of 2007 they were as low as 1.25 per cent. From July 2010 onwards they have fluctuated slightly but remained around 2.5 per cent.
- 1.30 Likewise the Test Valley, which enjoyed a claimant count of less than 1 per cent through 2007 and the start of 2008, has also witnessed a doubling of this figure, peaking between January 2009 and January 2010. The claimant count rate now remains elevated at 1.5 per cent. Clearly levels are lower than the UK as a whole, but coupled with the earlier evidence that the labour market has shrunk significantly since 2007 these changes are not insignificant.

1.31 Moreover unemployment varies significantly within the Test Valley, particularly in those wards which contain a greater proportion of those with a lower level of skills, especially the Andover wards of Alamein (3.7 per cent), St Mary's (2.7 per cent) and Winton (2.1 per cent), but also the Romsey ward of Abbey (2.3 per cent), North Baddesley (1.8 per cent) and Harroway (1.7 per cent).

Figure 1.6: Claimant Count Rate Unemployment over time (Jan 2007 – May 2012)



Younger people have felt the squeeze greater than the over 50's, despite being under-represented within the local authority....

1.32 Whilst the growth in claimant count has been witnessed right across the UK, clearly not all socio-economic groups have been impacted in the same way. Within the Test Valley, almost 70 per cent more young people (aged 24 and under) claimed benefits in 2011 compared to 2008; this is above the Great Britain figure of 57 per cent. Whilst the numbers of unemployed older people have also grown during this period the growth has not been as significant – within the Test Valley there has been a 50 per cent growth in those aged 50 and above, whilst across Great Britain as a whole this figure was 68 per cent.

1.33 There are real implications here for the Test Valley, particularly given the demographic profile evidenced in the 2007 study. It highlighted that the local authority already suffers from an under-representation of young adults as a result of significant net out-migration and a relative lack of graduate jobs. The recession has clearly compounded this issue, will do little to attract young people to the area

and places even greater emphasis on the need to attract a greater number, and higher value, businesses and jobs to the local area.

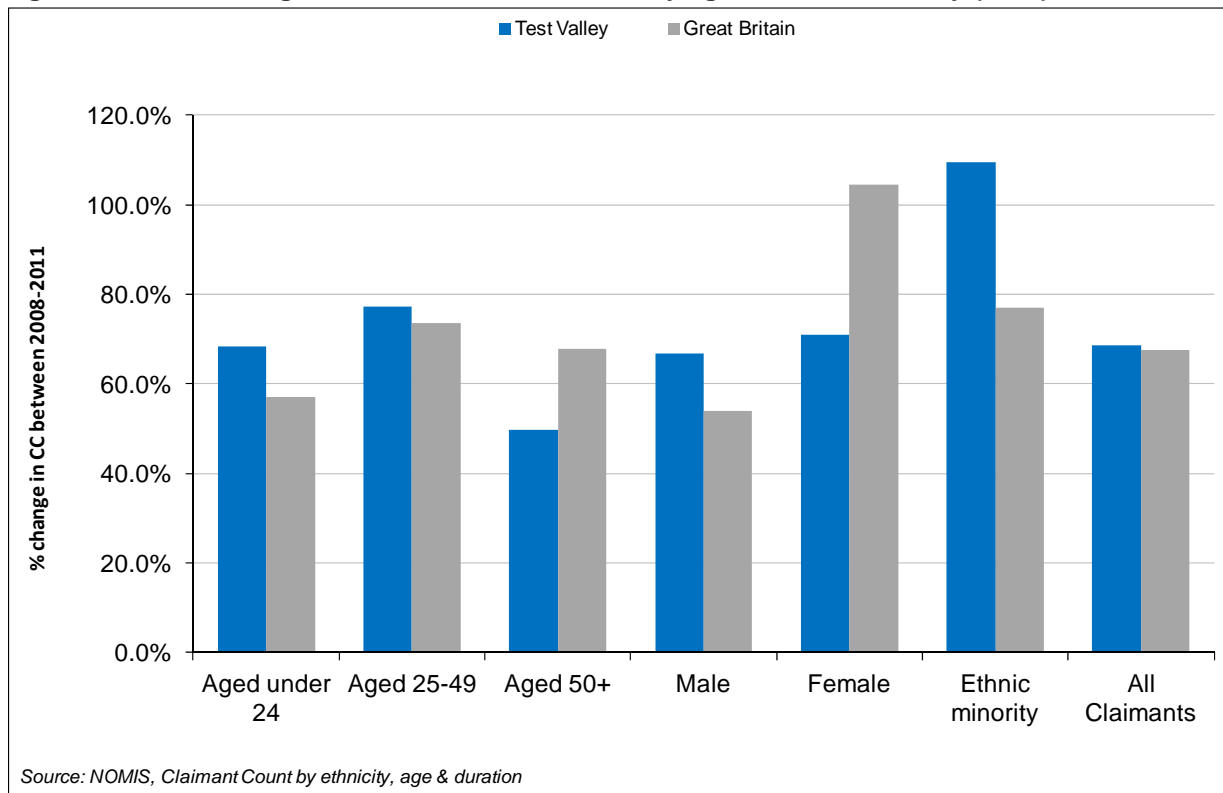
....and women appear to have fared better compared to the national average. However, an understanding of the sector mix of the area reveals that this may not be the case

- 1.34 The recession has clearly impacted on women more than men across the UK as a whole and this is likely to be as a result of the breadth of sectors impacted, with service sectors and manufacturing sectors alike affected (unlike previous recessions e.g. 1990's where manufacturing and construction sectors witnessed the greatest declines in employment).
- 1.35 It is interesting to note that within the Test Valley the gender split is less marked than it is across Great Britain – growth in claimant count of 66.9 per cent for men and 70.9 per cent for women. Whilst for men this figure is just above the Great Britain average (54 per cent), for women it is significantly lower (104.4 per cent). This is likely to be reflective of the sector mix in the Test Valley in which traditionally male dominated sectors are over-represented (manufacturing and agriculture, forestry and fishing), suggesting that women far from appearing to be less affected have also borne the brunt of the recession.

A higher proportion of individuals from ethnic minority groups within the Test Valley have become unemployed over the last 3 years compared to the population as a whole

- 1.36 In terms of ethnicity, there is a stark difference to Great Britain within the Test Valley. Much higher numbers of individuals within ethnic minority groups claimed benefits in 2011 compared to 2008 (growth of 110 per cent over the period). This is in contrast to just 77 per cent more for Great Britain as a whole. The average growth in claimants is 69 per cent and therefore this growth well above 100 per cent warrants closer attention to understand the drivers behind it, as it may be that this substantial growth reflects the small numbers of BME groups claiming Employment & Support Allowance in the Borough.

Figure 1.7: % change in CC between 2008-2011, by age, sex and ethnicity (BME)



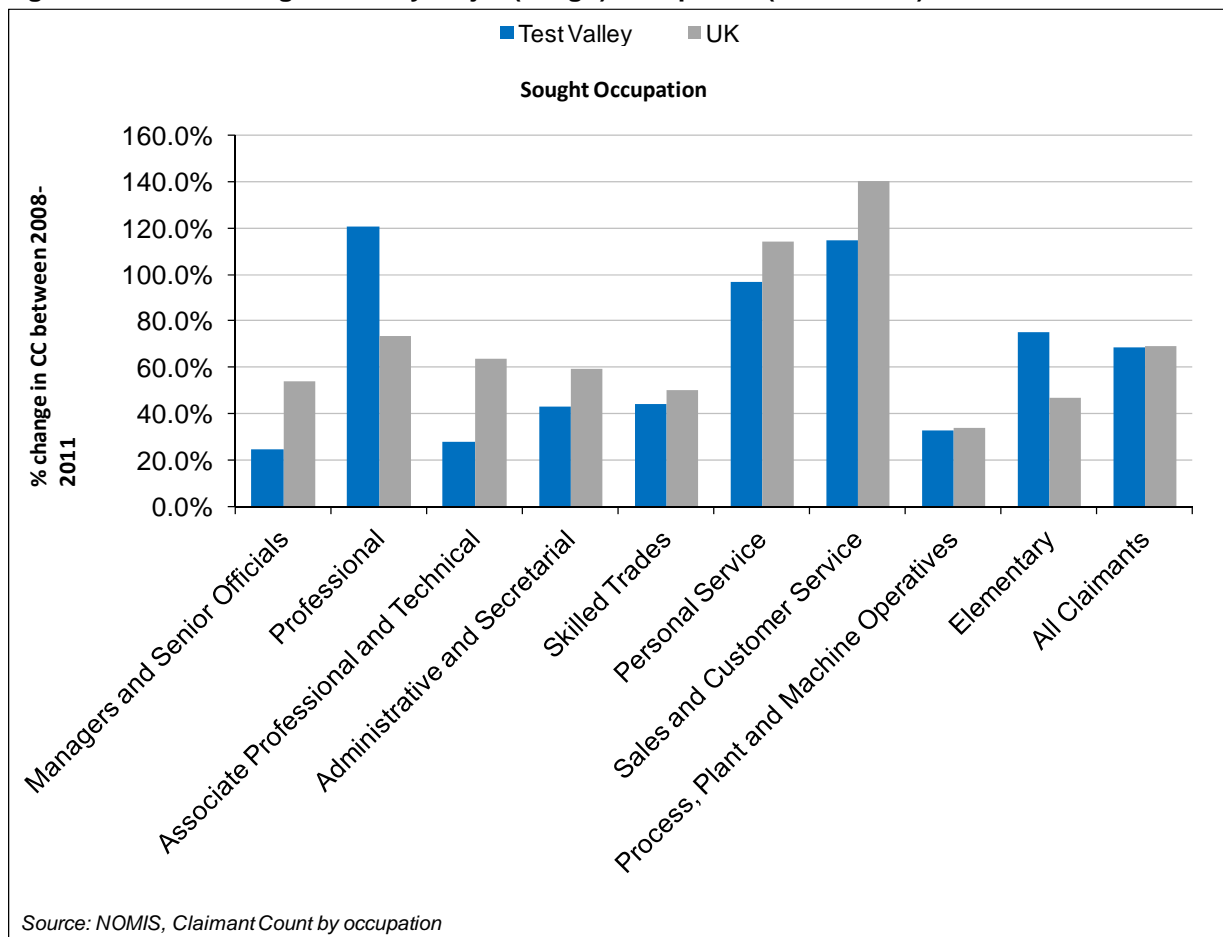
Occupation trends further support the fact that the service sectors have been severely affected by the recession, but the impact has been felt widely by all occupations...

- 1.37 The impact of the recession on the service sectors is more evident when we assess the occupation split of the unemployed. Across the UK as a whole the highest growth in benefit claimants comes from personal services and sales and customer services, as well as (to a much lesser extent) professionals.
- 1.38 The Test Valley largely follows the UK trend although its growth in claimants with a background in sales and customer services is slightly lower than the UK as a whole – the number of these claimants increased from 112 in 2008 to 240 in 2011 in the Borough, equivalent to an increase of 115 per cent compared with 121 per cent across the UK.
- 1.39 The most prominent trend illustrated in Figure 1.8 is the rapid growth in the number of claimants from professional occupations, which has increased by 121 per cent in Test Valley compared to 73 per cent in UK. It must be noted, however, that the numbers of claimants from professional occupations has traditionally been small. In absolute terms the number of professionals claiming Employment and Support Allowance (ESA) has increased from 20 in 2008 to 44 in 2011.
- 1.40 These trends will also reflect the occupational profile of Test Valley residents, relative to that of the UK. Indeed, when we look back at the Mosaic profile of the Test Valley outlined in the 2007 study, there is a clear over-representation in individuals within higher socio-economic groups (Mosaic Groups A “Career Professionals living in sought after locations” and B “Younger families living in newer homes”) and an under-representation of lower socio-economic groups (Mosaic Groups F “People living in social housing with uncertain employment in deprived areas” and G “Low income families living in estate based social housing”). It demonstrates the real extent of the recession in which all levels have been affected from those with lower levels of skills right through to the highly skilled.

Of more concern is the disproportionate numbers of individuals in elementary occupations that have become unemployed, suggesting that the squeeze on this group is even greater

- 1.41 Evidence on the growth in claimants from elementary occupations certainly supports the fact that all groups have been impacted. Individuals from elementary occupations have witnessed the fourth largest increase in claimant count numbers between 2008 and 2011 within Great Britain and the Test Valley.
- 1.42 It also suggests that those in lower skilled occupations are likely to have been disproportionately affected. Within the Test Valley, despite being under-represented within the population (as highlighted above based on the Mosaic mix), the growth in unemployment of individuals in elementary occupations has been greater proportionally than that witnessed across the UK as a whole, 75 per cent growth in Test Valley compared to 45 per cent in UK. This suggests that this group, albeit smaller than other segments of the population may need additional support to prevent a cycle of unemployment and worklessness developing.

Figure 1.8: % change in CC by major (1 digit) occupation (2008 - 2011)



2 Looking to the future

2.1 Introduction

2.1 In light of the changed economic and policy backdrop, this section considers how expectations for the future of the Test Valley have changed five years on. In particular, the section will consider:

- How our baseline forecasts for the Test Valley have changed; and
- Which sectors we expect to drive growth in the future;

2.2 A new economic outlook

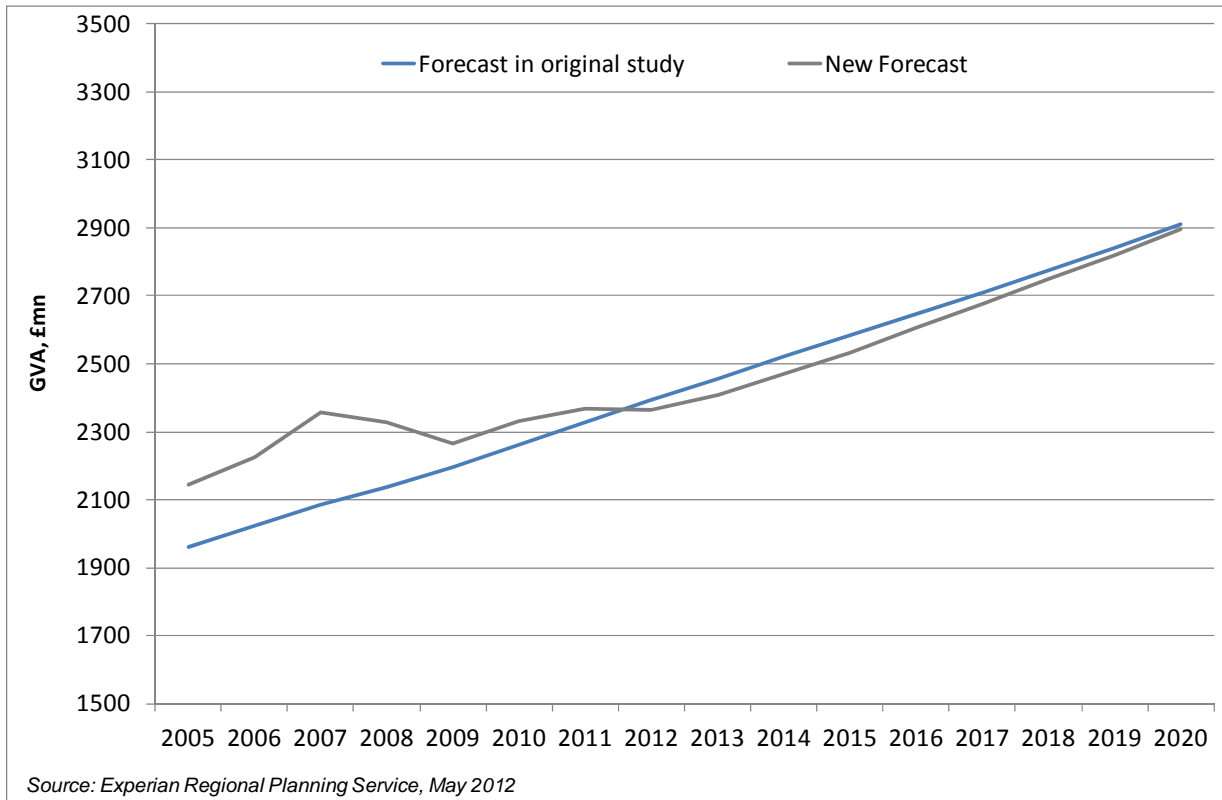
2.2 As detailed in section one, the past few years have seen an almost unprecedented level of economic turmoil both in the UK and across the globe. Consequently we have remodelled the baseline forecast produced in 2007 to better understand the situation in the Test Valley both today and in the future.

Pre-recession growth outstripped the original forecast, but post-recession the economy is likely to expand more slowly than estimated previously

2.3 There are two key differences in the new baseline: Firstly, the economic performance of the Test Valley pre-recession outstripped the forecast, with the local economy growing at a far higher rate than originally expected. GVA in 2007 was estimated at £2.36bn in the revised baseline, compared with £2.09bn in the original baseline. The more rapid expansion of the local economy was driven by strong performance of the Test Valley's Information & Communication, Manufacturing (particularly Food & Drink, Chemicals, Pharmaceuticals, and Machinery & Equipment), Hospitality and Finance and Insurance sectors.

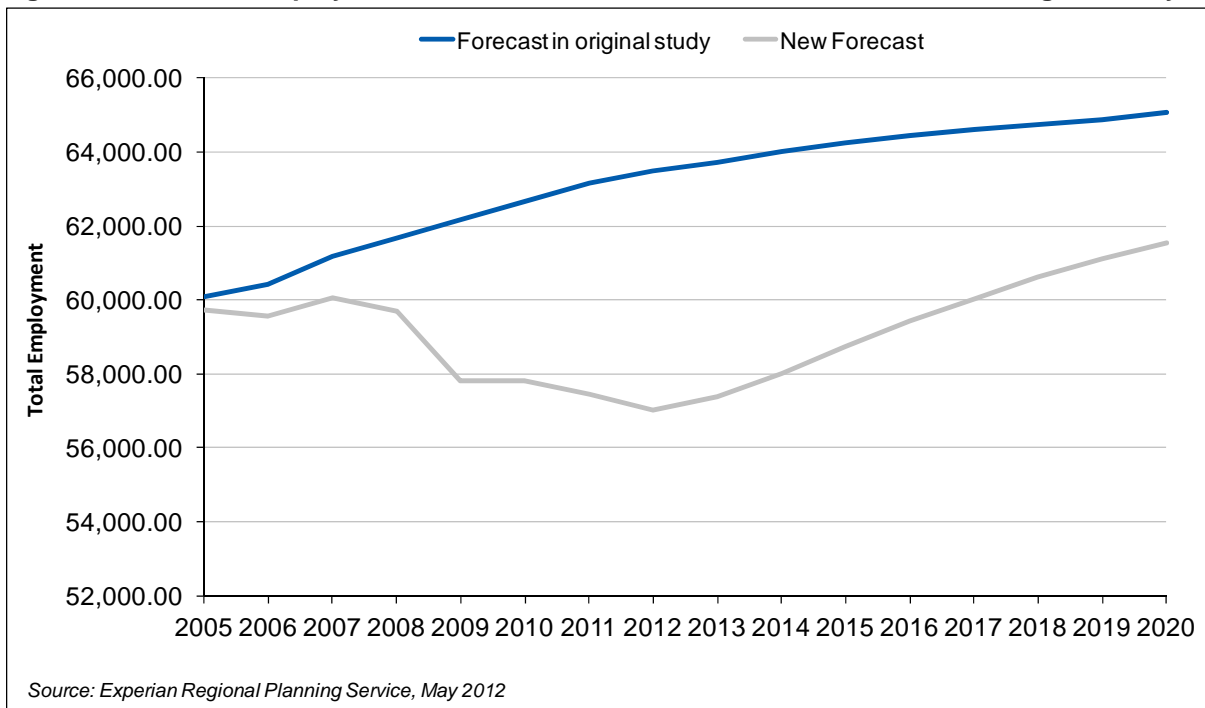
2.4 However, the Test Valley has been substantially impacted by the recession and public sector cuts and as a consequence the second difference in the new baseline is that the Borough's economy is forecast to follow a slightly slower economic trajectory in the future. We expect the Test Valley economy to record a very slight contraction during 2012 (-0.1 per cent), followed by a slow recovery during 2013 and 2014. Over the medium to long term, we expect the Borough's economy to grow slightly more slowly in the revised baseline than in the original, at a rate of 2.3 per cent on average per annum between 2012 and 2020 compared to the 2.5 per cent forecast in the original study. Ultimately, like in the original study, the Test Valley is forecast to slightly underperform the wider county and region (both 2.4 per cent per annum) but grow more rapidly than the national economy (2.0 per cent).

Figure 2.1: GVA; revised forecast vs. forecasts included in the original study



- 2.5 These trends have also had a knock-on impact on employment in the Borough. As discussed in the previous chapter, the Test Valley’s labour market has been severely hit and our forecasts suggest further job cuts during 2012 as the double-dip recession and public sector spending cuts work their way through to the labour market.
- 2.6 As such, the baseline has been subject to a sizeable downward revision and in 2012 there are forecast to be just over 57,000 people employed in the Borough – over 6,000 fewer people than predicted in the original study. We expect a relatively strong rebound in the labour market from 2013/14 onwards, as the economy begins to recover.

Figure 2.2: Total employment; revised forecast vs. forecasts included in the original study



While we have seen a substantial downward revision in our forecasts for job creation in the Borough, we continue to expect a structural shift towards the service economy

- 2.7 Over the longer term, the original study forecast that 4,970 jobs would be created in the Test Valley between 2005 and 2020. Under the updated baseline we expect that figure to be just 1,860. Looking at the extended forecasting period, we expect the Test Valley to create 7,180 net additional workforce jobs between 2011 and 2031, which has important implications for employment land requirements in the Borough. However, it is the sectoral make-up of these jobs that will influence the type of premises required, the skills needed by employers and so on.
- 2.8 While our expectations for job creation have changed dramatically, our forecasts for structural change in the local economy have not. Indeed, the original study predicted a shift away from traditional agriculture and manufacturing activities towards the service economy, and it is in these sectors we continue to expect to see growth.

Figure 2.3: Change in total employment by sector – revised forecast 2011 to 2031³³

Revised forecast 2011 to 2031	Employment as a % of total		Absolute net change 2011 to 2031	Average annual change 2011 to 2031
	2011	2031		
Agriculture, Forestry & Fishing	1%	1%	40	0.3
Mining and Quarrying	-	-	-	-
Manufacturing	12%	8%	-2,060	-1.7
Utilities	-	-	-	-
Construction	9%	9%	810	0.8
Wholesale & Retail	18%	17%	640	0.3
Transport & storage	5%	5%	630	1.1
Accommodation, Food Services & Recreation	9%	9%	640	0.6
Information & communication	4%	5%	630	1.2
Finance & Insurance	4%	5%	760	1.5
Professional & Other Private Services	16%	19%	3,450	1.6
Public Services	20%	20%	1,530	0.6
Total Employment	100%	100%	7,180	0.6

Source: Experian Regional Planning Service, May 2012

- 2.9 Over the next twenty years, we expect to see significant expansion across almost all parts of the Test Valley's service economy, particularly in Financial Services and Information and Communications – as well as in the Construction industry.
- 2.10 In employment terms, we expect the Professional and Other Private Services sector to expand rapidly at a rate of 1.6 per cent on average per annum between 2011 and 2031, and the sector is expected to account for almost half of all jobs created in the Borough over this period. We also predict strong job creation in the Financial Services (1.5 per cent), Information & communication (1.2 sectors) and Transport (1.1 per cent) sectors. In terms of numbers, we expect the Public Sector to create a significant number of jobs locally, albeit that this is led largely by the Education and Health sectors, where there exists substantial opportunity for growth over the longer term.
- 2.11 In contrast, growth will be far more muted in the Agricultural and Manufacturing sectors, the latter of which is expected to see substantial job shedding over the next two decades, with over 2,000 jobs lost in the Borough between 2011 and 2031.

³³ Figures for the Mining & Quarrying and Utilities sectors have been excluded, because they account for a very small share of the local economy (less than 1% of workforce jobs).

Figure 2.4: Growth forecasts for the Test Valley, 2011-2031⁴



Source: Experian Regional Planning Service, May 2012

2.12 While it has not been possible to create sub-district forecasts for job creation, the current distribution of these sectors within the Borough provides a useful indication of the potential spatial distribution of job creation in the future, particularly relevant for spatial planning and employment land allocation. On this basis, we would expect:

- The growth in jobs in the Professional and Other Private Services sector and also the Public Sector (led by Education and Health) to be largely distributed between the more highly populated areas in the North and the South of the Borough, with much more limited numbers created in the rural parts of the Test Valley.
- Financial services job creation to be concentrated in the North of the Borough, and Information & Communication and Transport & Storage jobs to be concentrated in the South.
- Job shedding in the Manufacturing sector to disproportionately impact the North of the Test Valley, meaning in overall terms net job creation may be greater in the South of the Borough than in the North.

⁴ Figures for the Mining & Quarrying and Utilities sectors have been excluded, because they account for a very small share of the local economy (less than 1% of workforce jobs).

3 Assessing the validity of the LTES

3.1 Introduction

- 3.1 This final section will build on the previous chapters to draw conclusions concerning the validity of the LTES for the Test Valley.
- 3.2 It will 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 the appropriateness of the actions outlined to deliver them.

3.2 The LTES: Assets, trends and drivers

- 3.3 Clearly the recession and public sector fiscal austerity measures have had a sizeable impact on the Test Valley and we now find ourselves facing a very different economic and policy backdrop. It is therefore important that we question whether these changes have impacted on the assets, trends and drivers identified in the LTES.

The challenges identified for the Test Valley remain valid, but the changed backdrop for the LTES has compounded or added to these issues...

- 3.4 The critical point to note is that, while they have been felt heavily and widespread throughout the world, many of the trends we have witnessed over the past five years have been short term and cyclical in nature. In contrast, the LTES by definition sought to pin-point the longer term issues of key importance to the Borough, identified through a comprehensive and robust work programme. These were broadly structured around the need to:
- *maximise the Borough's current assets* – including capitalising upon its quality of life and rural/environmental assets, its highly entrepreneurial traits and dynamic business environment, and its position within wider sphere of economic activity; and
 - *equip the Borough for the future* – addressing its dependence on low-value industries and jobs, its need to upgrade, enhance and expand employment sites, and its low levels of skills, aspirations and earnings.
- 3.5 Clearly these challenges remain very much valid, but the changed backdrop for the LTES has arguably compounded these issues and left a lasting legacy which presents additional challenges to the Test Valley, particularly with regard to:
- a changed economic trajectory and a significant contraction in the number of local jobs, with the Test Valley labour market disproportionately impacted by the recession;
 - public sector fiscal austerity measures, which place even greater emphasis on the need to attract (private sector) jobs to the local area, but mean there is less public money available to deliver economic development interventions; and
 - much higher levels of unemployment in the Borough than witnessed during the original study, with young people and those working in low-skill occupations particularly affected.

3.3 The LTES: Strategic aims and objectives

- 3.6 Having recognised the key assets, trends and drivers of the Test Valley economy, the LTES then went on to articulate two clear aims for the Borough:
- Achieve a step-change in the Test's Valleys economy, pushing it up the value-chain; and
 - Forge a higher-profile role for Andover and the Test Valley as a whole.
- 3.7 Within this, the LTES identified a series of objectives, including raising the value of jobs; attracting investment; fostering enterprise; allocating, expanding and enhancing a range of employment sites; tackling skills deficiencies; and building the Test Valley brand.

The recession has further highlighted the vulnerability of the Borough's low-value economy, and the importance of the LTES Strategic Aims and Objectives ...

- 3.8 These strategic aims and objectives clearly remain as critical today as they did when the LTES was written, and the difficult economic climate seen over the past few years has in fact highlighted their importance.
- 3.9 In particular, the original study warned that "Test Valley, with its relatively low-value industrial structure, is vulnerable" and we have seen quite how vulnerable over the past few years, with the substantial job shedding witnessed in the local economy as the recession hit low-value industries and jobs disproportionately hard.
- 3.10 Moreover, the Coalition Government has pledged to rebalance the UK economy both in terms of sectors and in terms of geography, in order to foster greater economic resilience to shocks in the external environment. Clearly, this has real meaning for the Test Valley, given the need to diversify the economic base, move up the value chain, and achieve a balance between the North and South of the Borough.
- 3.11 Despite their importance it must be noted that these Aims and Objectives may be more challenging to deliver, at least in the short-term. Attracting new investment will prove harder in a climate where business investment is limited by uncertain economic conditions and stringent lending conditions. Enhancing the skills base will be challenging when employers are investing less in training and even graduates are struggling to find work. And attracting young people will be difficult when the claimant count amongst this cohort has increased so rapidly in the Borough.
- 3.12 Ultimately the case for change in the Test Valley is clearer than ever, but policy makers, businesses and residents need to take collective ownership for delivering the Actions required to achieve the Aims and Objectives articulated in the LTES.

3.4 The LTES: Strategic actions

The Actions identified in the LTES are absolutely vital if the Test Valley is to forge a strong and prosperous future.....

- 3.13 Finally, the LTES identified a series of 17 actions required to deliver the Strategic Aims and Objectives, including Actions for Test Valley as a whole, for Andover and its surrounding areas, and for the South of the Borough.
- 3.14 Given the Strategic Aims and Objectives remain of critical importance to the Test Valley so too do the Actions identified as imperative to delivering them. The changed backdrop will give particular weight to

those Actions which seek to attract investment and jobs to the area, offering the right mix of employment sites, skills, and other infrastructure, and marketing these to potential investors (e.g. TV2: Marketing the Test Valley), in order to attract businesses, and particularly high value businesses and jobs (such as those at the University of Southampton Science Park), to the Test Valley. This will be critical if the Borough is to strengthen its economy and move up the value chain and schemes such as the Council's 15 year partnership with private sector partner Kier to rejuvenate the Walworth Business Park will be vital to creating the right conditions to attract investment and jobs.

- 3.15 Indeed while the recession has severely impacted the labour market, we expect the job creation to resume at pace from 2014 onwards with over 7,000 jobs created over the next 20 years. The Coalition Government has implemented a whole package of reforms under its localism agenda to devolve greater power and freedoms to councils and neighbourhoods, establish powerful new rights for communities, and revolutionise the planning system. The Borough Council itself will play an important role in ensuring the appropriate allocation, enhancement and expansion of employment land required to facilitate this economic growth, meeting the specific needs of businesses, now and in the future, reflecting the continued structural change in the Test Valley towards the service economy.
- 3.16 With the rising tide of unemployment particularly amongst those with low skills, and the potential of a 'lost generation' of young people who are disengaged from the labour market, interventions that boost skills and aspirations are likely to be even more important. The Council's Andover Skills Training Fund (funded by the Andover Corporate Park) is a positive step in helping to tackle the issue of low skills in the North of the Borough, but it is more essential than ever that policy makers work to implement relevant Actions outlined in the original strategy, including A5: Securing a skills/employability centre, A6: Branding skills & employability activity and TV3: Engaging with business.

...however public sector partners will need to 'do more, with less', prioritise and get creative, working with new partners.

- 3.17 It is important that the strong momentum behind economic development, and particularly the Andover Vision, recognised in the original study continues and that local policy makers use the recession to corral support behind the LTES Actions. However, this will involve having to 'do more with less' as austerity measures take hold and local authority budgets remain constrained, and the Borough will have to prioritise, get creative (exploring the potential of Tax Increment Financing (TIF), the Community Infrastructure Levy (CIL) and other financing mechanisms) and rally support from stakeholders, businesses and the community.
- 3.18 Finally, it is important to recognise that the council is working within a changed policy arena – with the demise of some stakeholders and funding streams while new players, opportunities and funding mechanisms have emerged. It is essential that the Borough Council works effectively in partnership with those striving to stimulate growth across the wider sub-region, including the new Local Enterprise Partnerships (LEP) which cover the Borough (Solent LEP and Enterprise M3 LEP), if it is to regain its path of growth over the years ahead.

