

Solent Economic Profile Final Report

Solent Local Enterprise Partnership

July 2019

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1.0 Introduction

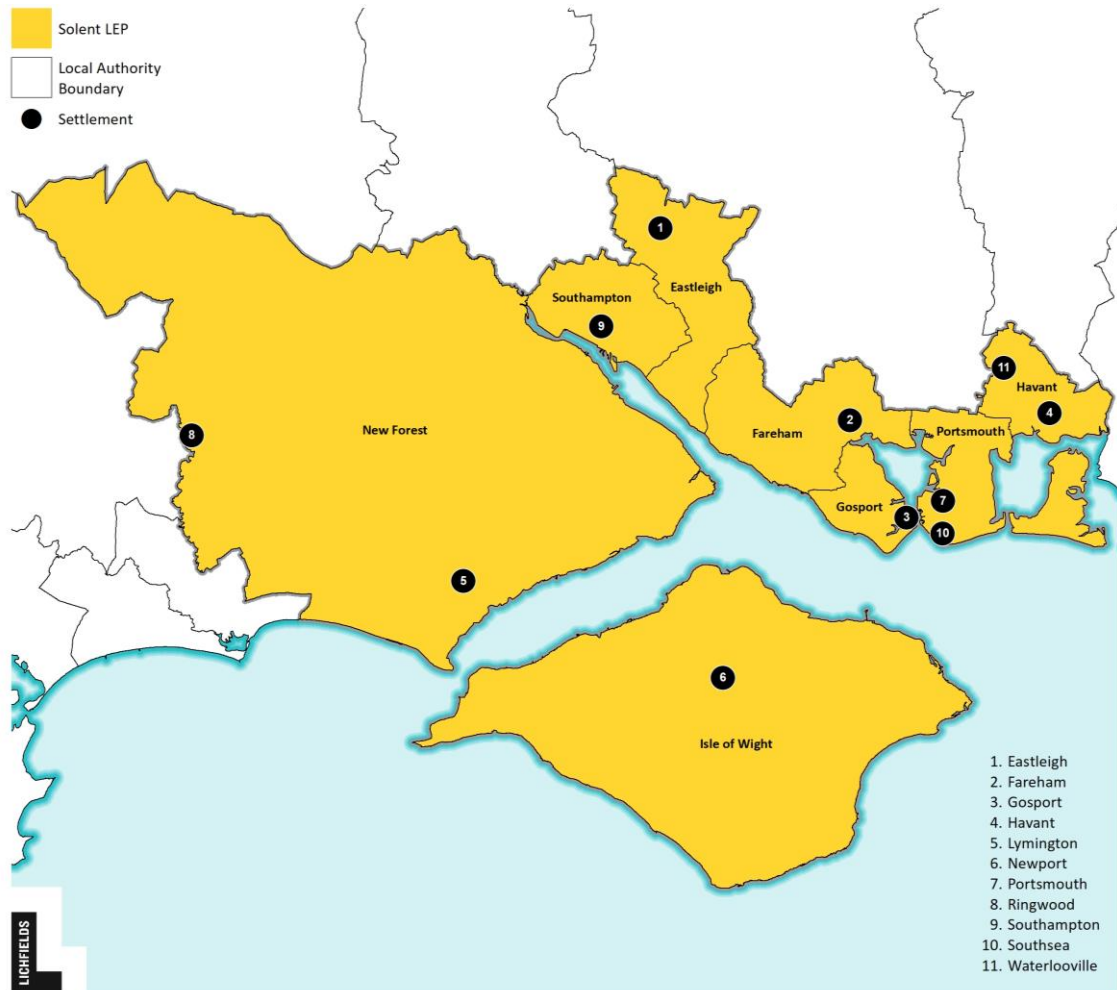
- 1.1 The Solent Local Enterprise Partnership (LEP) commissioned Lichfields to prepare an Economic Profile of the Solent LEP area. The purpose of the Economic Profile is to analyse and present a range of demographic, employment, business and labour market characteristics for the Solent-wide area, and in doing so identify the key strengths, weaknesses, opportunities and challenges to future economic growth.

The Solent LEP Area

- 1.2 The Solent area is an internationally-recognised economic hub comprising the Isle of Wight, the two cities of Portsmouth and Southampton, the M27 corridor and the Solent waterway.
- 1.3 The Solent's position also means it is one of the UK's most important gateways to European and global markets, with direct highway and rail links to London and the strategic national corridor, and international connections through an airport and two ports, which lie just 20 nautical miles from the world's busiest shipping route from Shanghai to Rotterdam.
- 1.4 In governance terms, the Solent LEP area is characterised by both unitary authorities (operating under a single tier local government system, such as Portsmouth, Southampton and the Isle of Wight) and a two-tier system of five district councils operating alongside Hampshire County Council.
- 1.5 Following a comprehensive review in 2018 by the Government of its policy towards LEPs¹, the Solent LEP amended the geography of the Solent LEP area to more closely match the administrative boundaries of its constituent local authority areas. This process removed parts of Winchester, East Hampshire and Test Valley that formerly featured within the Solent LEP boundary, and has also added the whole of New Forest District within the geographical definition of the Solent LEP area.
- 1.6 For the purposes of analysis, data is generally presented at the local authority level, and in this respect, the Solent LEP area comprises the eight local authority areas of Eastleigh, Fareham, Gosport, Havant, Isle of Wight, Portsmouth, Southampton, and New Forest, as well as part of Hampshire County and the whole of the New Forest National Park Authority area.
- 1.7 Figure 1.1 below illustrates which local authority areas are situated within the Solent LEP area.

¹ HM Government / MHCLG, Strengthened Local Enterprise Partnerships, July 2018

Figure 1.1 Solent LEP Context



Source: Lichfields analysis

Caveats and Limitations

- 1.8 This report draws on a variety of different sources of information including LEP reports and documents, publicly-available datasets, data from the LEP and published evidence. The sources of information are generally specific to the LEP geography².
- 1.9 It is important to note that this report represents a point-in-time assessment. The analysis incorporates the latest data and other evidence available at the time of preparation during late 2018 but will be subject to change. The accuracy of data derived from third party sources has not been checked or verified by Lichfields.

² For most of the employment and economic output analysis, data for New Forest District is drawn from a different source (ONS) to the other 7 LEP authority areas (Oxford Economics).

Structure of the Report

1.10

The remainder of the report comprises the following sections:

- **Section 2** reviews the current and future employment structure of the Solent LEP area, and considers the economic value of the local economy and productivity of its workforce;
- **Section 3** examines the characteristics of the local business population including the size and sectoral make-up of local businesses as well as broad property market characteristics and change in business floorspace;
- **Section 4** considers the age structure of the Solent LEP population currently and how it may change in the future, current migration patterns and deprivation;
- **Section 5** reviews labour market characteristics including levels of economic activity and unemployment and the qualifications and occupations held by Solent residents;
- **Section 6** considers the common economic features of the Solent LEP area, its economic assets and constraints to future growth; and
- **Section 7** draws together the key findings of the previous sections and analyses the LEP area's current economic strengths and weaknesses, and the future opportunities and threats it could face.

2.0 Employment

2.1 This section analyses employment in the Solent LEP area, considering past and future sectoral trends, workforce productivity and those sectors expected to play the greatest role in driving growth in the future.

Recent Trends

2.2 As at 2018, just under 588,300 people are employed in the Solent LEP area, representing an uplift of 13,400 jobs or 2.3% from 2010. By comparison, employment in the South East and UK grew at higher rates (5.6% and 7.9% respectively) on average over the period³. Out of the Solent LEP local authorities, Southampton and Portsmouth represent the largest centres of employment (130,700 and 123,300 workers respectively), cumulatively containing 43.2% of all jobs in the LEP area.

2.3 The main local authorities that have driven employment growth in the LEP area between 2010 and 2018 are Southampton, Havant and Portsmouth, which cumulatively contributed an additional 12,600 jobs. Out of the three authorities, Southampton experienced the highest rate of growth (6.8%) followed by Havant and Gosport (6.3% and 4.2% respectively). All of the authorities except Eastleigh gained or retained their existing number of jobs; Eastleigh lost 900 jobs, equivalent to 1.4% of the authority area workforce. Figure 2.1 below presents current employment and how much employment changed in each LEP authority from 2010 to 2018.

Figure 2.1 Solent LEP Employment by Local Authority



Source: Oxford Economics 2017 / Lichfields analysis

³ Oxford Economics, (2017); Solent Dataset

Future Growth Potential

- 2.4 According to the latest projections commissioned by the LEP, employment is expected to continue growing in the future. Econometric forecasts indicate that an additional 35,600 jobs (6.1%) will be created between 2018 and 2036, primarily driven by new employment opportunities in Eastleigh, Portsmouth and Southampton. Other local authorities by comparison are expected to experience lower employment growth, including Gosport (gain of 1,200) and Havant (gain of 400), while New Forest is the only local authority within the LEP area that is forecast to see an overall decline in its employment base up to 2036. Further details are presented below in Table 2.1.

Table 2.1 Forecast Employment Change in the LEP Area

Location	Absolute Change in Employment (2018-2036)	% Change in Employment (2018-2036)
Eastleigh	6,000	+8.8%
Fareham	3,400	+6.0%
Gosport	1,200	+4.5%
Havant	400	+0.7%
Isle of Wight	4,500	+7.5%
New Forest	-500	-0.6%
Portsmouth	8,500	+6.9%
Southampton	12,000	+9.2%
Solent LEP	35,600	+6.1%

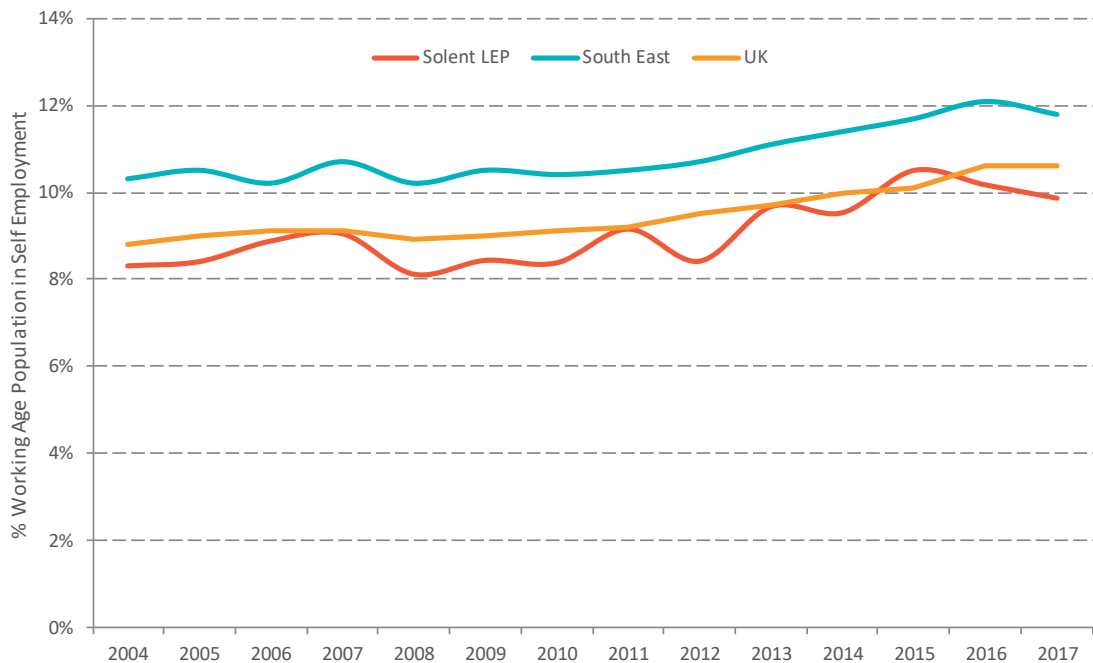
Source: Oxford Economics 2017 / Lichfields analysis

Self-Employment

- 2.5 The Office for National Statistics (ONS) Annual Population Survey indicates that in the year between January and December 2017⁴, 75,800 members of the LEP's working age population (aged 16-64 years old) were self-employed, which equated to 9.9% of the LEP's working age population. In comparison, the South East and UK recorded higher average rates (11.8% and 10.6% respectively). This trend has remained broadly the same since 2004, with the rate of self-employment in the LEP area only increasing above the UK average in 2015, and never surpassing the South East over the period (Figure 2.2).

⁴ Office for National Statistics, (2018); Annual Population Survey January to December 2017

Figure 2.2 Working-Age Self-Employment (2004-2017)

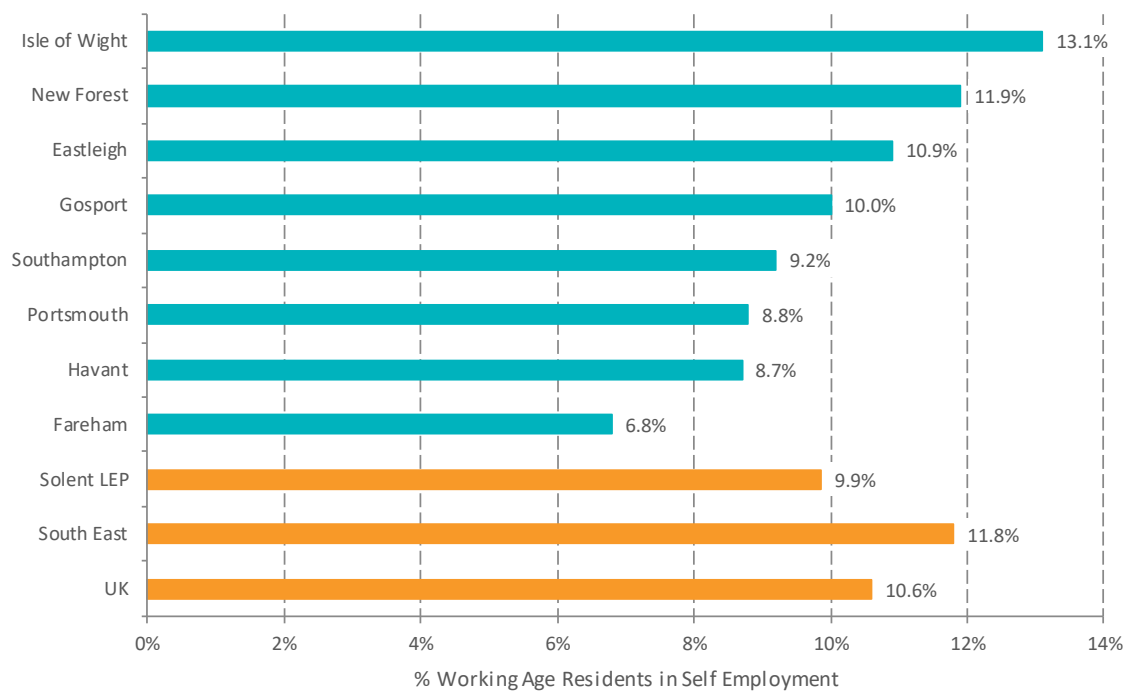


Source: Office for National Statistics (ONS) 2018 / Lichfields analysis

2.6

Self-employment rates in the individual LEP authorities range from 6.8% to 13.1% (Figure 2.3). Notably, the local authorities most peripheral to the main LEP urban area (i.e. Isle of Wight and New Forest) have the highest rates of self-employment, while Fareham is situated at the lowest end of the range (see Figure 2.3).

Figure 2.3 Self-Employment in the Working Age Population

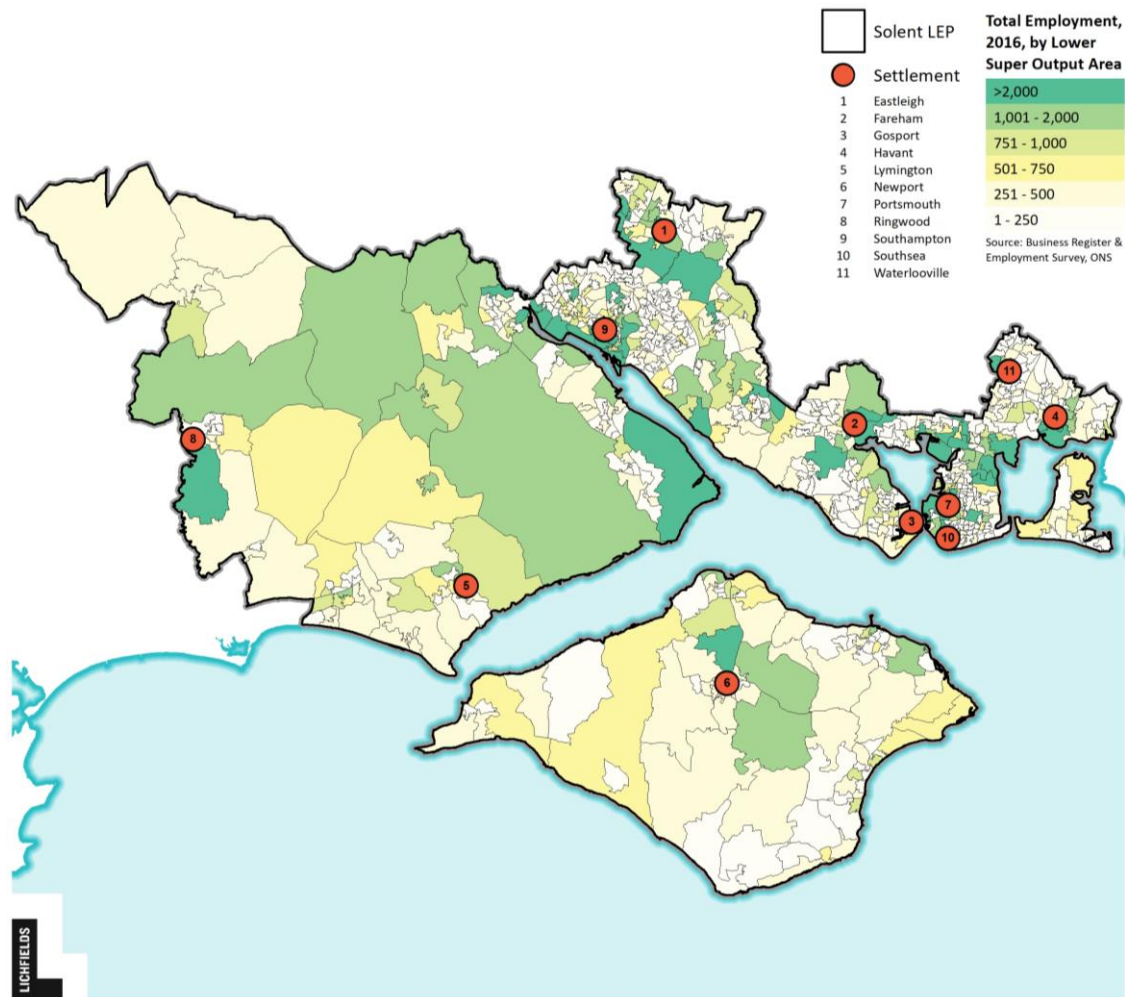


Source: ONS 2018 / Lichfields analysis

Spatial Distribution

2.7 Figure 2.4 below shows concentrations of employment by LSOA within the Solent LEP area as of 2016⁵, thereby illustrating where key employment clusters are located. The map illustrates clusters of employment, as would be expected, around Portsmouth Naval Base, the Port of Southampton and the city centres of Portsmouth and Southampton. Other notable concentrations of high employment can be found in and around several large industrial estates in the local authorities of Eastleigh, Fareham and Havant.

Figure 2.4 Employment by LSOA (2016)



Source: ONS Business Register and Employment Survey 2017 / Lichfields analysis

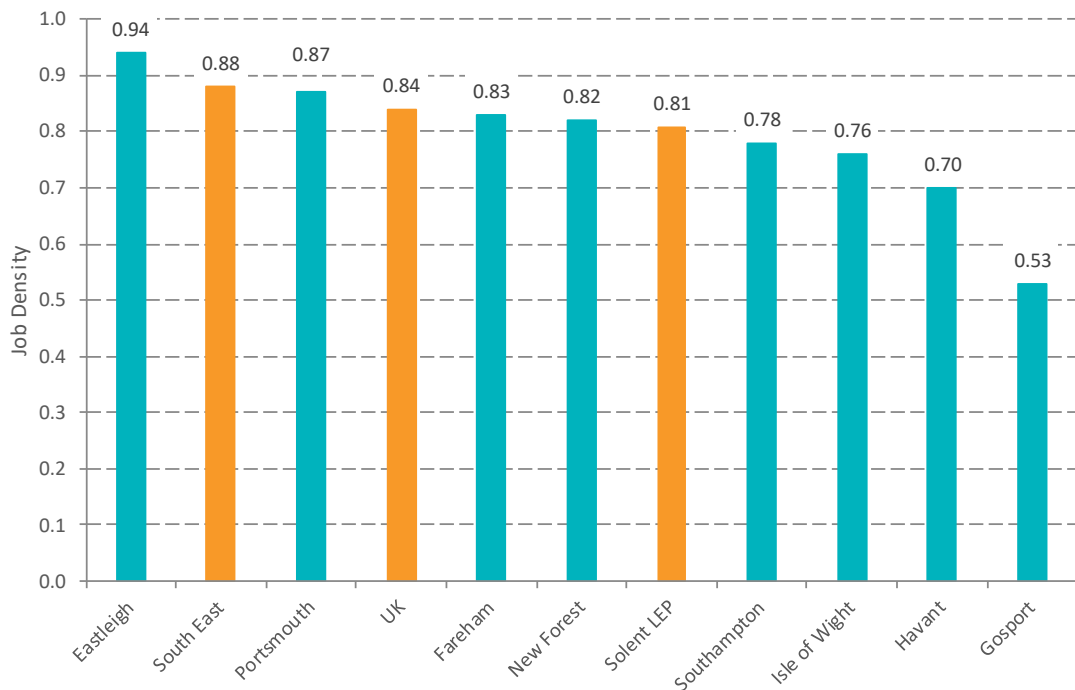
2.8 There are also concentrations of employment located in the more peripheral areas of the LEP, including on the Isle of Wight and in the New Forest. The largest concentration on the Isle of Wight is found in the county town of Newport, while concentrations in the New Forest are situated near to the ExxonMobil petro-chemical facility and around Ringwood.

⁵ ONS, (2017); Business Register and Employment Survey

Job Density

- 2.9 Job density is measured by the ratio of jobs to working-age residents (aged 16-64 years)⁶. In 2016, the jobs density of the Solent area equated to 0.81 jobs per working-age resident, which was lower than the South East and UK averages (0.88 and 0.84) during the same year (see Figure 2.5). In comparison to the updated geography, the previous LEP area had a lower job density of 0.79.

Figure 2.5 Job Density (2016)



Source: ONS 2017 / Lichfields analysis

- 2.10 Within the LEP area, Eastleigh, Portsmouth and Fareham had the highest job densities (at 0.94, 0.87 and 0.83 respectively), out-performing the other authorities and the Solent LEP average, while closely matching the South East and UK averages.
- 2.11 By comparison, Gosport, Havant and the Isle of Wight have the lowest job densities (0.53, 0.70 and 0.76 respectively). Among these authorities, Gosport stands out as recording the lowest job density in the Solent which not only falls significantly below the Solent LEP, South East and UK averages, but also ranks as the 13th lowest job density of all local authority areas in the UK⁷.

Sectoral Profile

- 2.12 The Solent LEP area's largest employment sectors in 2018 are wholesale and retail trade, health and social work, education and administrative and support service activities. These sectors together employ 270,200 people, which is equivalent to 45.9% of total employment in the LEP area (see Table 2.2). In comparison to the South East and UK, the LEP has a similar proportion of employment in all four sectors, with some minor variation.

⁶ ONS, (2017); Jobs Density

⁷ *ibid*

Table 2.2 Employment by Sector (2018)

Sector	% Total Employment		
	Solent LEP	South East	UK
Agriculture, forestry and fishing	0.8%	0.9%	1.2%
Mining and quarrying	0.1%	0.1%	0.2%
Manufacturing	7.1%	5.5%	7.5%
Electricity, gas, steam and air conditioning supply	0.3%	0.4%	0.4%
Water supply; sewerage, waste management and remediation activities	0.6%	0.6%	0.6%
Construction	6.7%	7.5%	6.7%
Wholesale and retail trade; repair of motor vehicles and motorcycles	14.6%	15.1%	14.6%
Transportation and storage	5.3%	4.7%	4.7%
Accommodation and food service activities	7.9%	6.7%	6.8%
Information and communication	4.2%	5.6%	4.1%
Financial and insurance activities	2.5%	3.0%	3.3%
Real estate activities	1.4%	1.6%	1.6%
Professional, scientific and technical activities	6.1%	9.5%	9.0%
Administrative and support service activities	8.5%	8.7%	8.8%
Public administration and defence; compulsory social security	5.5%	3.5%	4.0%
Education	10.1%	9.3%	8.4%
Human health and social work activities	12.7%	10.8%	12.3%
Arts, entertainment and recreation	3.1%	3.2%	2.9%
Other service activities	2.7%	3.5%	2.9%

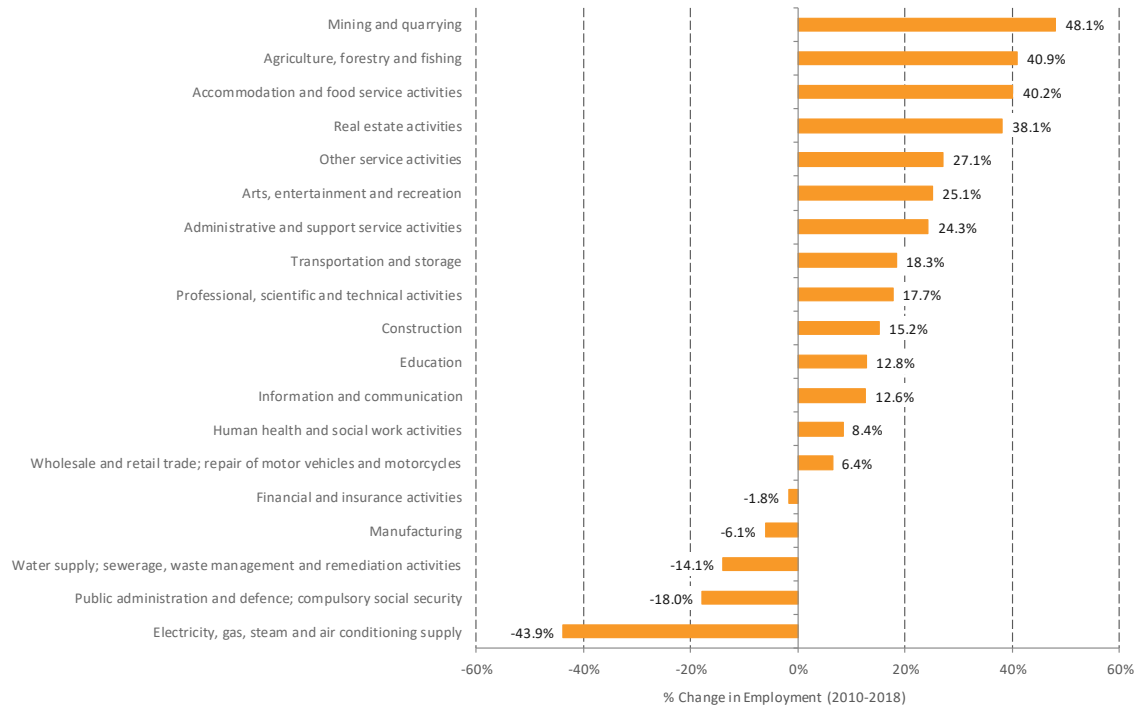
Source: Oxford Economics 2017 / Lichfields analysis

- 2.13 Where the Solent differs compared to the South East and UK is in comparatively smaller sectors such as accommodation and food services, public administration and defence and transportation and storage (7.9%, 5.5% and 5.3% respectively), while it has lower proportions of employment in smaller service sectors including professional, scientific and technical activities and finance and insurance (6.1% and 2.5% respectively).
- 2.14 Maritime represents a sector of overarching importance to the Solent LEP area and its economy; due to the variety of activities involved and the complexity of its supply chains, the maritime industry cuts across a number of economic sectors including shipping, ports, marine and maritime business services. A recent report by CEBR⁸ estimates the economic impact or 'footprint' of the Solent maritime sector to comprise at least £5.5 billion GVA in 2015, equivalent to 19.3% of the Solent LEP economy, 2.2% of the South-East economy and 0.3% of the entire UK economy. It is estimated to employ upwards of 120,000 people (19.8% of all jobs in the Solent LEP economy), between them generating wages, salaries and other employee remuneration of at least £2.2 billion each year.
- 2.15 While the Solent continues to have a strong manufacturing base, the highest levels of employment growth have occurred in service sectors as shown below in Figure 2.6. Between 2010 and 2018, accommodation and food services (40.2%), other service activities (27.1%), arts, entertainment and recreation (25.1%) and administrative and support service activities (24.3%) all experienced significant increases in total employment. Over the same period, decreases in employment were experienced in the manufacturing and public administration and defence

⁸ Centre for Economics and Business Research, The economic role and contributions of the maritime sector in the Solent LEP area, May 2018

sectors (-6.1% and -18.0% respectively). This reflects wider macro-economic trends and restructuring and is not unique to the Solent.

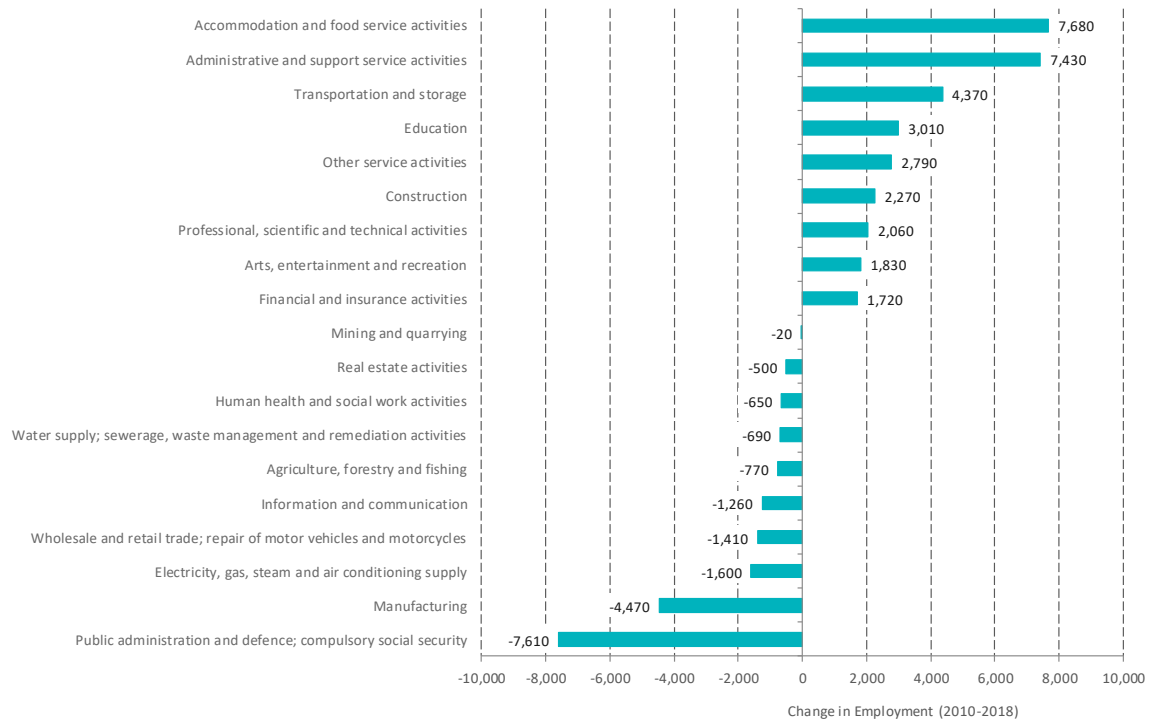
Figure 2.6 Solent LEP % Employment Change by Sector (2010-2018)



Source: Oxford Economics 2017 / Lichfields analysis

- 2.16 The analysis of employment change in recent years is presented in absolute terms in Figure 2.7 below. This shows that the manufacturing and public administration and defence sectors experienced the largest decreases in jobs (-4,470 and -7,610 respectively) out of all sectors between 2010 and 2018.
- 2.17 The increasing importance of private service sectors to the Solent’s economy is also reflected in Figure 2.7, with accommodation and food service activities and administrative and support service activities experiencing the highest increases in total jobs (at 7,680 and 7,430 respectively).

Figure 2.7 Solent LEP Employment Change by Sector (2010-2018)



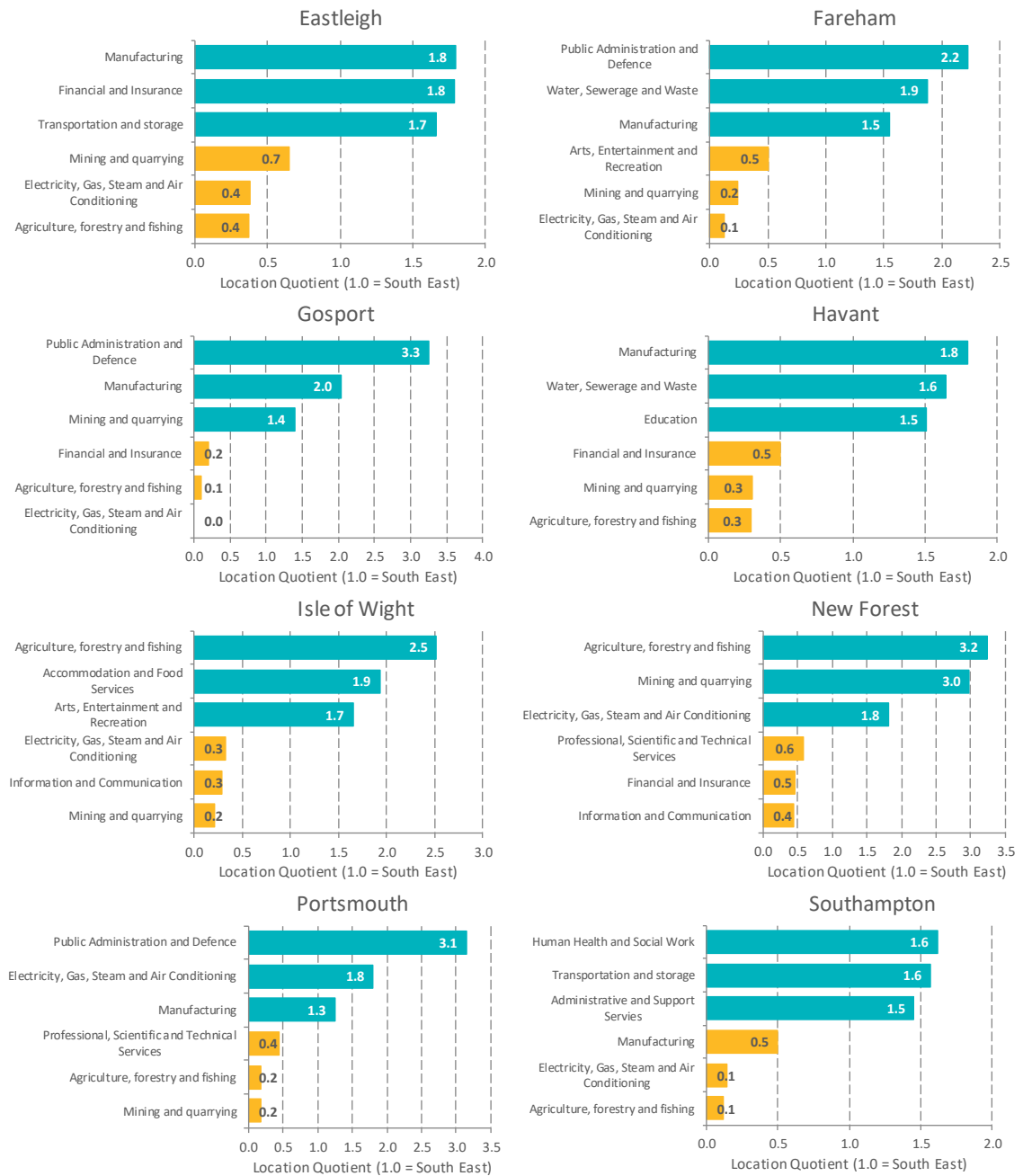
Source: Oxford Economics 2017 / Lichfields analysis

Note figures may not sum due to rounding.

- 2.18 A key difference in LEP wide employment change between the current and previous LEP geography is how the accommodation and food service activities sector has expanded. Employment in the sector increased by 19.5% between 2010 and 2018 in the previous LEP area, while in the current LEP area employment in the sector grew by 40.2%. This can be explained by the inclusion of the whole New Forest District in the LEP and the removal of East Hampshire, Test Valley and Winchester, which were less prominent in the sector compared to the current LEP authorities.
- 2.19 The mix of employment by sector in each individual local authority differs from the LEP wider averages, reflecting the unique make-up of each local authority’s economy and business base. Figure 2.8 overleaf provides location quotients for each local authority’s top and bottom three sectors in comparison to the South East of England⁹. A significant trend is the scale of the public administration and defence sector in Gosport and Portsmouth (3.3 and 3.1 respectively), which is related to the various MOD facilities located around Portsmouth Harbour and the Gosport Peninsula. There are also high concentrations of transportation and storage employment in Southampton and manufacturing concentrations in Eastleigh, Fareham and Gosport. The New Forest also has a large agriculture, forestry and fishing sector.

⁹ A location quotient of more than 1.0 indicates a higher representation in employment terms than the South East average. Conversely, a location quotient of less than 1.0 indicates a lower sector representation than the South East average.

Figure 2.8 Solent LEP Employment Location Quotients (2018)



Source: Oxford Economics 2017 / Lichfields analysis

- 2.20 The smaller sectors in most of the authorities tend to be linked to specific primary activities such as agriculture, forestry and fishing and mining and quarrying. Some notable exceptions to this rule include the minor professional, scientific and technical services sector in the New Forest and Portsmouth (location quotients of 0.5 and 0.4 respectively), and the small manufacturing sector in Southampton (location quotient 0.5).
- 2.21 In the future, the sectors forecast to grow strongly in the LEP economy in employment terms are expected to be largely service based, echoing trends recorded between 2010 and 2018. Over the period to 2036, major increases in employment are forecast in the professional, scientific and technical activities sectors, administrative and support service activities and information and communication sectors (19.9%, 19.0% and 17.0% respectively), reflecting wider trends

anticipated in the South East and the ongoing process of economic restructuring towards a service based economy. These industries are forecast to gain an additional 7,140, 4,730 and 8,480 jobs respectively over the period 2018- 2036.

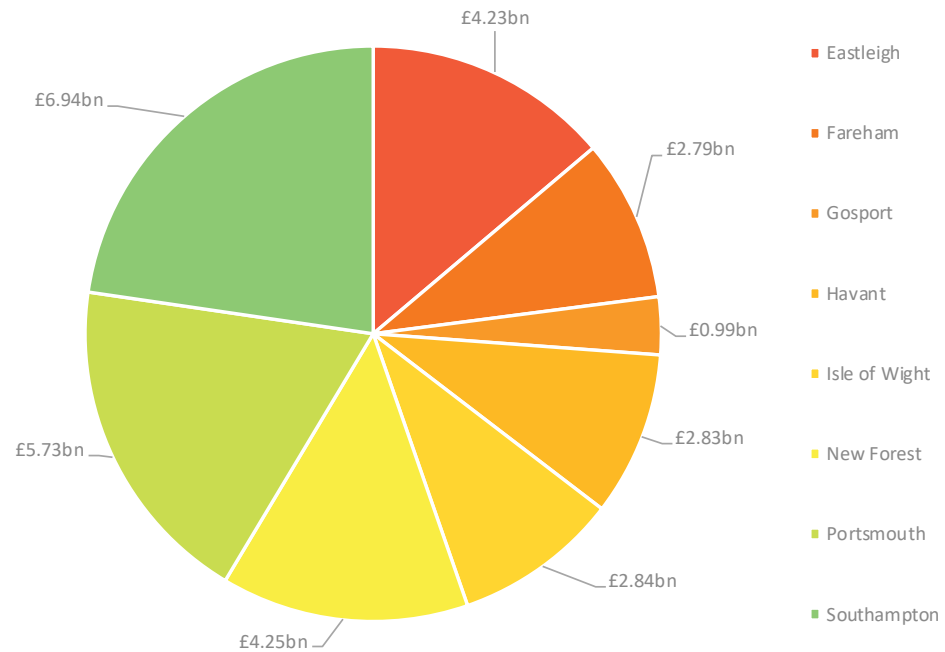
- 2.22 Meanwhile, the largest proportional declines in employment are forecast in the mining and quarrying, electricity, gas, steam and air conditioning supply and manufacturing sectors (-49.8%, -30.4% and -24.0% respectively). In absolute terms, manufacturing is forecast to see the largest decrease in jobs (at -10,080). Ongoing job losses within the public administration and defence sector is expected to slow from a rate of -950 jobs per annum to -150 jobs per annum.
- 2.23 Overall, the latest forecasts commissioned by the LEP indicate that the Solent will continue to become more reliant on private sector service industries for employment, while the importance of primary and secondary sectors will diminish in relative terms.
- 2.24 Whilst this represents the broad direction of travel, it may not represent how specific sub-sectors in the LEP area (such as marine and maritime industries) will change in employment terms over the period, particularly if measures are put in place to support sector development and productivity, for instance through the emerging Solent Local Industrial Strategy. It is also worth noting that traditional economic forecasts are trend based, which means that they are generally unable to factor in major growth plans and upcoming developments within a particular local area which may stimulate additional employment growth over and above a trend-based model.
- 2.25 In this respect, it is worth noting that a number of key assets and sectors based within the Solent have identified strong potential for significant levels of growth over the coming years, the cumulative effect of which could be transformational within a Solent-wide context. This includes the Port of Southampton who have recently consulted on a Master Plan to expand the Port to provide additional land, berth space and facilities to handle cargo, all of which will be necessary for the Port to continue to grow as an international gateway to the local, regional and national economy. Meanwhile, Southampton Airport have also recently consulted on a draft Master Plan to extend the existing runway and expand aviation facilities as part of a long-term plan for growth. This also provides a wider catalyst through the airport's role as a key transport and economic asset, supporting the Solent's ambition to build upon its strengths in marine, advanced manufacturing, further education and tourism. And as noted later in this section, recent evidence prepared on behalf of the Solent LEP underlines the sizeable contribution and growth potential associated with the Solent's flagship marine and maritime industries.

Economic Output and Productivity

- 2.26 During 2017, the LEP economy generated £30.5 billion of gross value added (GVA) over the year¹⁰. This represents an increase from £25.7 billion in 2010, equivalent to a 19.0% increase over the period. As shown below in Figure 2.9, the largest contributors to GVA are Southampton, Portsmouth, New Forest and Eastleigh. Gosport generates the lowest amount of GVA (at £0.99 billion), however, this is to be expected considering the Borough has the smallest workforce.

¹⁰ ONS, (2018); Regional GVA (Balanced Approach – Current Prices)

Figure 2.9 Solent Local Authority Gross Value Added (2017)



Source: ONS 2018 / Lichfields analysis

2.27

Workforce productivity in the LEP area is similar to the UK average. In 2018, each job in the LEP area was estimated to generate £47,400 GVA over the year¹¹, which is slightly less than the UK average of £47,800 GVA per annum¹². However, the LEP records noticeably lower workforce productivity than the South East average (of £52,000 GVA per annum), which could be addressed through effective economic development policy and future investment. Some of the LEP authorities do exceed the South East average (such as Eastleigh and Fareham), although the LEP-wide average is influenced by lower productivity in other authorities such as the Isle of Wight. Further details are shown below in Table 2.3.

Table 2.3 GVA per Worker by Local Authority (2018)

Geography	GVA per Worker (p.a.)
Eastleigh	£53,900
Fareham	£53,400
Gosport	£47,100
Havant	£51,200
Isle of Wight	£39,700
New Forest	£47,000
Portsmouth	£44,200
Southampton	£45,300
Solent LEP	£47,400
South East	£52,000
UK	£47,800

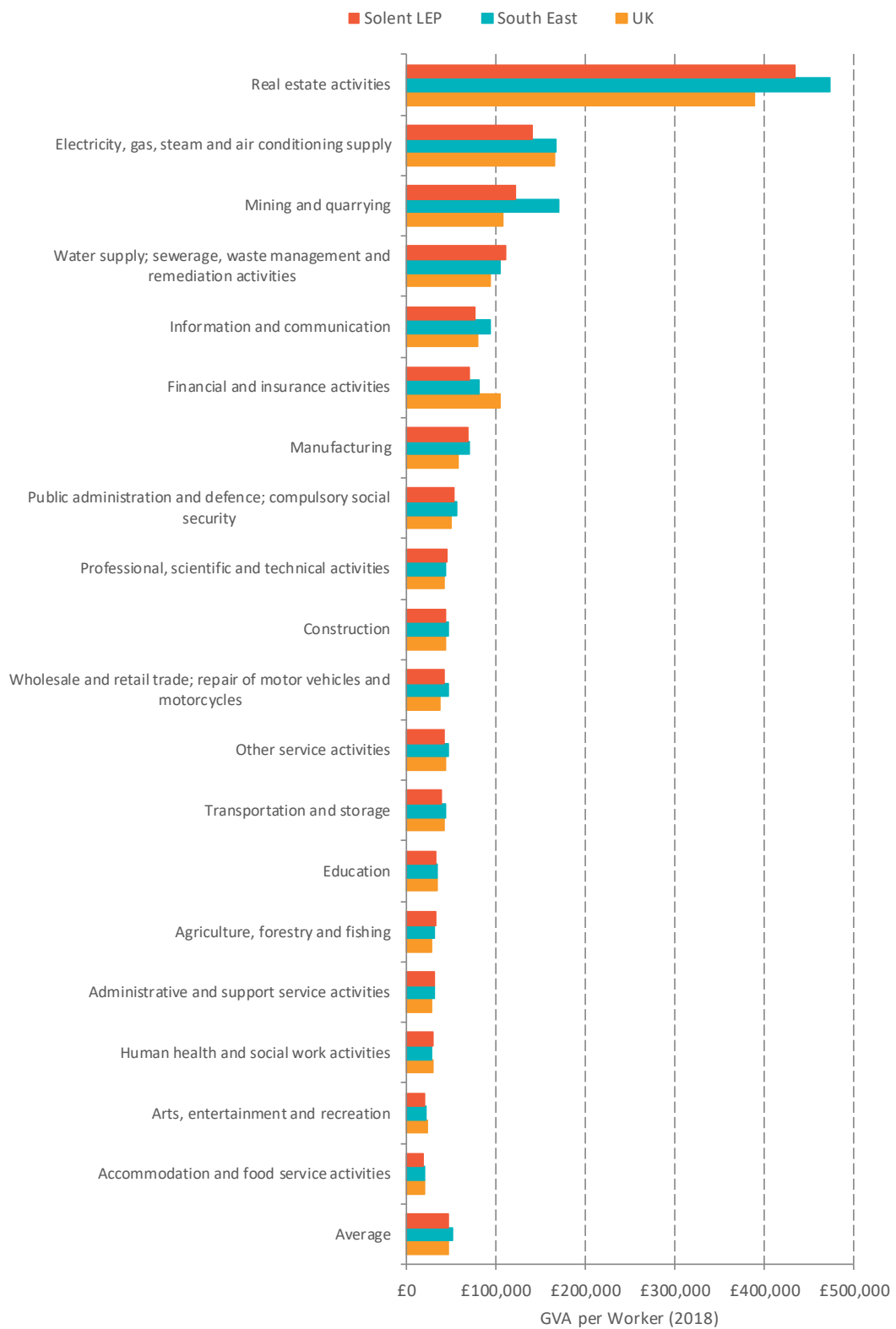
Source: Oxford Economics 2017 / Lichfields analysis

¹¹ Oxford Economics, (2017); Solent Dataset

¹² Note: The ONS and Oxford Economics GVA results are not directly comparable as the ONS GVA results are set at current prices, while the levels of GVA provided by Oxford Economics are chain value monitored to 2013 prices.

- 2.28 Productivity across the LEP area does inevitably vary by sector; the Solent is more productive than the South East and UK in some sectors including professional, scientific and technical activities, administrative and support service activities and human health and social work activities (see Figure 2.10). However, the Solent is less productive in other sectors, with gaps between the LEP, South East and UK averages ranging up to -28.6%.
- 2.29 As set out in the Solent LEP's Productivity Supplement, boosting economic productivity across the LEP area is a key policy priority in terms of driving growth in the future, and the challenge remains to boost productivity in underperforming sectors whilst also supporting high growth, high productivity sectors to grow.

Figure 2.10 Workforce Productivity by Sector



Source: Oxford Economics 2017 / Lichfields analysis

2.30

In the period between 2018 and 2036, productivity in the LEP area is forecast to increase from £47,400 to £63,400 GVA annually per job, equivalent to a 33.8% increase. At this point, the

LEP will remain close to the average level of productivity generated across the UK (£65,000 GVA per annum), but will continue to lag behind the South East (£71,200 GVA per annum).

Priority Sectors

- 2.31 Within the broad industrial sectors analysed in this section, the Solent LEP area accommodates a number of key existing and future growth sectors. As outlined in the LEP's 2014 Strategic Economic Plan (SEP), these include high technology manufacturing, a substantial marine and maritime industry, the visitor economy and transportation and logistics¹³.
- 2.32 There are several significant high technology manufacturing sites located in the Solent LEP area including the renewables cluster on the Isle of Wight, centred around the MHI Vestas Offshore Wind turbine manufacturing facility in Newport and the developing Daedalus Enterprise Zone (EZ) between Fareham and Gosport¹⁴ and Portsmouth Naval Base. A recent report undertaken on behalf of the Solent LEP and Maritime UK¹⁵ estimates that the Portsmouth Naval Base alone generates a total GVA impact of approximately £1.8 billion each year, providing a significant boost for the economy of Portsmouth and surrounding Solent area.
- 2.33 Beyond the Naval Base, which also forms a significant part of the LEP's maritime sector, there are other major local maritime employers including the Port of Southampton. The Port handles 1.77 million cruise passengers, 900,000 vehicles, over one million containers and 1.3 million tonnes of dry bulk cargo per annum. It is also estimated to support 15,000 local jobs and generate £1 billion for the UK economy per annum¹⁶.
- 2.34 The catalytic role played by the Solent's marine and maritime economy cannot be understated and this provides an important platform to achieve continued economic success and growth in future. Its concentration of unique economic assets generates significant growth opportunities in other related sectors, taking advantage of global growth in maritime trade, the rapid expansion of the cruise sector, rising demand for leisure marine and specialist vessels, and expansion in marine renewables. The Solent is already home to new and emerging technologies in this respect, for instance around maritime autonomy where the LEP has recently invested in bringing forward The National Maritime Autonomy Centre and a range of Solent based test sites for secure maritime communications networks and mobile controls. Based in Gosport, technology firm QinetiQ is a world leader in developing applications for mission intelligence, surveillance and reconnaissance.
- 2.35 The international gateway role of the Solent maritime sector is not confined to trade in goods but also facilitates inbound tourism, another important UK export and tourism-oriented sectors rely on the maritime sector to bring seaborne tourists to the UK who, in turn, stimulate demand for their services. The leisure component of the maritime sector plays a significant role in the LEP's economy with major events being held annually such as Cowes week alongside day-to-day maritime leisure activities such as yachting. This is supported by a strong wider visitor, tourism, creative and cultural sector; the Isle of Wight in particular is a popular tourist destination and the Island's visitor economy was estimated to be worth £563.7 million in 2016, an increase of 31.2% over 2007. Elsewhere, the LEP area has other popular visitor attractions including the historic dockyard and HMS Warrior in Portsmouth, New Forest National Park, Gunwharf Quays in Portsmouth and Westquay in Southampton.

¹³ Solent LEP, Strategic Economic Plan 2014

¹⁴ <http://www.solentez.co.uk/>, accessed April 2018

¹⁵ Centre for Economics and Business Research, The economic role and contributions of the maritime sector in the Solent LEP area, May 2018

¹⁶ Associated British Ports (ABP), (2016); Port of Southampton: Port Master Plan 2016-2035- Consultation Draft

- 2.36 Transportation and logistics is the other key strategic sector identified by the LEP. The sector has significant ties with the LEP's maritime industry through the Port of Southampton, which as outlined above imports and exports a significant quantity of goods each year. There are also large logistics clusters in parts of the mainland LEP area, which support the sector currently and could expand in the future (subject to land availability).
- 2.37 In addition to the four strategic sectors, the LEP area contains three of the UK's most significant universities, namely, the University of Portsmouth, University of Southampton and Solent University. The universities have a combined student population of 60,600 students and 10,000 maritime students and cadets, and support 33,000 jobs in the Solent LEP area and 52,300 jobs across the UK¹⁷. The universities provide a significant boost to the local economy and will need to play an important strategic role in providing the LEP area with the workforce it requires in the future to fill jobs in the strategic sectors. Recent research carried out for the LEP¹⁸ indicates that in 2015/16, the Solent Area Universities generated £4.2 billion GVA including £2.1 billion GVA in the Solent LEP area alone. This implies that for each £1 that the Universities generated as a direct result of their operations, they supported £6 in total benefits throughout the UK economy, of which £3 was retained within the Solent LEP area.

¹⁷ Solent LEP, Economic Impact of the Solent Universities (March 2018)

¹⁸ *ibid*

Summary

2.38 Based on the analysis above, the main takeaway points in relation to employment are as follows:

- The LEP area has a large workforce population with public and private sectors employing 588,300 people in 2018. The LEP's latest forecast indicates employment will continue to grow in the future, with the authorities of Eastleigh, Portsmouth and Southampton forecast to be the major economic drivers going forward;
- As of 2017, 9.9% of working age residents were self-employed. This was a lower level than averages across the South East and the UK, and has remained the primary trend between 2004 and 2017;
- Major employment concentrations can be found in the city centres of Portsmouth and Southampton, the Port of Southampton and Portsmouth Naval Base. Elsewhere there are notable concentrations based around commercial areas in local authorities such as Eastleigh and Havant, around Newport on the Isle of Wight and Fawley refinery in the New Forest;
- The largest employment sector in the LEP area is wholesale and retail trade. The LEP area also accommodates a number of sectors that employ a higher proportion of people than the South East and the UK, including education, transportation and storage and public administration and defence. The major drivers of employment growth over the past eight years have been largely in private sector service industries (e.g. professional, scientific and technical activities), and it is expected this trend will continue in the future;
- In 2017, the LEP area's economy was worth just over £30.5 billion (measured in GVA), a 19.0% increase from 2010. Workforce productivity varies considerably within the LEP area, whilst in absolute terms the authorities of Eastleigh, New Forest, Portsmouth and Southampton make the greatest contribution. Productivity in the LEP area on average is lower than in the South East and the UK. This trend is expected to continue in the future with the LEP remaining close to the UK average while continuing to lag behind the South East;
- The LEP identifies four strategic sectors where the Solent already has strengths, namely high technology manufacturing, maritime industries, the visitor economy and transportation and logistics. These overarching sectors are expected to play an important role in driving growth going forward;
- The Solent maritime sector is particularly significant in the LEP area economy. Major strategic assets including the Port of Southampton and Portsmouth Naval Base, maritime businesses and events such as Cowes Week generate significant numbers of jobs, and strengthen other strategic sectors (such as transportation and logistics); and
- These strategic sectors are accompanied by the presence of three major universities in the Solent, which together make an annual contribution to the UK economy of £4.2 billion, £2.1 billion of which is retained within the Solent LEP area.

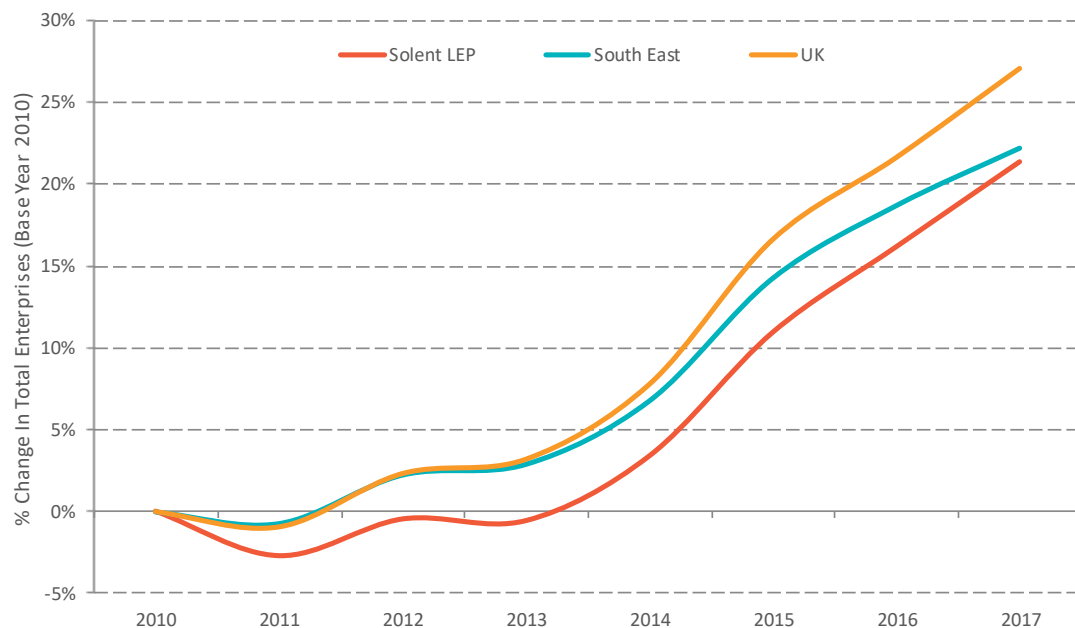
3.0 Business

3.1 This section describes the characteristics of the Solent LEP area's business population and how it compares against the South East, UK and its constituent local authorities. It also considers broad commercial property market trends and how business demography and floorspace have changed in recent years.

Business Base by Sector

3.1 In 2017, the Solent LEP area contained 41,805 enterprises¹⁹, an increase of 7,375 or 21.4% from 2010²⁰. Over the same period, the South East experienced a greater increase in the number of enterprises in comparison to the Solent, with the UK outperforming both areas (22.2% and 27.1% respectively). As shown in Figure 3.1, enterprise growth in the Solent LEP area lagged behind the South East throughout the period 2010 – 2017, with the rate of growth picking up from 2015; if maintained this could mean the Solent catches up with the South East in enterprise growth terms in a few years.

Figure 3.1 Change in Total Enterprises (2010-2017)



Source: ONS 2018 / Lichfields Analysis

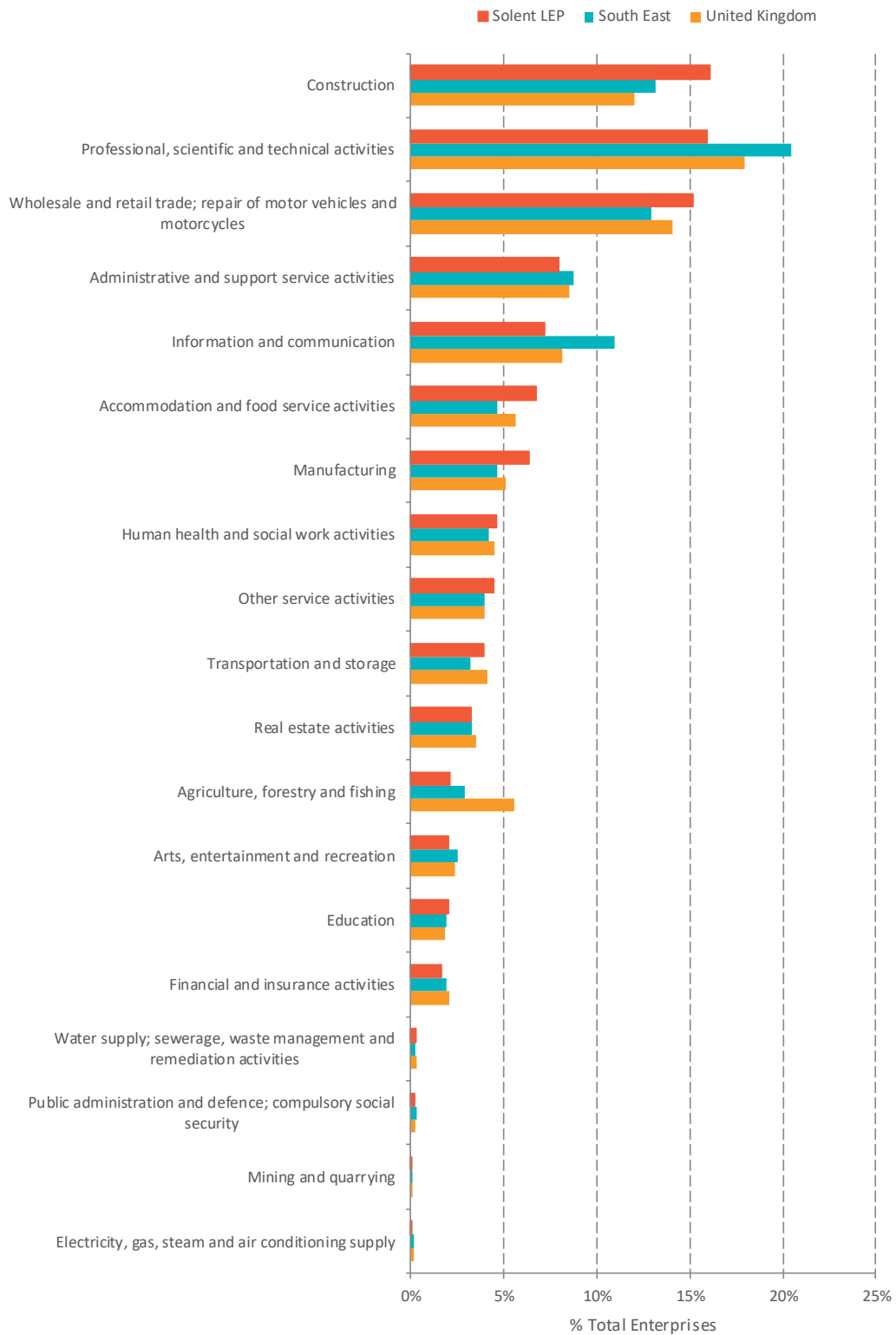
3.2 The three largest sectors as a proportion of total enterprises in the LEP area are construction (16.1%), professional, scientific and technical activities (15.9%) and wholesale and retail (15.2%) (the largest sector in the previous Solent geography). In comparison, the South East and the UK have lower proportions of enterprises in the construction and wholesale and retail sectors and the third sectors, and have higher proportions in the professional, scientific and technical sectors. The South East and the UK also have higher proportions of enterprises in other sectors

¹⁹ This 41,805 figure (total number of enterprises) covers the Solent LEP geography only. It compares with a higher figure of 50,000 referred to in the Solent LEP's Strategic Economic Plan in 2014, although this higher figure is understood to include the totality of each local authority area that formerly comprised the Solent LEP geography (i.e. Winchester, East Hampshire and Test Valley)

²⁰ ONS, (2018); Business Counts

such as administration and support service activities, information and communication and financial and insurance activities (see Figure 3.2).

Figure 3.2 Enterprises by Sector (2017)

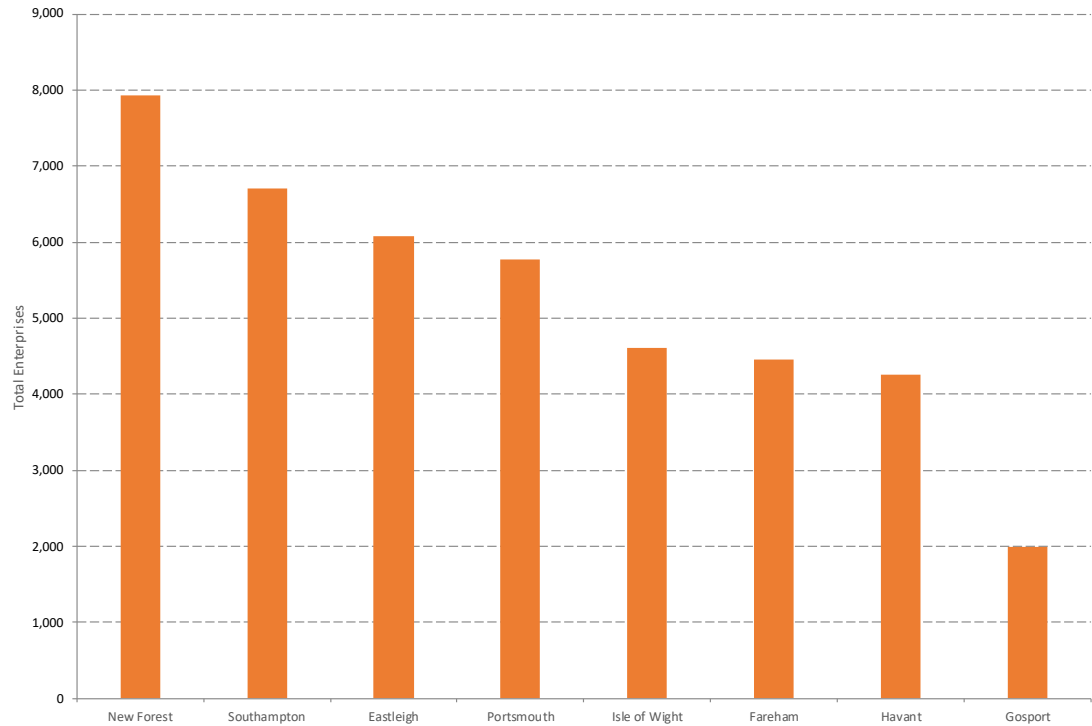


Source: ONS 2018 / Lichfields Analysis

3.3

Figure 3.3 below summarises the stock of enterprises by Solent LEP local authority. Out of the local authorities, the New Forest has the highest number of enterprises (7,930) followed by Southampton (6,710) and Eastleigh (6,070). Havant is the local authority with the second lowest number of enterprises with 4,255, which is over double that of Gosport (1,990) which records the lowest number of enterprises.

Figure 3.3 Enterprises by Local Authority (2017)



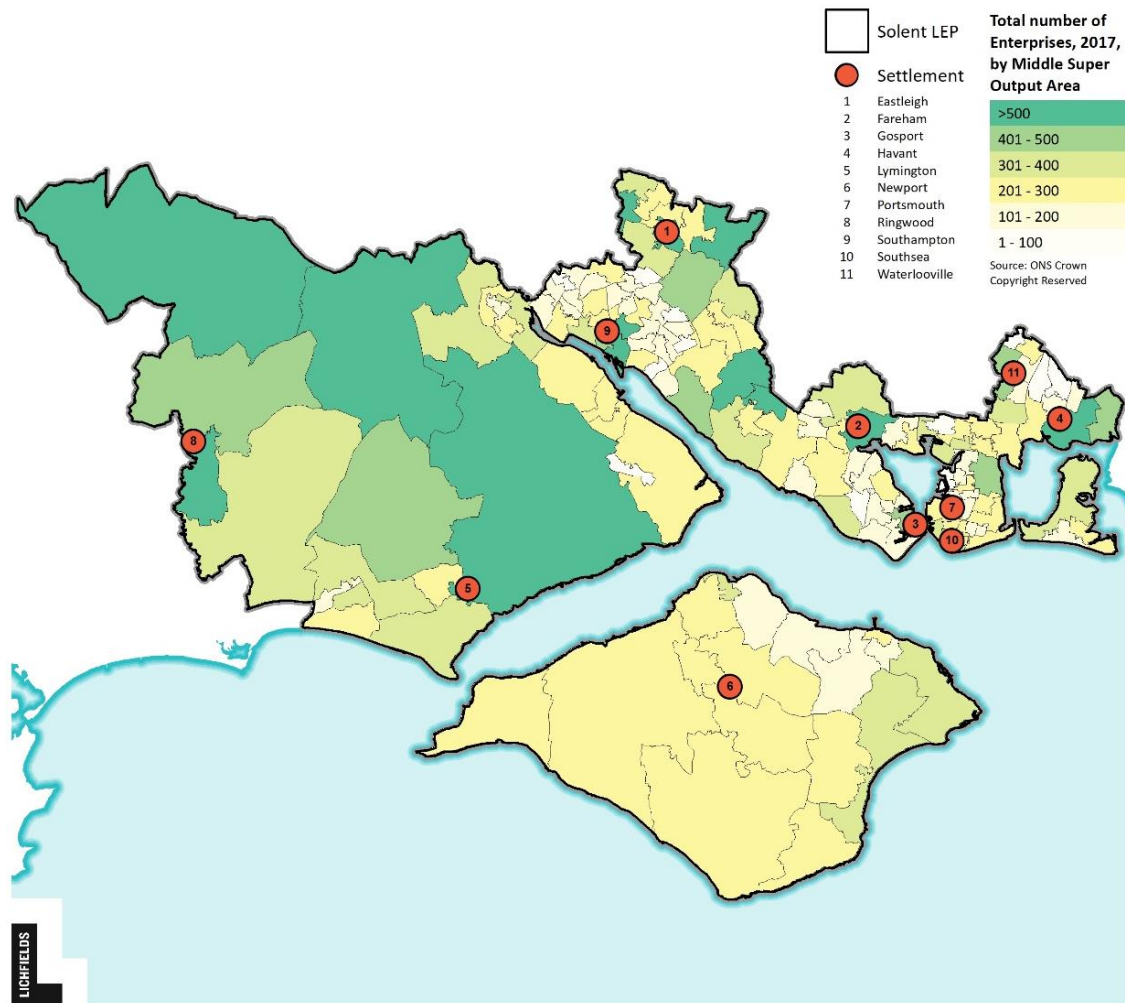
Source: ONS 2018 / Lichfields analysis

Spatial Distribution

3.4

As noted above, the stock and concentration of enterprises varies across the Solent LEP area. Figure 3.4 overleaf identifies the largest concentrations of businesses within the Solent, with particular clusters located around Southampton city centre, Fareham and Havant town centres and Newport and Ringwood. The map indicates that the concentration of enterprises around Portsmouth city centre and the Portsmouth Naval Base is comparatively smaller. This is likely to reflect the relative size of employers based here i.e. fewer but larger companies.

Figure 3.4 Enterprises by MSOA (2017)

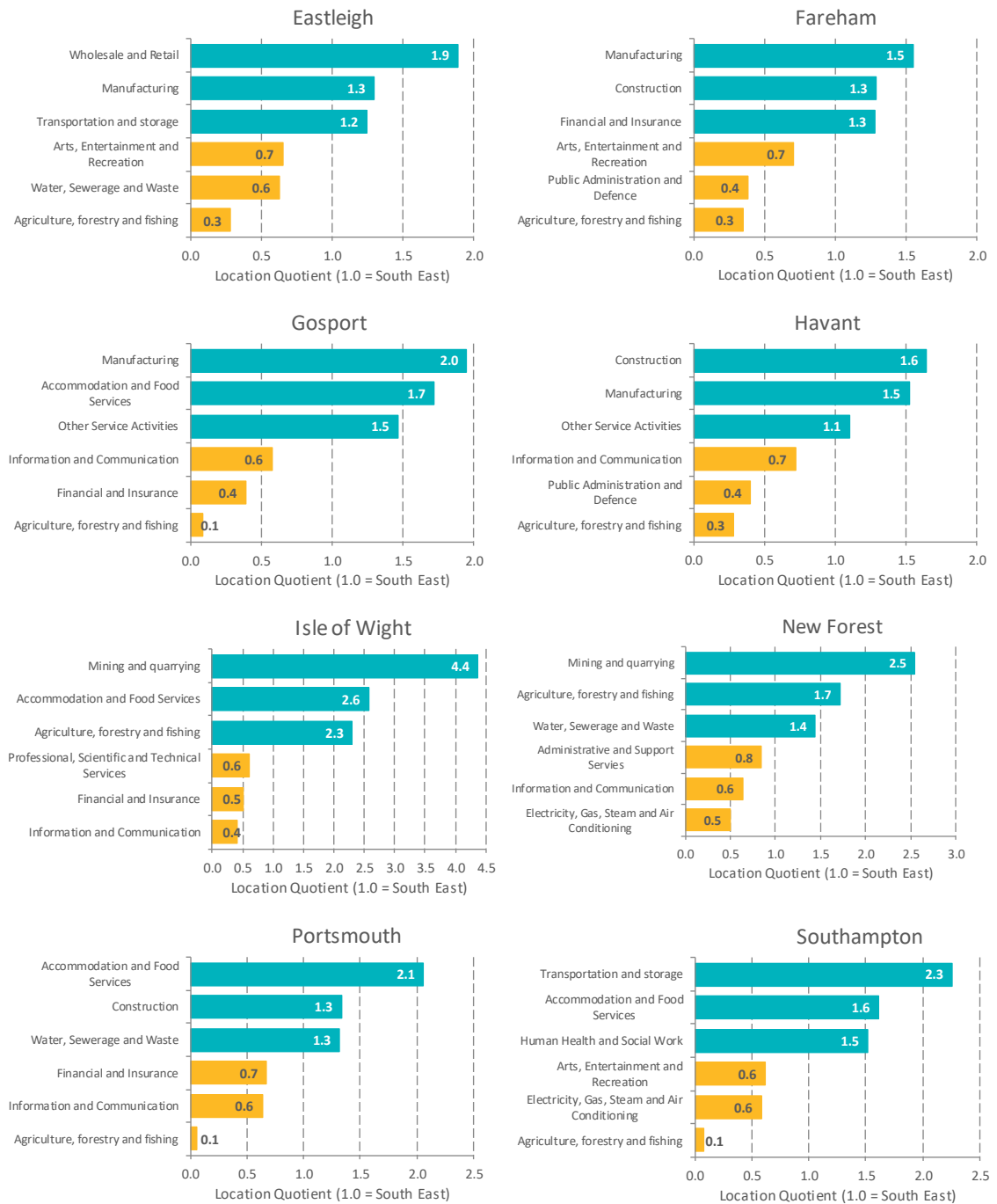


Source: ONS 2018 / Lichfields analysis

3.5

The location quotients presented in Figure 3.5 below show the three largest and smallest sector location quotients for each Solent LEP local authority when compared to the South East average. Across the local authorities, the sectors with the highest location quotients tend to be similar, generally including a combination of construction, manufacturing, accommodation and food services. This makes it possible to identify a number of common LEP-wide sector strengths.

Figure 3.5 Local Authority Enterprise Location Quotients (2017)



Source: ONS 2018 / Lichfields analysis

3.6

In terms of the lowest sector location quotients, arts, entertainment and recreation, agriculture, forestry and fishing and waste and sewerage typically appear in the bottom three of most local authorities. Sectors typically associated with the knowledge economy such as professional, scientific and technical activities, financial and insurance and information and communication also appear a number of times in the lowest three location quotients.

Business Base by Size

- 3.7 The majority of enterprises located in the Solent LEP area during 2017 were micro-sized (88.7%), employing between zero to nine people. The remaining enterprises were split 9.3%, 1.6% and 0.3% between the small, medium and large size groups. In comparison, the South East and the UK both had higher proportions of enterprises in the micro and large groups, while the LEP area has a higher proportion of firms that are classified as small and medium sized (see Table 3.1). These differences are not major but suggest that the Solent is particularly attractive to small sized businesses, i.e. those employing between 10 and 49 people.
- 3.8 Within the LEP area, the Isle of Wight and Havant differ the most to the LEP-wide average enterprise size profile. The Isle of Wight has a lower proportion of enterprises in the micro and large groups while exceeding the LEP average in the small and medium groups. Havant has a smaller proportion of businesses in the small and medium group compared with the LEP area as a whole and exceeds it in the micro and large groups.

Table 3.1 Size of enterprise by Local Authority area (2017)

Location	Size of enterprise			
	Micro (0 to 9)	Small (10 to 49)	Medium (50 to 249)	Large (250+)
Eastleigh	90.2%	8.2%	1.2%	0.3%
Fareham	88.5%	9.6%	1.7%	0.2%
Gosport	90.2%	8.5%	1.0%	0.3%
Havant	90.4%	7.9%	1.5%	0.4%
Isle of Wight	85.5%	12.5%	1.8%	0.1%
New Forest	89.1%	9.0%	1.6%	0.3%
Portsmouth	88.1%	9.6%	1.8%	0.4%
Southampton	88.6%	9.2%	1.8%	0.4%
Solent LEP	88.7%	9.3%	1.6%	0.3%
South East	90.0%	8.1%	1.5%	0.4%
UK	89.4%	8.7%	1.5%	0.4%

Source: ONS 2018 / Lichfields analysis

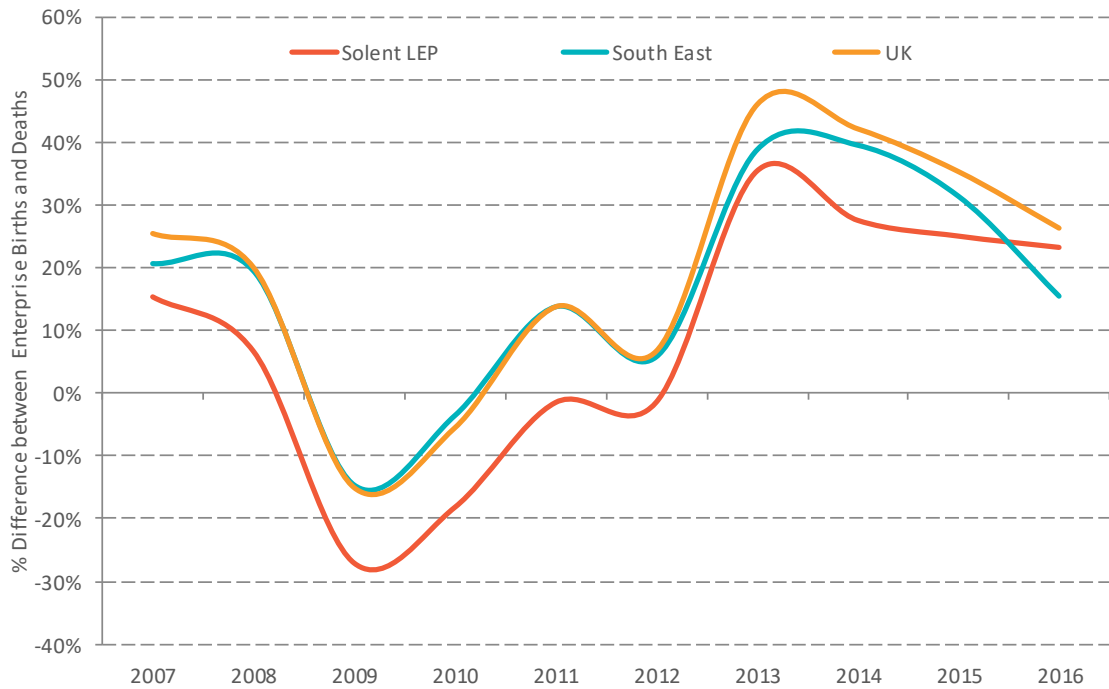
Business Demography

- 3.9 During 2016, 6,780 new enterprises were born in the Solent LEP area cumulatively, an increase of 37.9% on the number born in 2007²¹. Over the same period, the annual rate of enterprise births in the South East increased by 32.2%, falling behind the Solent LEP and UK averages (37.9% and 47.6% respectively).
- 3.10 Also in 2016, 5,500 enterprises died in the Solent LEP area, leading to a total net gain of 1,280 enterprises that year. In the South East and UK, enterprise deaths amounted to 48,480 and 327,775 respectively during 2016, resulting in respective net gains in enterprises of 7,480 and 86,580. This means the Solent LEP area contributed a sizeable 17.1% of the net gain in enterprises recorded in the South East, and 1.5% of the UK total. These trends have been supported by the LEP's SME programme, which has enabled £10.2 million of grants, supporting 268 businesses, creating 929 jobs and leveraging a further £37.0 million of funding over recent years.

²¹ ONS, (2017); Business Demography

- 3.11 In the four years between 2013 and 2016, the LEP area experienced a net increase in enterprises each year (see Figure 3.6), indicating the number of annual enterprise births consistently exceeded the number of deaths. However, the gap between enterprise births and deaths remained proportionally smaller than the South East and UK, except from in 2016 when the LEP overtook the South East.

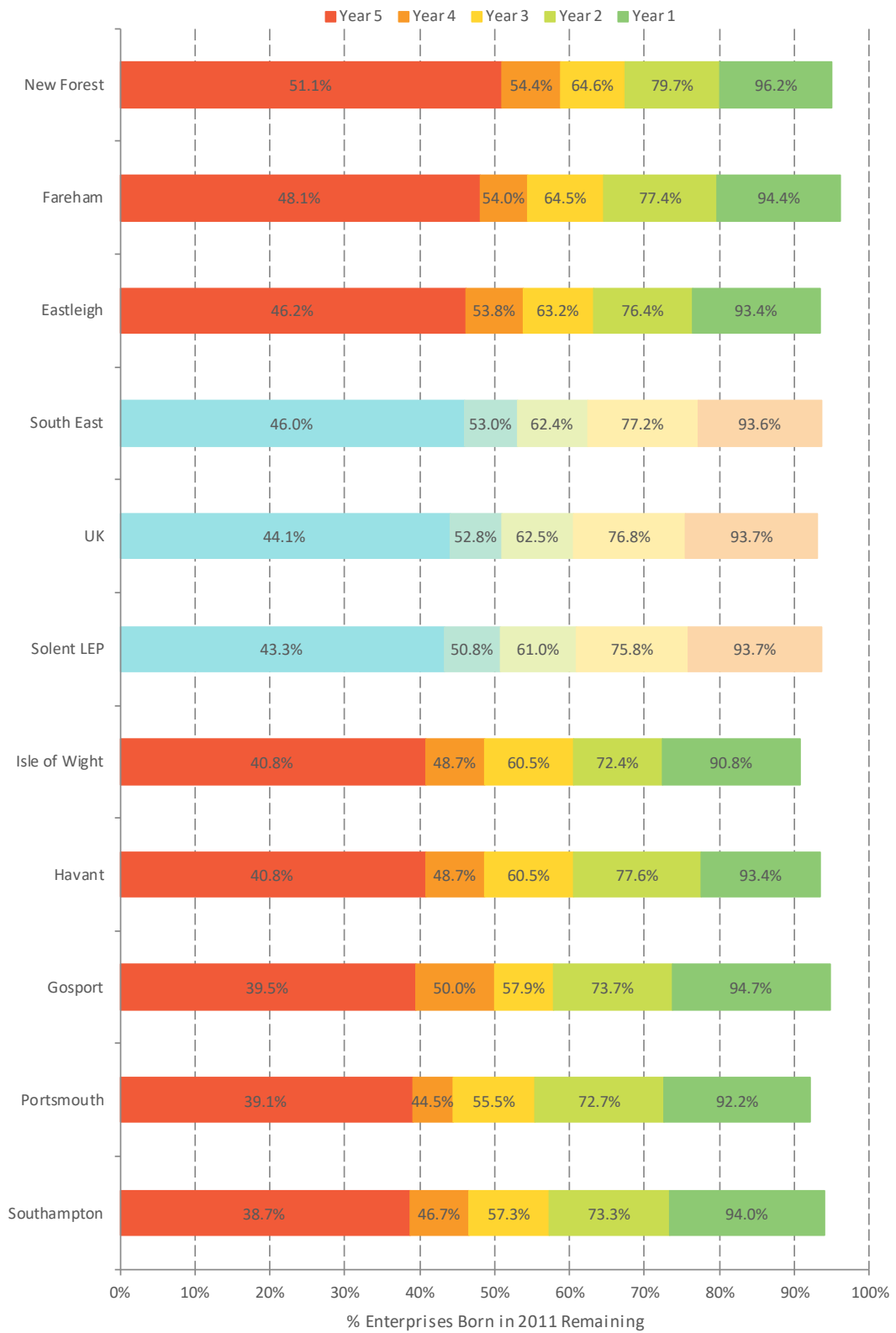
Figure 3.6 Difference between Enterprise Births and Deaths (2007-2016)



Source: ONS 2017 / Lichfields analysis

- 3.12 The LEP area, South East and UK all experienced a down-turn in enterprise performance after 2008, when the gap between enterprise births and deaths started to close, culminating in higher numbers of deaths than births from 2009 to 2010. The LEP area experienced a larger negative difference over the two-year period than the South East and UK, and recovered more slowly, only returning to a positive difference in 2013.
- 3.13 Figure 3.7 below shows the proportion of enterprises born in 2011 that have died over a five-year period and the proportion that remained in business in 2016. The chart highlights that the survival rate of enterprises born in 2011 was very similar in the Solent LEP area, South East and UK (43.3%, 46.0% and 44.1% respectively). In comparison to these results, the Solent LEP authorities vary widely in the proportion of enterprises remaining after five years. Over 50% of enterprises were still in business after five years in the New forest, while less than 40% survived in Gosport, Portsmouth and Southampton.
- 3.14 Gosport, Portsmouth and Southampton lost a higher proportion of enterprises than other LEP authorities due to higher losses in years two and three. This suggests that business start-up and subsequent performance varies considerably across the LEP area, with significant scope to enhance overall performance by targeting enterprise support in specific areas of the Solent.

Figure 3.7 Survival of Enterprises Born in 2011



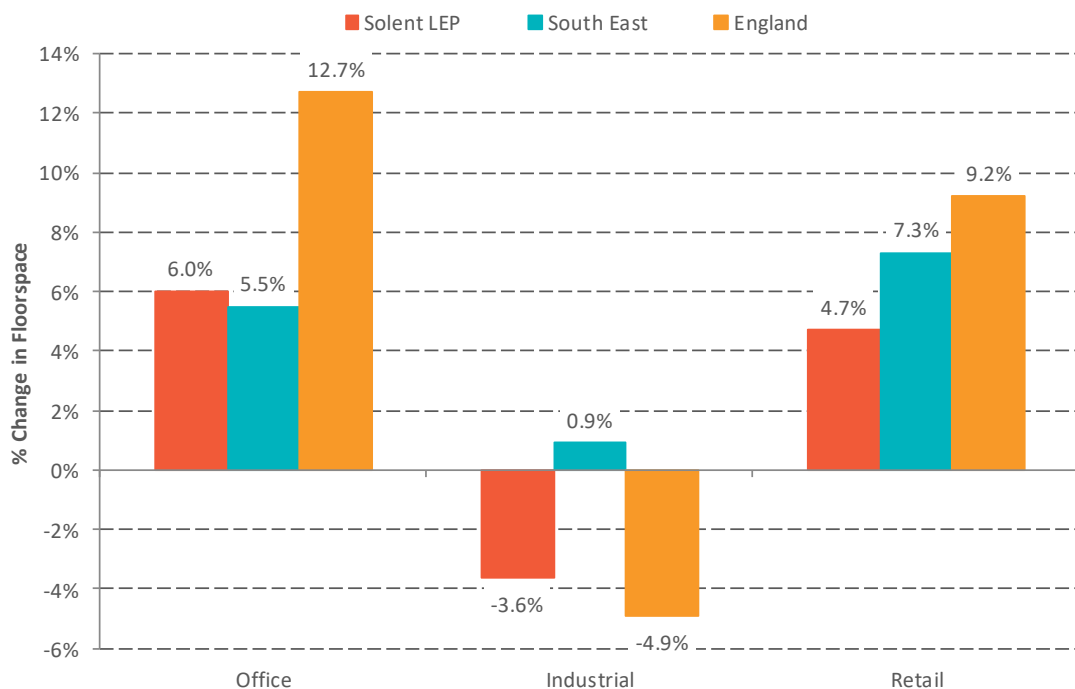
Source: ONS 2017 / Lichfields analysis

Business Floorspace

Total Stock and Change

- 3.15 In 2016, the Solent LEP area cumulatively contained 1,230,000 sq.m of office floorspace, 4,641,000 sq.m of industrial floorspace and 2,272,000 sq.m of retail floorspace²².
- 3.16 The stock of office and retail floorspace increased from 2001 to 2016 in the Solent area by 6.0% and 4.7% respectively, and experienced a decrease of 3.6% in industrial floorspace. In comparison, the South East experienced a smaller increase in total office floorspace and a larger increase in retail and industrial floorspace. England outperformed the Solent and South East averages in gaining more office and retail stock, but also saw a contraction in industrial floorspace supply (see Figure 3.8).

Figure 3.8 Change in Business Floorspace (2001-2016)



Source: VOA 2016 / Lichfields analysis

- 3.17 When compared to the previous LEP geography, the new LEP geography has a lower smaller stock of office floorspace (1,788,000 sq.m versus 1,230,000 sq.m respectively). The new LEP geography also has a smaller stock of industrial floorspace (4,641,000 sq.m versus 6,713,000 sq.m respectively), which is reflective of the decrease in the number of local authorities in the LEP from eleven to eight.
- 3.18 Southampton, Portsmouth and Eastleigh accommodate the largest office centres, containing over 50% of the combined office floorspace supply of all eight authorities (see Table 3.2). In these three authorities, both Portsmouth and Eastleigh experienced an increase in office floorspace from 2001 to 2016 of 12.8% and 50.4% respectively; Southampton over the same period lost 20.8% of its office stock. The remaining authorities saw increases in their stock of office floorspace, apart from Fareham which experienced a decrease of 4.4% over the period.

²² Valuation Office Agency (2016); Business Floorspace Statistics

- 3.19 The largest stocks of industrial floorspace can be found in Eastleigh, Portsmouth and Southampton (826,000sq.m, 820,000sq.m and 660,000sq.m respectively). The stock of industrial floorspace in four out of the eight authorities increased from 2001 to 2016, with rates of growth ranging from 7.3% to 19.3%. Losses of industrial floorspace occurred in Eastleigh, Havant, Portsmouth and Southampton (by 5.9%, 12.8%, 6.0% and 23.3% respectively).

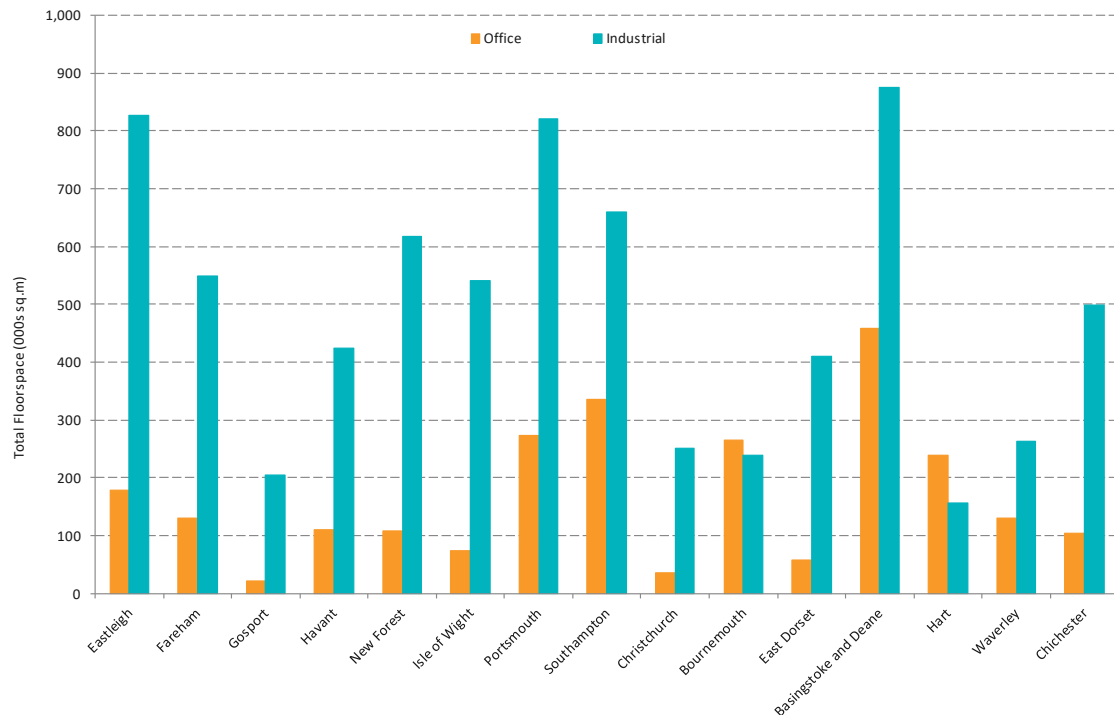
Table 3.2 Business Floorspace by Local Authority (2016)

Local Authority	Office		Industrial		Retail	
	Floorspace sq.m (2016)	% Change (2001-2016)	Floorspace sq.m (2016)	% Change (2001-2016)	Floorspace sq.m (2016)	% Change (2001-2016)
Eastleigh	179,000	+50.4%	826,000	-5.9%	235,000	+10.8%
Fareham	130,000	-4.4%	549,000	+19.3%	190,000	+12.4%
Gosport	22,000	+57.1%	204,000	+11.5%	96,000	+2.1%
Havant	109,000	+49.3%	424,000	-12.8%	225,000	+17.2%
Isle of Wight	74,000	+17.5%	541,000	+7.3%	276,000	+5.3%
New Forest	107,000	+20.2%	617,000	+8.2%	220,000	+4.8%
Portsmouth	273,000	+12.8%	820,000	-6.0%	458,000	-0.7%
Southampton	336,000	-20.8%	660,000	-23.3%	572,000	+0.5%

Source: VOA 2016 / Lichfields analysis

- 3.20 Southampton, Portsmouth and the Isle of Wight accommodate the largest stocks of retail floorspace (572,000sq.m, 458,000sq.m and 276,000sq.m respectively) in the Solent LEP area, equating to 57.5% of the cumulative total. The three authorities with the smallest amount of retail floorspace are New Forest, Fareham and Gosport (220,000sq.m, 190,000sq.m and 96,000sq.m respectively). Havant, Eastleigh and Fareham were the only authorities to experience a rate of retail floorspace growth exceeding 10% from 2001 to 2016, while the only loss of retail floorspace over the period occurred in Portsmouth (albeit minor at 0.7%).
- 3.21 Using latest VOA data, it is possible to compare the total stock of employment space within the Solent with nearby areas across the wider sub-region (see Figure 3.9).

Figure 3.9 Employment Floorspace by Local Authority



Source: VOA 2016 / Lichfields analysis

3.22 Compared with the wider sub-region and adjoining authorities, Solent authorities represent significant office and industrial locations in employment floorspace terms (see Figure 3.9). A number of nearby local authorities such as Christchurch, Hart and Waverley accommodate much smaller stocks of 'B class' floorspace, reflecting spatial constraints such as Green Belt policy.

Property Market Overview

3.23 Despite the ongoing economic uncertainty, recent analysis undertaken by LSH shows that since 2015 there has been increasing strong business confidence across the South Coast²³ which continues to experience steady commercial property occupier activity, although demand is generally being hampered by lack of supply across all building sizes in the office and industrial sectors.

3.24 Market confidence has resulted in increases in commercial rental values, and progress towards a number of speculative development schemes across the sub-region. As a supply of new stock comes on stream, it is expected to support a greater degree of market churn and satisfy greater occupier demand.

3.25 Over the coming years, there is likely to be a continuing demand for good quality, affordable industrial units across the South Coast market and there is a need to ensure sufficient flexibility to foster economic development and local inward investment accordingly. This includes expected growth within the logistics sector, where demand has largely been focused within locations adjacent to, and well located in relation to the strategic road network.

²³ Lambert Smith Hampton, Havant Employment Land Review, December 2017

Market Geography

- 3.26 Previous analysis has sought to identify and define the main property market areas and groupings across the South East, classifying property market areas based on the dynamics and “natural groupings” of markets, and indicating those areas within which market linkages and agglomeration tendencies are most robust. Of particular relevance to the Solent area, a report by CBRE²⁴ identified a ‘South Hampshire’ property market area which closely resembles the equivalent sub-region, with the exception that it extends further north to take in Winchester, where office take-up has historically been more than half that recorded in Portsmouth.
- 3.27 Within this broad South Hampshire property market area, Southampton and Fareham represent the most significant office markets, while the former is a key industrial centre alongside Portsmouth. On the whole, the property market area is relatively self-contained, with comparatively weaker linkages or overlap with nearby areas such as the Sussex Coast and M3 corridor.
- 3.28 Key economic assets underpin the sub-region’s competitive advantage. The Solent ports (at Southampton and Portsmouth) are important international gateways which support the local and wider UK economy, and together with research and education provision underpin a marine and maritime sector which is world class. Portsmouth also remains an important base for the Royal Navy, underpinning the sub-region’s strong defence sector which contributes over £1.6 billion to annual economic output. The presence of these key sectors inevitably influences property market trends and dynamics across the Solent.

Office Market

- 3.29 The office market across the wider South Coast area is undergoing a major transformation, with significant public and private sector investment in new infrastructure, amenities and mixed-use commercial development including mixed-use schemes at Ocean Village, West Quay Watermark and Mayflower Park, Southampton.
- 3.30 The most significant office markets within the Solent are Southampton, Fareham and Portsmouth, with comparatively limited activity outside these areas. Southampton and Fareham have historically been the most active markets, with Portsmouth making a more minor contribution towards take-up of office space, although there are notable examples of thriving office clusters for instance around Lakeside North Harbour. Southampton in particular is a strong centre for financial and business services and has a strongly performing office market.
- 3.31 The motorway infrastructure servicing Southampton and Fareham is important in boosting the attractiveness of these towns to occupiers. The M3 and M27 motorway linkages to Winchester to the north and Bournemouth to the west mean that these markets are most likely to compete with the likes of Portsmouth, Southampton and Fareham for occupiers. While Havant and Portsmouth attract predominantly local and regional occupiers, Southampton and Fareham are more likely to attract national companies for whom the transport infrastructure offered by the M3 and M27 is more important.
- 3.32 The Isle of Wight’s office market is localised and small in scale. It tends to be concentrated in Newport with a demand profile focused towards small to medium enterprises (SMEs). A high percentage of the office stock is second hand and poor quality, and rental levels being achieved on the Island are such that new build development (without public sector intervention or incentives) is not viable²⁵.

²⁴ CBRE, South East Regional Property Market Study, March 2007

²⁵ GL Hearn, Isle of Wight Council Employment Land Study, March 2015

Industrial Market

- 3.33 The industrial and logistics sector across the South Coast property market has been performing strongly over recent months, outperforming the office and retail sectors across the board. According to recent market intelligence²⁶, this can be directly attributed to the lack of speculative development in the previous six years. Regionally, agents are seeing both manufacturing and logistics businesses investing in new premises due to expansion, supported by the long-awaited availability of bank funding and improving sales growth.
- 3.34 New prime opportunities resulting from this increase in supply include the Solent Airport development at Daedalus, Lee-on-the-Solent, where 16 acres of prime commercial space across two business parks located within the Solent Enterprise Zone is available to the market. In addition, the second phase of Mountpark Southampton will become available in October 2018, providing 341,040 sq.ft of new industrial/logistics floorspace²⁷. Also in Portsmouth, the speculative Pioneer Park development on the established Airport Industrial Estate brought forward a total of 74,190 sq.ft of industrial and warehouse unit space²⁸.
- 3.35 The Solent area contains two major industrial markets; Southampton and Eastleigh, followed in scale by Portsmouth. Prime rents continue to slowly increase and now stand at £9.50 per sq.ft in locations such as Southampton and Portsmouth, with Southampton in particular commanding a premium due to strong motorway linkages. Rental incentives are reducing due to the critical shortage of good quality stock.
- 3.36 The industrial market on the Isle of Wight is also small and largely caters for the local market. Despite low levels of availability of premises, typical rental values currently prohibit new build development which is not viable without public sector support²⁹.
- 3.37 Given the economic significance of the marine and maritime sector across the LEP area, waterfront employment sites play a critical role in supporting the day-to-day functioning of the sector. Concerns have been raised by marine and maritime businesses and some policy makers that land suitable for marine industries is being lost to alternative uses such as residential, leading to the production of a register of the Solent area's waterfront assets in 2015³⁰.

²⁶ JLL, South Coast Offices & Industrial Review, Spring 2017

²⁷ <http://www.mountpark.com/southampton/>

²⁸ <http://www.lsh.co.uk/industrial-market-review/q1-17-industrial-market-pulse-south-coast/south-coast-industrial-market-pulse-q1-2017>

²⁹ GL Hearn, Isle of Wight Council Employment Land Study, March 2015

³⁰ Solent LEP, Maritime Futures: Solent Waterfront Sites, September 2015

Summary

3.38 In summary, the main takeaway points from this section are as follows:

- In 2017, the Solent LEP area contained 41,805 enterprises, representing an increase of 21.4% from 2010. In comparison, the UK recorded a higher rate of enterprise growth, while the Solent growth rate exceeded the South East. The level of entrepreneurship – as measured by new business starts – appears to have increased recently in the LEP area. This has been supported by the LEP’s SME programme that has provided £10.2 million of grants, supported 268 businesses, created 929 jobs and leveraged an additional £37.0 million of funding;
- A high proportion of Solent enterprises are in the wholesale and retail trade, construction and professional, scientific and technical activities sectors. The LEP area has a higher proportion of enterprises in the former two sectors than the South East and UK, and a lower proportion in the latter. The Solent typically records smaller proportions of enterprises in office based sectors, with higher proportions in sectors that are associated with industrial and warehouse premises and lower skilled services such as accommodation and food;
- The size of enterprises in the LEP area closely matches the South East and UK averages in terms of number of people employed, although there is a slightly higher proportion of enterprises in the small size group. The local authority that stands out from LEP-wide averages is the Isle of Wight which accommodates a disproportionate base of small enterprises;
- In 2016, the LEP area gained 1,280 additional enterprises, after taking into account enterprise births and deaths that year. The survival rate of enterprises is decreasing, with Gosport, Southampton and Portsmouth recording the highest business closures in recent years;
- The LEP area accommodates a substantial quantum of office, industrial and retail floorspace and this stock has generally increased over the last few years. The overall pattern does however vary considerably within the Solent, with Southampton having seen both office and industrial stock eroding in recent years, although the city still represents the largest office centre in the Solent context; and
- Southampton and Fareham represent the Solent’s most significant office markets, while the former is a key industrial centre alongside Portsmouth and Eastleigh. On the whole, the property market area is relatively self-contained, with comparatively weaker linkages or overlap with nearby areas such as the Sussex Coast and M3 corridor.

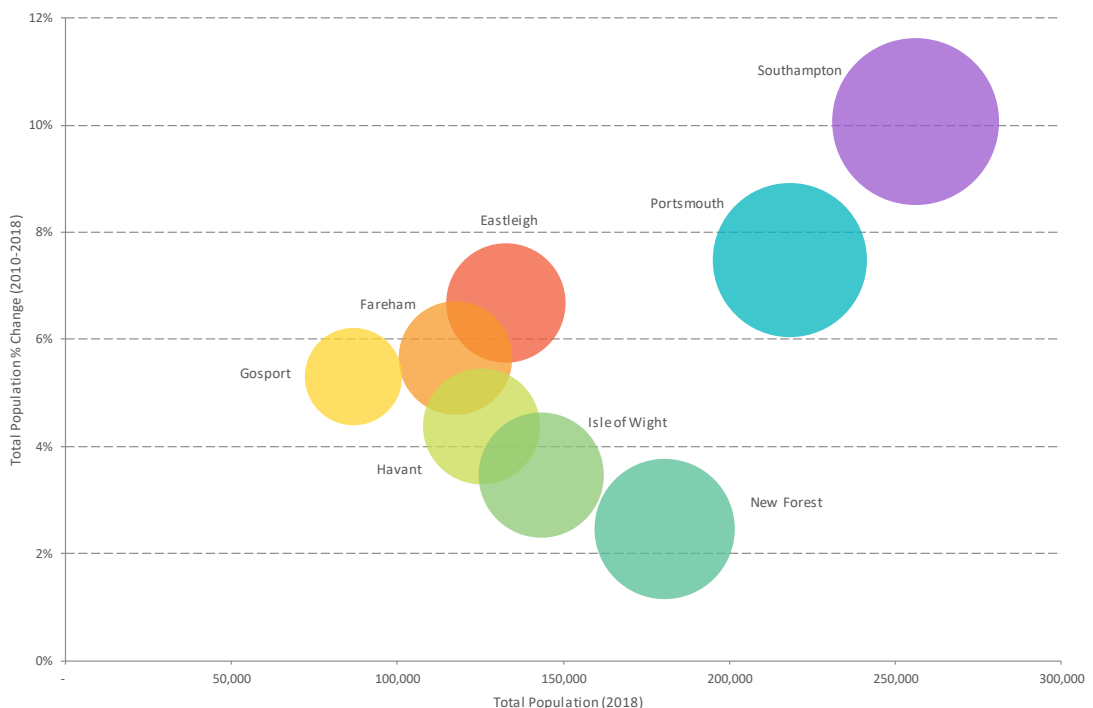
4.0 Population

4.1 This section of the report reviews the characteristics of the Solent LEP area's resident population including the existing number of residents, age structure, population projections, migration patterns and deprivation.

Recent Population Trends

4.2 As of 2018, the Solent is estimated to be home to 1.26 million people, having increased by 6.1% over the population in 2010 of 1.19 million people³¹ (a slightly lower rate of increase (6.5%) when compared to the previous geography). In comparison, the populations of the South East and UK grew at rates of 7.1% and 6.3% respectively. Out of the Solent authorities, Southampton has the highest number of residents followed by Portsmouth (258,100 and 219,800 residents respectively). These two authorities also experienced the highest population growth rates between 2010 and 2018 (see Figure 4.1). The lowest rates of population growth were experienced in the local authorities located further away from the main urban areas, namely the Isle of Wight and New Forest, which experienced growth rates of 3.5% and 2.5% respectively.

Figure 4.1 Solent LEP Local Authority Population



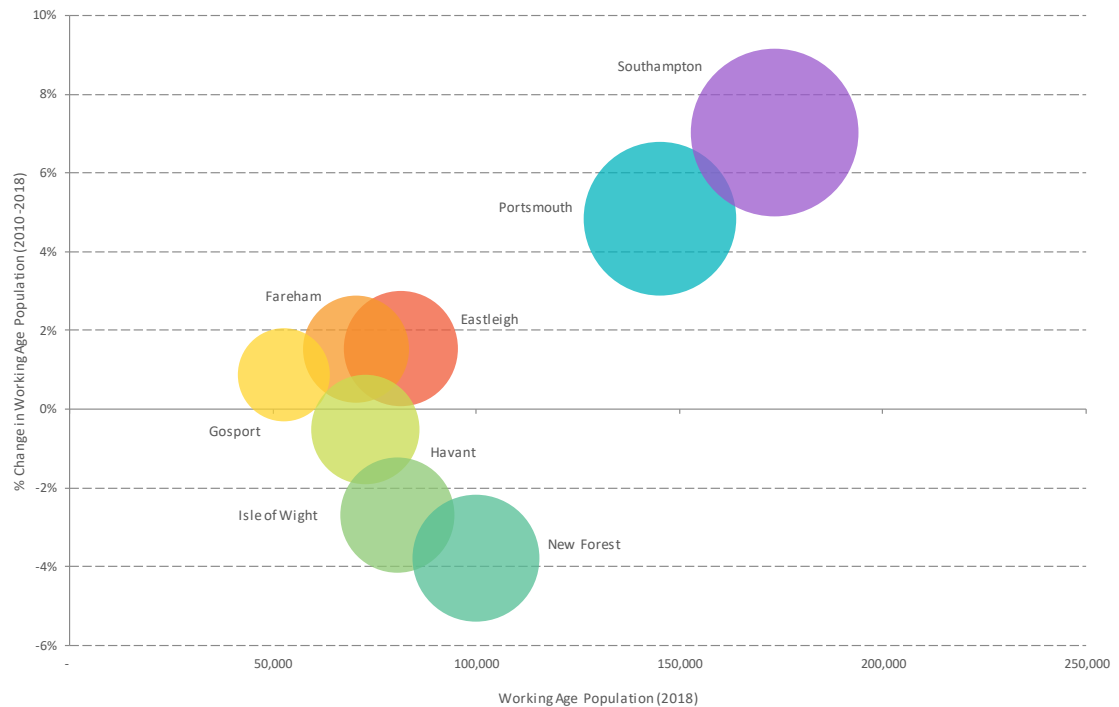
Source: Oxford Economics 2017 / Lichfields analysis

4.3 The LEP area working-age population is estimated to total 776,500 people in 2018, having increased by 1.9% when compared to 2010 levels. Therefore, over the eight-year period, the working age population as a proportion of the Solent's overall population has decreased. In comparison, the South East and UK both experienced slightly higher rates of growth in their working-age population over the period (2.7% and 2.6% respectively).

³¹ Oxford Economics, (2017); Solent Dataset / ONS Population Projections

- 4.4 Between 2010 and 2018, there has been some significant variance in how the working-age population has changed in the LEP authorities (see Figure 4.2). Portsmouth and Southampton have both experienced high rates of growth in their respective working age populations (4.6% and 7.0%), while other authorities including Havant, the Isle of Wight and New Forest have all seen a contraction (of 0.5%, 2.7% and 3.8% respectively). This indicates that the Solent's major urban centres continue to be more attractive to younger segments of the population, likely driven by the presence of major universities in Portsmouth and Southampton.

Figure 4.2 Solent LEP Local Authority Working Age Population



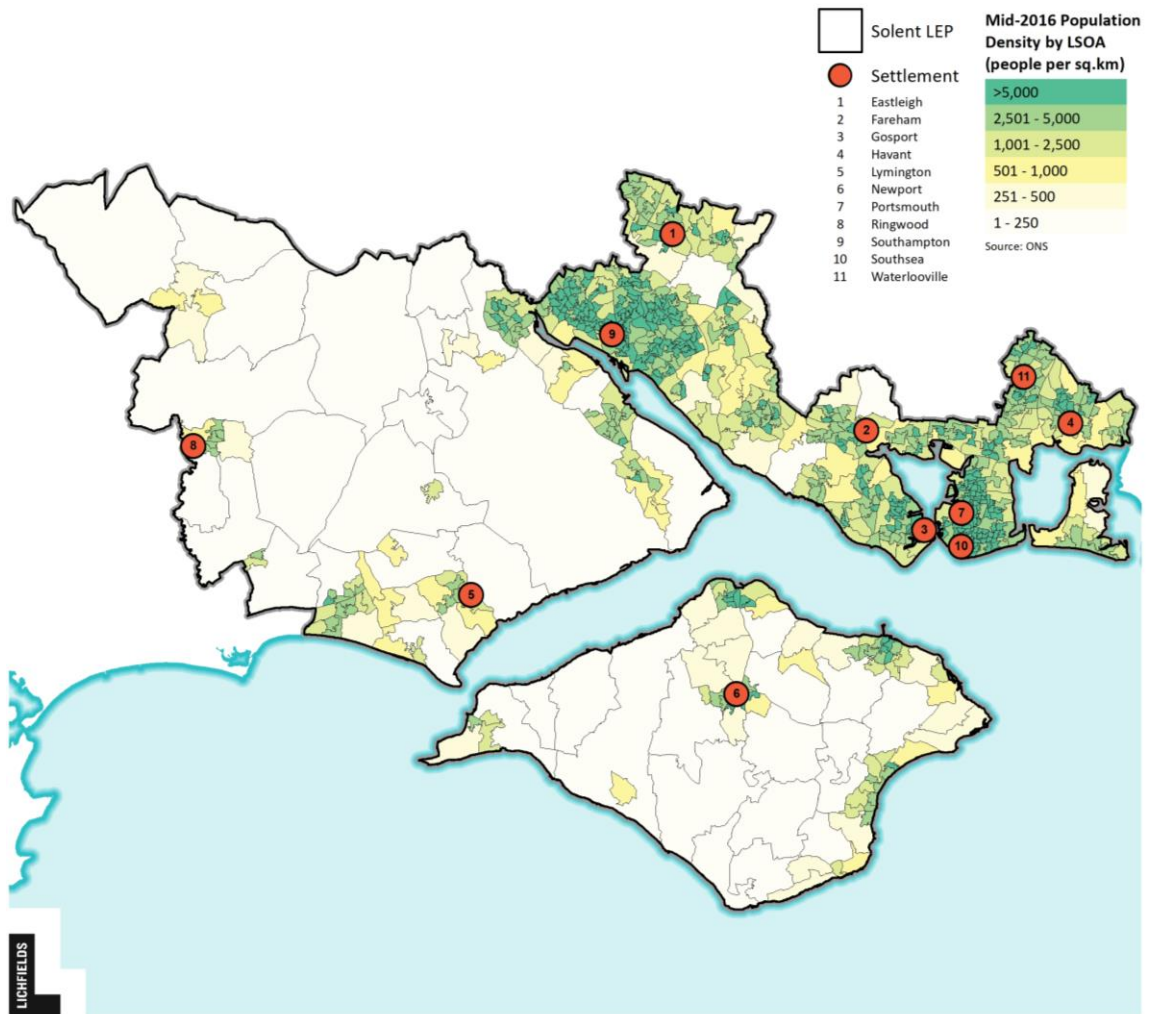
Source: Oxford Economics 2017 / Lichfields analysis

Population Density

- 4.5 As with other socio-economic indicators, the spatial distribution of the population varies across the Solent, with certain areas containing clusters of high population density.
- 4.6 Figure 4.3 below shows the population density of each LSOA within the Solent boundary in 2016³². The map identifies that the areas of highest population density are found in and around the two cities of Portsmouth and Southampton. A significant proportion of the LSOAs in both areas have a density of above 5,000 residents per square kilometre of land. There are also clusters of relatively high population density on the Gosport Peninsula and in the suburban town centres of Eastleigh, Fareham and Havant.

³² ONS, (2017); Small Area Population Density

Figure 4.3 Solent LEP Population Density by LSOA (2016)



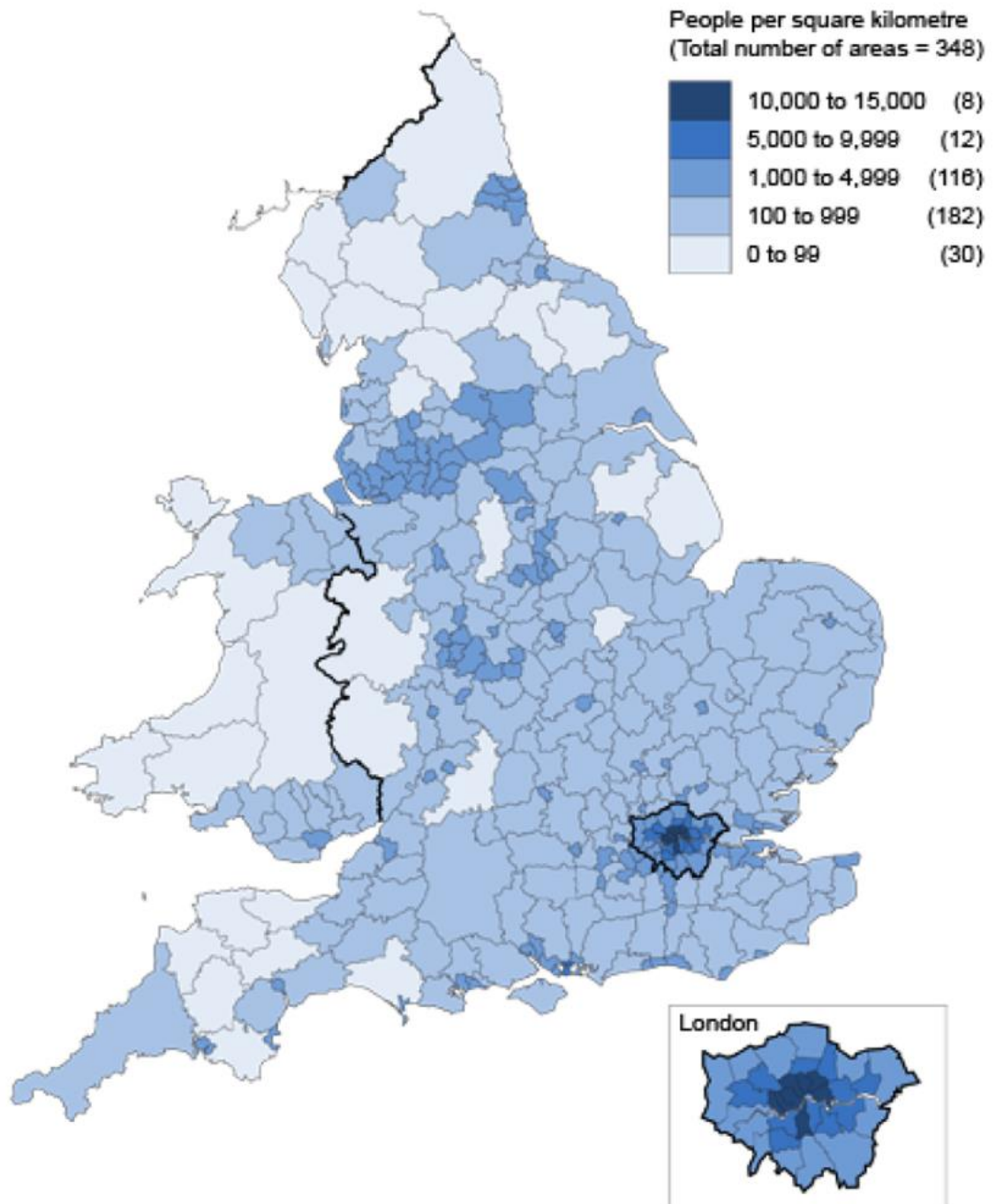
Source: ONS 2017 / Lichfields analysis

4.7 Areas of low to medium population density are typically found in the more suburban areas of the Solent’s towns and within the rural areas. The majority of LSOAs on the Isle of Wight and in the New Forest have low population densities, which range from 1 to 500 residents per square kilometre. The highest population densities on the Isle of Wight are found in the settlements of Cowes, Newport, Ryde and Shanklin, while in the New Forest the highest population densities are in Lymington, Ringwood and Totton.

4.8 It is useful to compare population density in the Solent with other conurbations and parts of the UK, in order to place Solent trends and patterns into context. Figure 4.4 below shows the average population density of all local authorities in England and Wales during 2011³³. The areas of highest population density tend to be located around the major cities such as London, Birmingham, Newcastle, Liverpool, Leeds and Manchester. It shows that the Solent LEP area is characterised by similar high population densities to these other major urban areas, with Portsmouth in particular having a population density of between 5,000 to 9,999 residents per square kilometre, equivalent to a number of London Boroughs.

³³ ONS, (2011); Census

Figure 4.4 Population Density by Local Authority (2011)



Source: ONS 2011

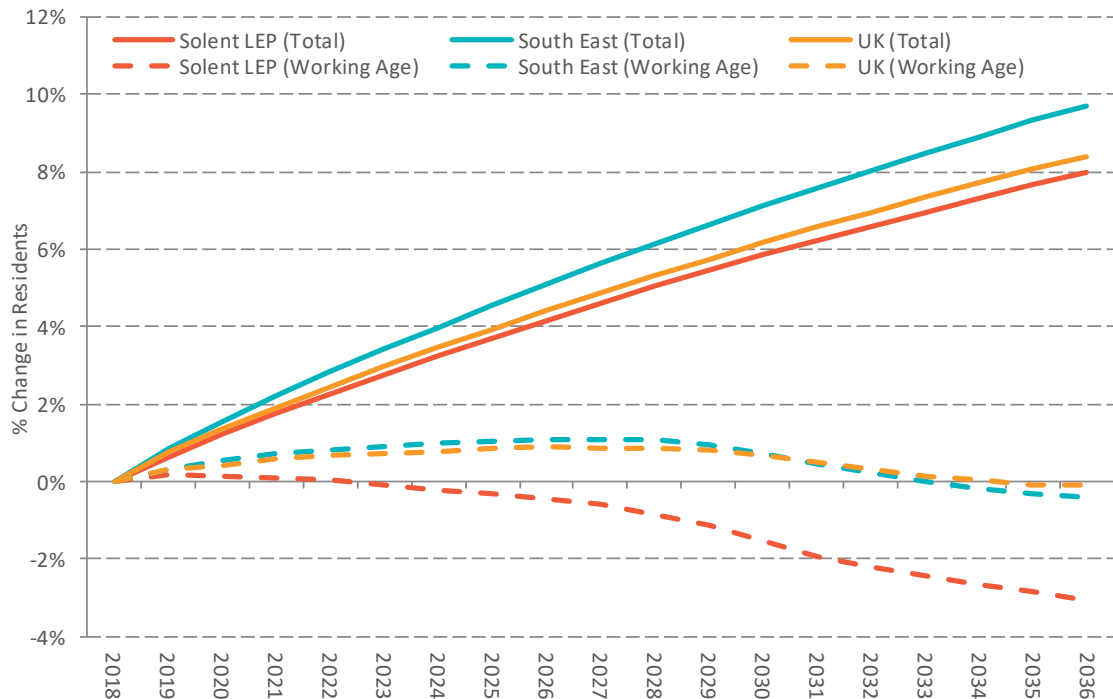
Population Projections

4.9

As shown in Figure 4.5 below, the population of the LEP area is expected to grow in the future. The total population is forecast to increase by 100,400 people between 2018 and 2036 (a larger increase than the 84,300 additional people forecast for the previous LEP geography), equivalent to an increase of 8.0%. This is lower than the equivalent rates for the South East and UK (8.4% and 9.7% respectively). At the same time, the working-age population of the Solent, South East and UK is expected to decrease over the period, reflecting the ageing population. The decline in

the working-age population is however expected to be greater in the Solent than across the South East and UK as a whole.

Figure 4.5 Future Population Change (2018-2036)



Source: Oxford Economics 2017 / Lichfields analysis

Migration

- 4.10 The ONS produces an Internal Migration dataset each year that shows how many people moved between different parts of the UK in that year³⁴. The latest version of the dataset shows that during 2016, in and out migration flows from the Solent were equivalent to a negligible proportion of the area's total population. The small migration flows indicate that residents of the Solent are unlikely to move elsewhere in the UK and are likely to remain in the Solent for a long time. This suggests that the resident population of the Solent is highly self-contained and that the resident workforce will be retained in the long-term, assuming current trends continue in the future.

Deprivation

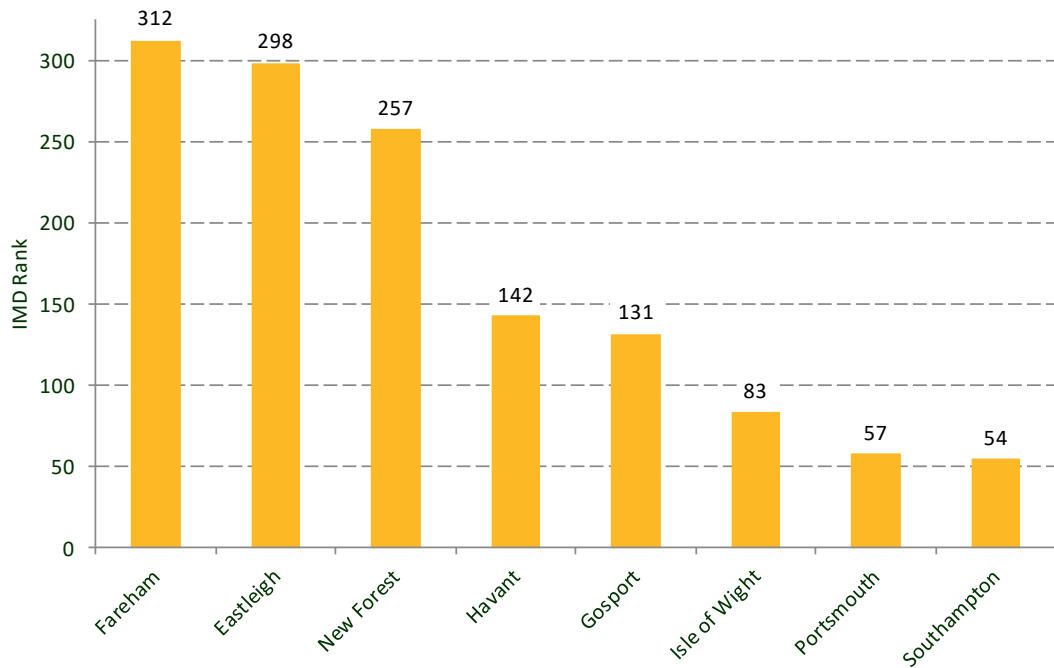
- 4.11 The Ministry of Housing, Communities and Local Government's (MHCLG's) Indices of Multiple Deprivation (IMD) (2015) scores how deprived different local authorities and LSOAs in England are across a number of domains of deprivation to produce an overall score. This allows for different parts of the country to be ranked against each other in terms of relative deprivation levels³⁵.
- 4.12 Figure 4.6 below presents the IMD rank of each Solent LEP local authority out of the 326 in England. There is a clear divide between the authorities, with three local authorities (Fareham, Eastleigh and New Forest) all ranking as some of the least deprived authorities in England, while the other five local authorities are situated within the top 50% most deprived. Portsmouth

³⁴ ONS, (2017); Internal Migration

³⁵ MHCLG, (2015); Indices of Multiple Deprivation

and Southampton are ranked as the most deprived Solent authorities overall, sitting just outside of the top 50 most deprived local authorities in England. This reflects a broader macro trend of urban areas accommodating the highest concentrations of deprivation and highlights those areas in greatest need of regeneration across the Solent.

Figure 4.6 Solent LEP Local Authority IMD Rank

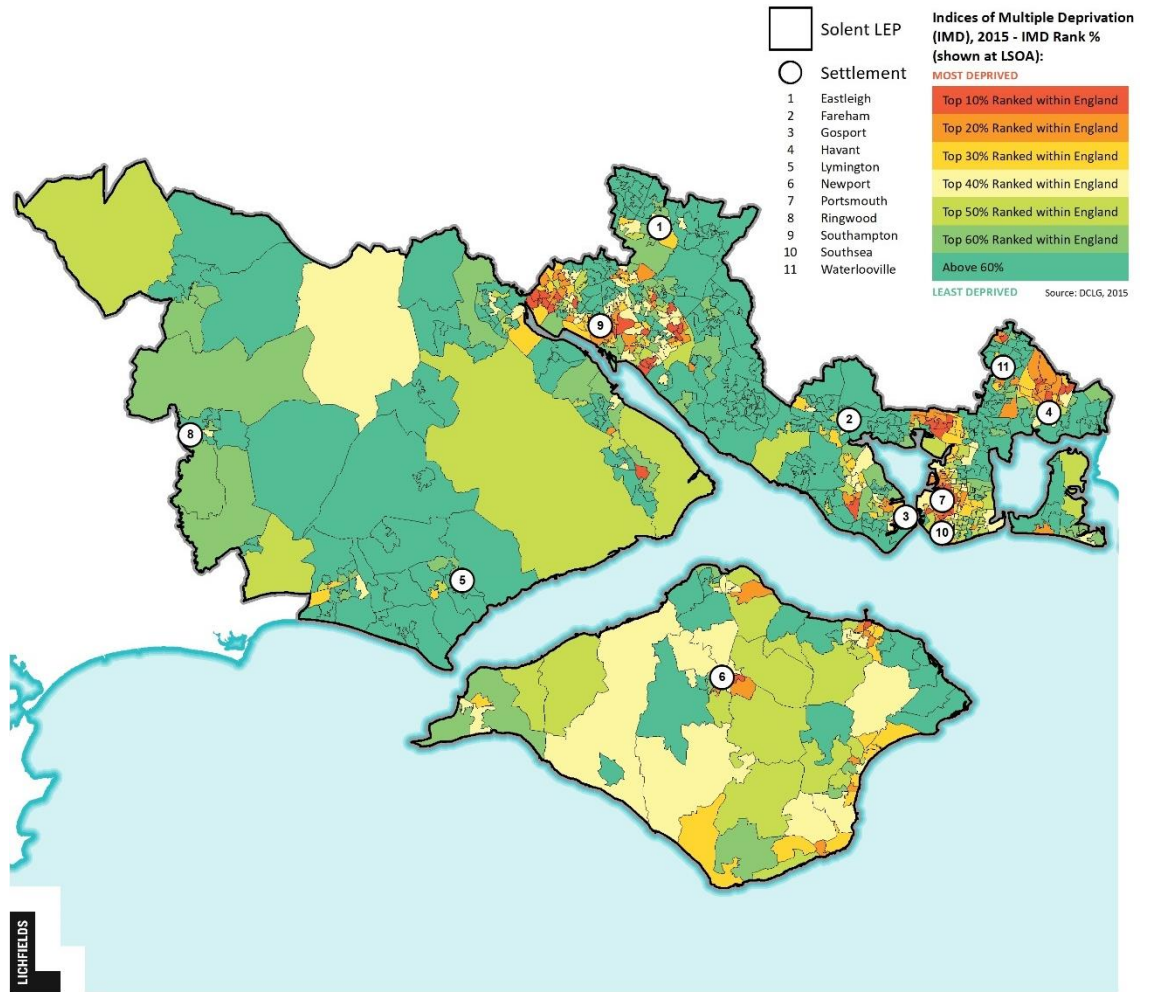


Source: MHCLG 2015 / Lichfields analysis

4.13

Figure 4.7 below illustrates how this relative level of deprivation varies across the LEP area and identifies particular pockets and concentrations of socio-economic deprivation. As with the overall rankings, the greatest concentrations of deprivation can be found within Portsmouth and Southampton, with other notable concentrations located in Gosport and Havant. The Isle of Wight does not have concentrations of deprivation on the same scale as the mainland local authorities, and deprivation tends to be more dispersed across the Island.

Figure 4.7 Solent LEP Deprivation by LSOA

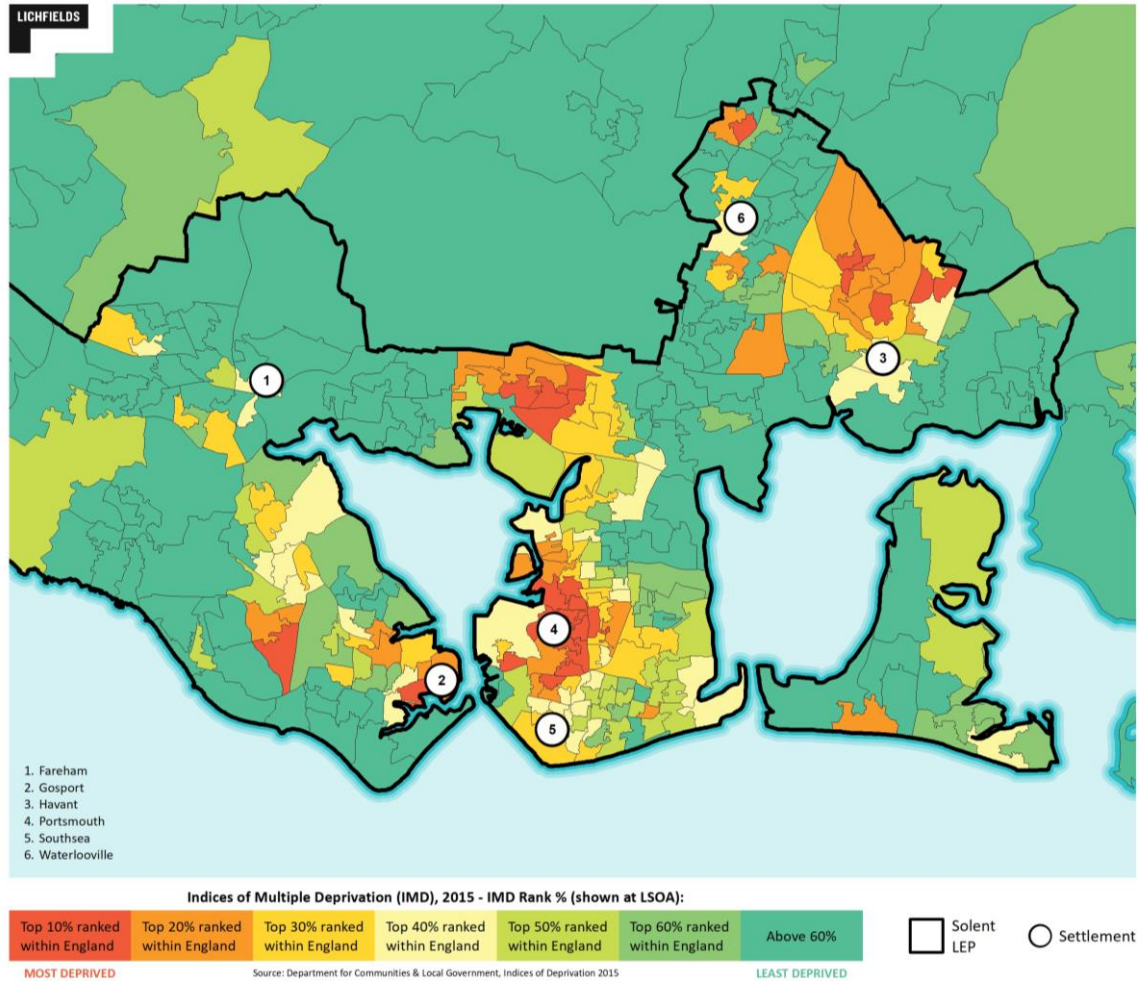


Source: MHCLG (2015) / Lichfields analysis

4.14

In the Portsmouth urban area, the major concentrations of deprivation can be seen east of Portsmouth Naval Base and docks, as well as within Cosham, Havant and Gosport town centres (see Figure 4.8). These areas typically have a significant proportion of LSOAs falling within the top 10% most deprived in England. Other LSOAs on the main Portsmouth Island are also situated within the top 50% most deprived in England. Figure 4.8 also illustrates a stark contrast between the urban areas of Portsmouth and the city’s fringes.

Figure 4.8 Portsmouth Urban Area Deprivation by LSOA

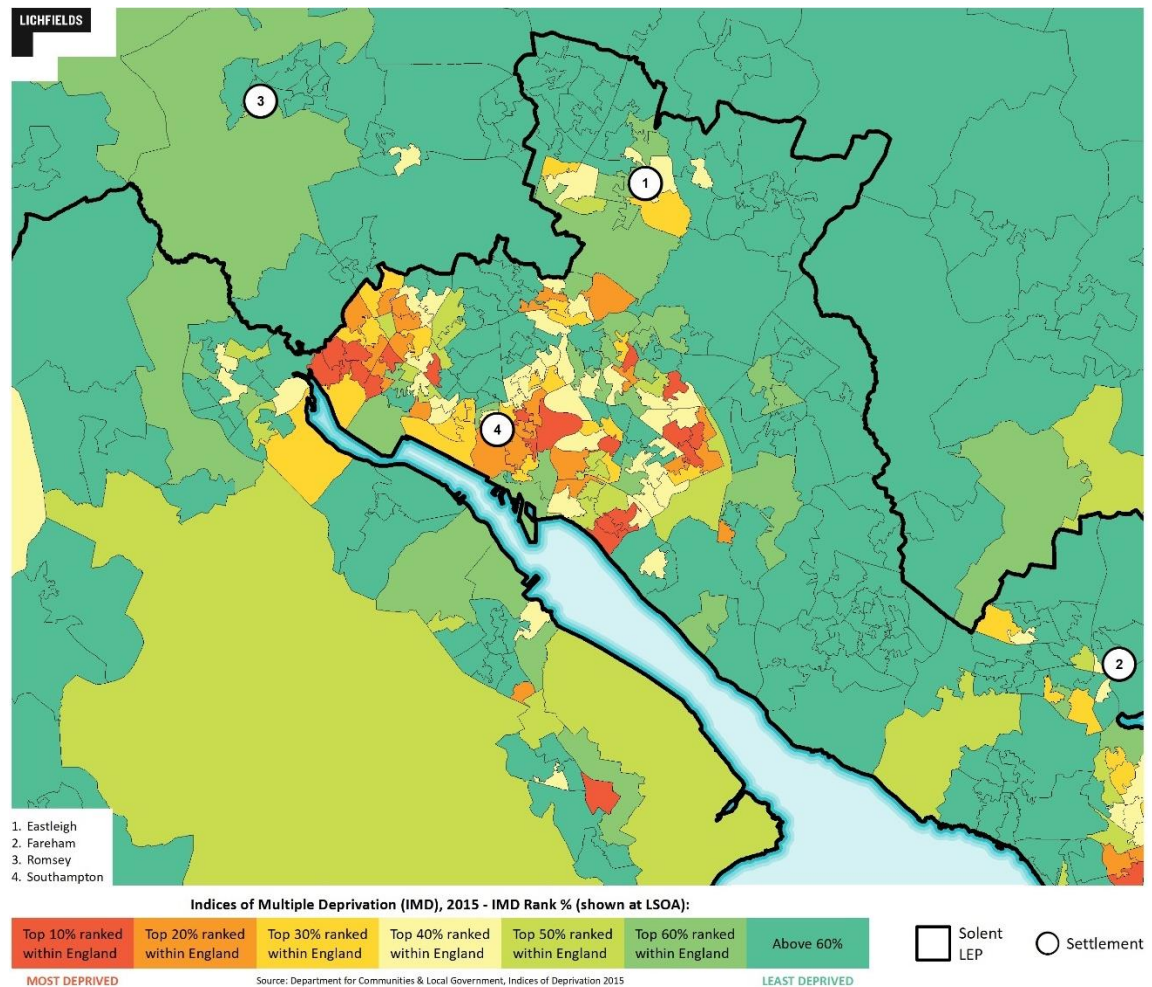


Source: MHCLG (2015) / Lichfields analysis

4.15

The most deprived parts of the Southampton urban area are located north of the Port of Southampton, east of the city centre and in Weston in Eastleigh. These areas have a significant proportion of LSOAs falling within the 10% most deprived in England, and compare poorly to the majority of the remaining area shown in Figure 4.9 which tends to be more affluent. LSOAs in the more suburban and rural areas shown in Figure 4.9 represent some of the least deprived in England.

Figure 4.9 Southampton Urban Area Deprivation by LSOA



Source: MHCLG (2015) / Lichfields analysis

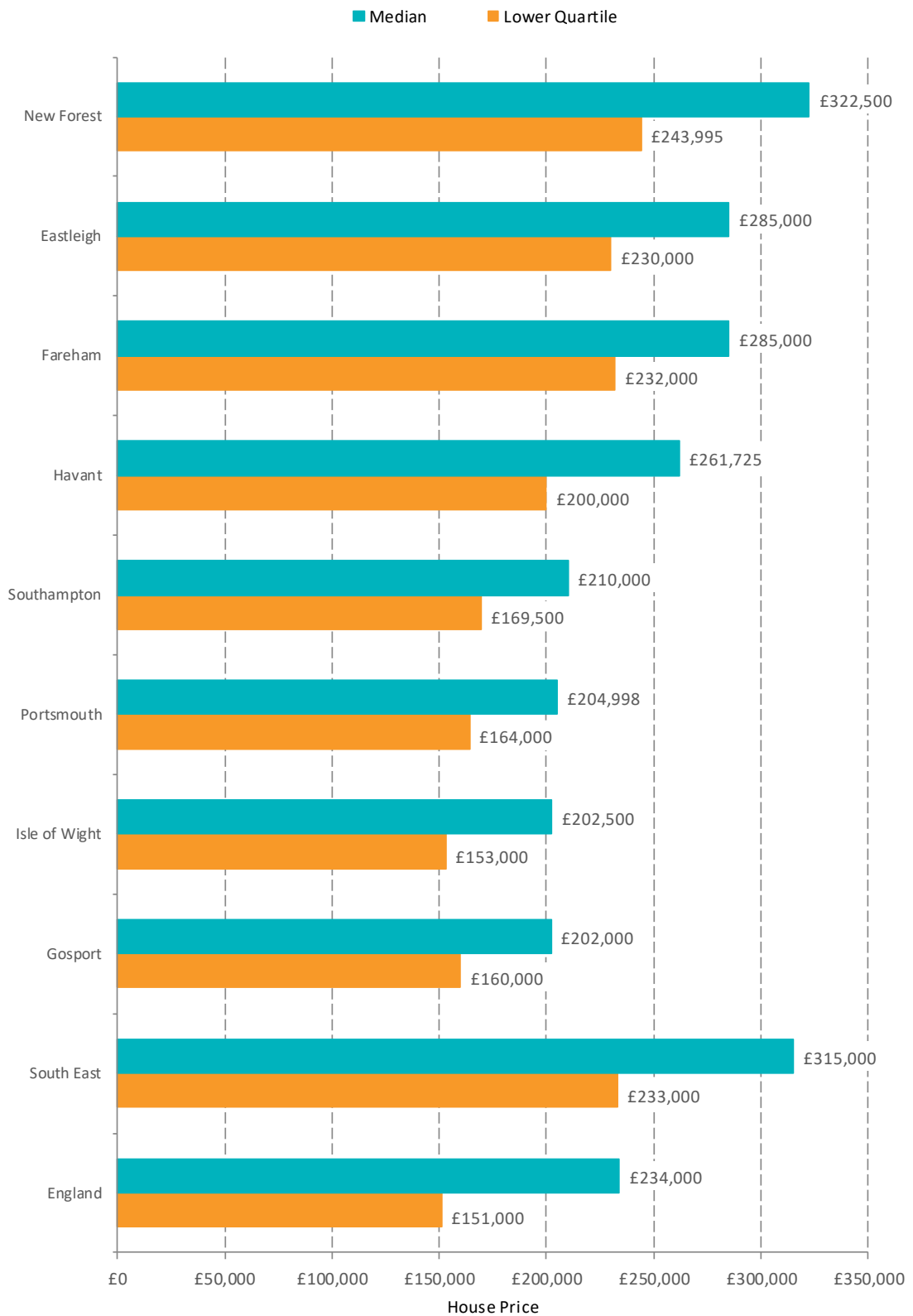
Housing

4.16

Dwelling price data published by the ONS indicates that median dwelling prices in the Solent local authorities ranged from £202,000 to £322,000 during the financial year up to the end of December 2017 (see Figure 4.10)³⁶. The local authorities with the highest median dwelling prices were New Forest, Eastleigh and Fareham, with values ranging from £285,000 to £322,500. Gosport, Isle of Wight and Portsmouth recorded the lowest median dwelling prices, with values ranging from £202,000 to £204,998. Median dwelling prices in half of the local authorities were lower than the South-East average, but were more expensive than England except in Gosport, Isle of Wight, Portsmouth and Southampton.

³⁶ ONS, (2018); HPSSA Dataset

Figure 4.10 Average House Prices (2017)



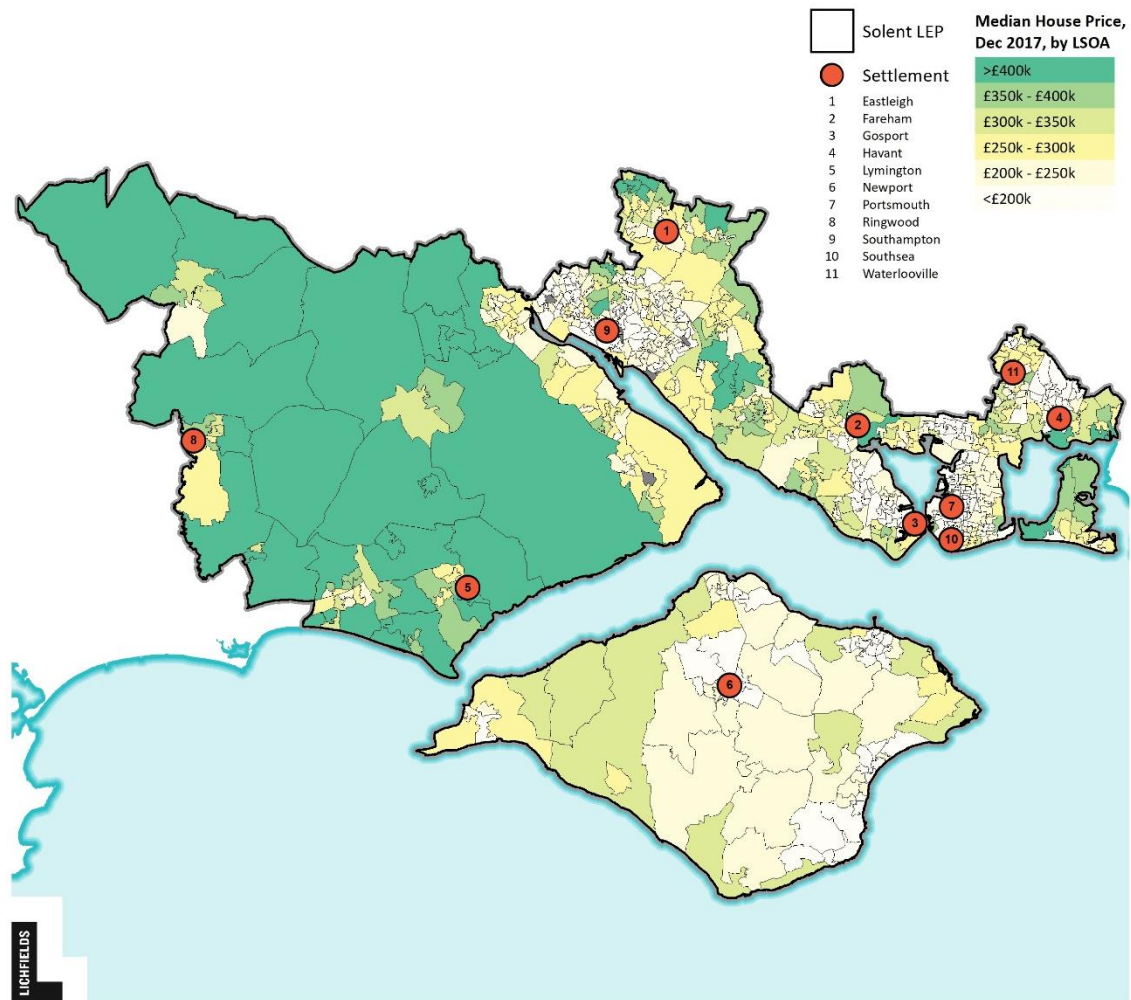
Source: ONS 2018 / Lichfields analysis

Note: The median dwelling price is the price which sits between the higher and lower halves of all dwelling prices in an area. The lower quartile dwelling price refers to the average price of the 25% cheapest dwellings in an area.

4.17 Lower quartile dwelling prices during the financial year to December 2017 ranged from £153,000 to £243,995. The local authorities with the highest median price also have the highest lower quartile prices, which vary from £200,000 to £243,995. In comparison to England, all Solent LEP local authorities had larger lower quartile dwelling prices than the England average; however, the average lower quartile dwelling price for the South East was higher than all of the authorities apart from New Forest.

4.18 Overall, the house price data indicates that the Solent LEP area is generally a cheaper location to buy a home than the South East on average, except from the New Forest authority. This spatial trend is highlighted in Figure 4.11 below, which shows median house prices at the LSOA level. LSOAs with higher house prices are mostly located near to the LEP’s outer boundary and overwhelmingly within New Forest, while the interior area and Isle of Wight contain a high number of LSOAs where median house prices were less than £200,000 in 2017.

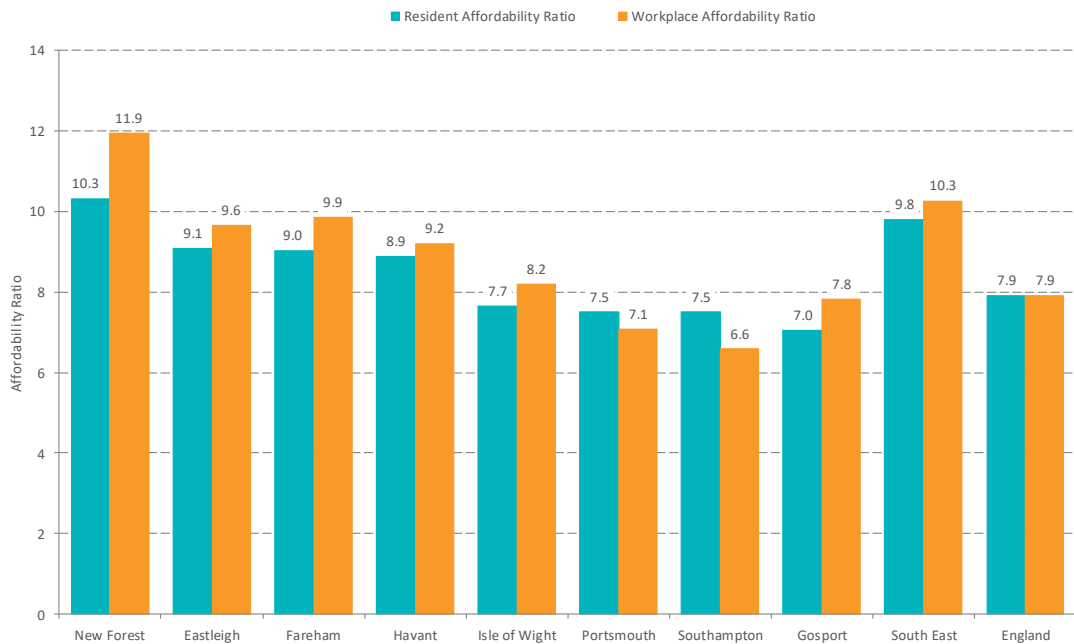
Figure 4.11 Median House Price by LSOA (2017)



Source: ONS 2018 / Lichfields analysis

4.19 Figure 4.12 below presents housing affordability ratios based on median house prices and median gross resident and workplace wages for the financial year up to September 2017. It shows that when compared to the South East and England average, all LEP local authorities except New Forest have better affordability ratios than the South East. Local authorities generally have higher ratios than England, except from the Isle of Wight, Portsmouth, Southampton and Gosport.

Figure 4.12 Median House Prices to Median Gross Wages (2017)



Source: ONS 2018 / Lichfields analysis

Note: Affordability ratios represent how many times more expensive a dwelling is than average earnings. If a household were to earn £20,000 a year and the median dwelling price was £200,000, the affordability ratio would be 10:1, as the earnings of the household would be ten times smaller than the value of the dwelling.

- 4.20 The pattern of affordability based on workplace wages is broadly the same across the local authorities when compared to the resident wages. However, the workplace affordability ratios are higher than the resident ratios in the majority of Solent local authorities, except from Portsmouth and Southampton where workplace earnings are higher. This means that property is more affordable for people commuting from elsewhere to work in Portsmouth and Southampton, compared with/for existing residents.
- 4.21 Additionally, the new Solent geography is more affordable, with only one local authority having an affordability ratio of higher than 10 for both residents and workers, when the previous geography contained three authorities which had ratios above 10.
- 4.22 This house price data helps to explain spatial patterns of commuting recorded across the Solent and correlates with local wage trends (as explored in further detail in the next chapter). Residents from the more suburban Solent local authorities (e.g. Fareham and Havant) are more easily able to afford homes in their areas as they commute to higher paying jobs elsewhere. This includes to Portsmouth and Southampton, where many of the Solent's higher paying jobs are located; this is reflected by the fact that the two authorities have higher workplace wages than resident wages. This also helps to explain why Portsmouth and Southampton residents are less able to afford homes in each local authority than the workplace population, as illustrated by the data on affordability ratios.

Summary

4.23 The main takeaway points from the analysis set out above are as follows:

- The Solent LEP area is currently home to a population of 1.26 million, representing an increase of 6.1% from the number of residents in 2010. This level of population growth was lower than the South East and UK over the same period (7.1% and 6.3% respectively). This trend is forecast to continue in the future with the Solent's population expected to increase by a further 8.0% between 2018 and 2036;
- The working age population of the LEP area has increased at a lower rate than the total population in recent years, suggesting that the age structure of the population is changing towards an older demographic. In the future, like the South East and the UK, the LEP area is forecast to see a decrease in the size and share of its working-age population;
- The LEP area accommodates pockets of high population density in the main urban areas of Portsmouth and Southampton, while densities are typically lower in other local authorities, particularly on the Isle of Wight. Population density within the Solent is comparable to other major urban centres across the country, with population density of Portsmouth equivalent to some London Boroughs;
- Migration within the Solent is relatively self-contained, with much of the recent migration movements tending to occur within the LEP area itself. The main source and destination for in and out migration from the Solent LEP local authorities is to nearby areas such as Chichester and Wiltshire. There are also sizeable flows of migrants to and from London, leading to a net gain of residents from the capital;
- The most deprived areas of the Solent are typically clustered in and around the main urban areas, in particular Southampton and Portsmouth, while the more suburban and rural local authorities are ranked as some of the least deprived in England; and
- Dwelling prices in the Solent are generally lower than across the South East of England on average, with the exception of New Forest. Except from Portsmouth and Southampton, residents of the Solent local authorities are more easily able to afford homes in their areas as they commute to higher paying jobs elsewhere. This differs in Portsmouth and Southampton as the two cities act as the Solent's key economic hubs where higher paying jobs are located.

5.0

Labour Market

5.1

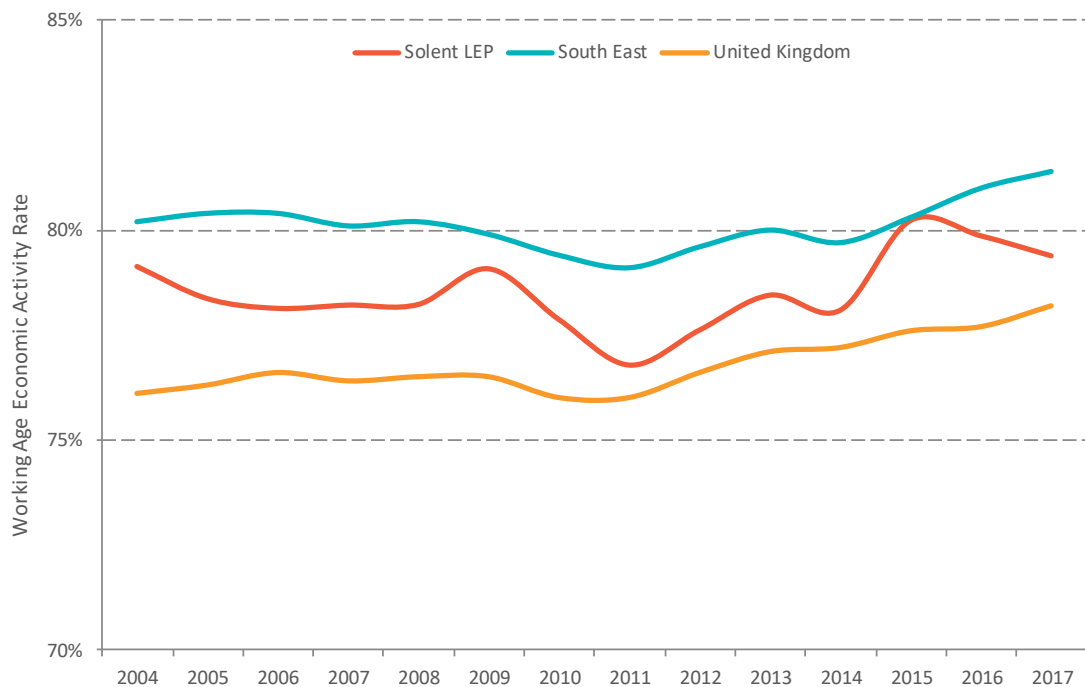
This section analyses the characteristics of the Solent LEP area's labour market including economic activity, qualifications, resident occupations, wages and out-of-work benefits.

Economic Activity

5.2

In 2017, the economic activity rate of the Solent's working age population was 79.4%, having increased by 0.3% since 2004³⁷. During the same year, the UK recorded a lower rate of 78.2% and the South East recorded a higher rate of 81.4%. This follows the trend throughout the period which has seen the South East record the higher rates, with Solent coming closest in 2015 recording a rate of 80.2% compared to the 80.3% recorded by the South East (see Figure 5.1).

Figure 5.1 Working-Age Economic Activity Rate



Source: ONS 2018 / Lichfields analysis

5.3

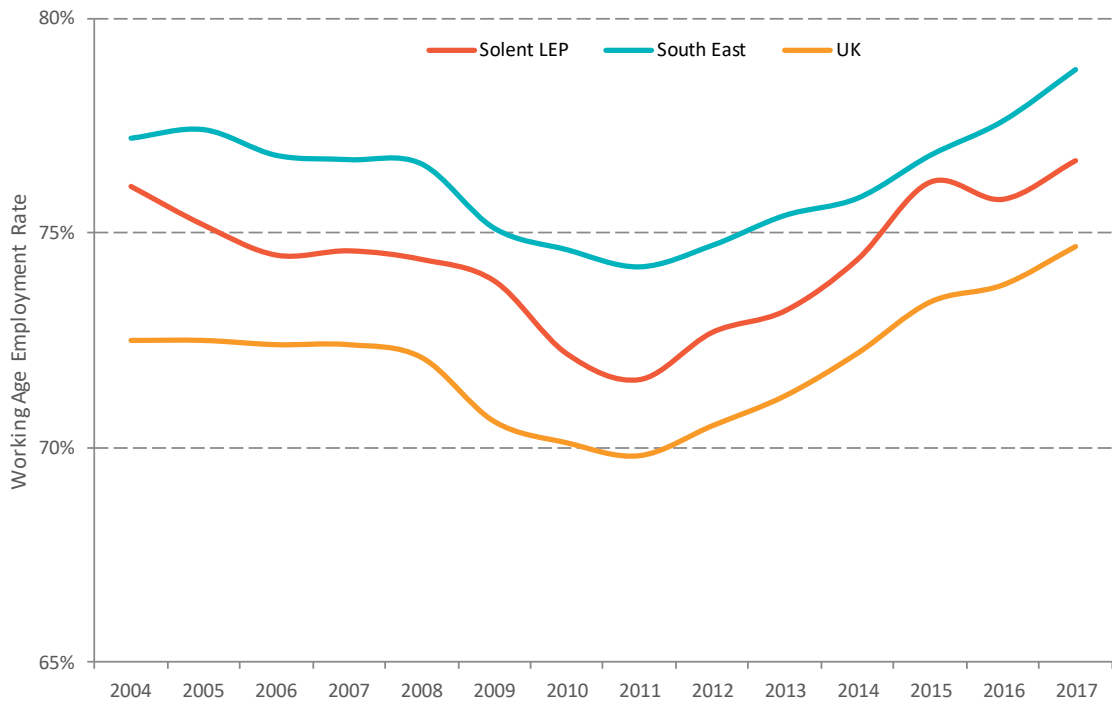
Of the LEP area's economically active working age population, 76.7% were employed in 2017. This represents an increase from the LEP rate in 2004 (76.1%) and a recovery from the post-recession low of 72.2% in 2010 (see Figure 5.2). The employment rate has tended to fluctuate year-on-year, and this is likely to be explained by the changing nature of the labour and jobs market both within the Solent and more generally across the country.

5.4

As with its economic activity rate, the LEP area has continued to record a lower employment rate than the South East and a higher one than the UK from 2004 to 2017.

³⁷ ONS, (2018); Annual Population Survey

Figure 5.2 Working Age Employment Rate



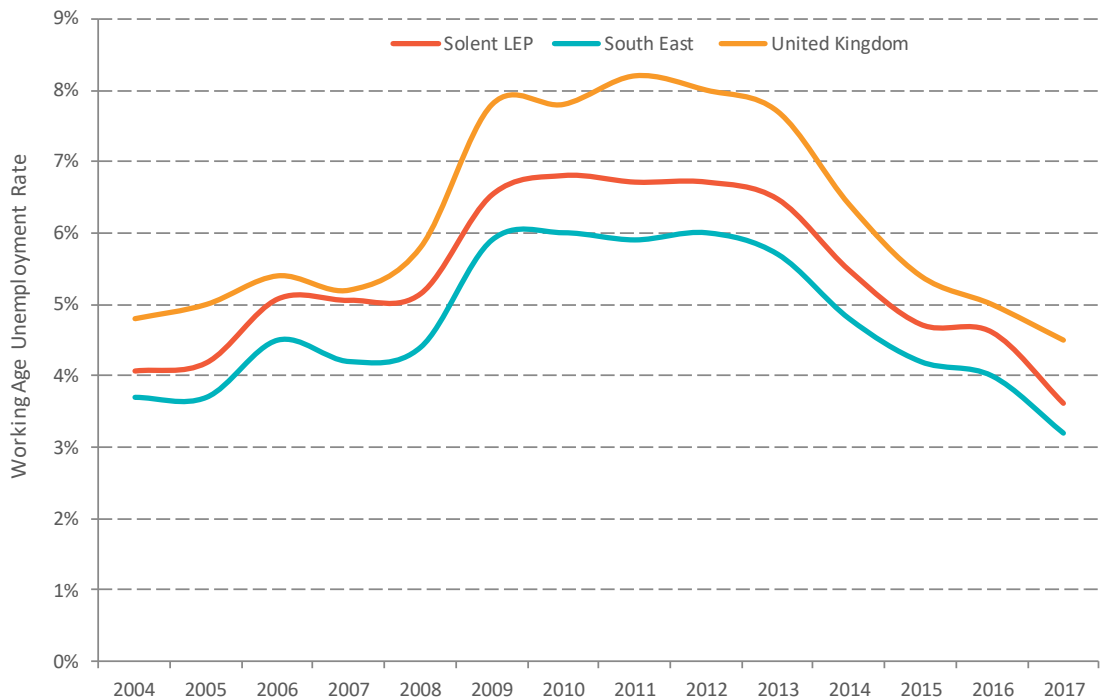
Source: ONS 2018 / Lichfields analysis

Unemployment

5.5

During 2017, the unemployment rate of working-age economically active residents in the Solent stood at 3.6%. Between 2004 and 2009 the unemployment rate increased significantly, particularly during the financial crisis, but has since recovered to a rate similar to that in 2004. Over this period the LEP area has recorded a lower rate of unemployment than the UK average and a higher rate than the South East average (see Figure 5.3).

Figure 5.3 Working-Age Unemployment Rate



Source: ONS 2018 / Lichfields analysis

- 5.6 Table 5.1 below summarises working age economic activity, employment and unemployment rates for each Solent constituent local authority in 2017. The economic activity rates of the local authorities range from 76.2% to 86.3% with Gosport and Eastleigh lying at the bottom and top ends of this range. Gosport, Isle of Wight, Portsmouth and Southampton all have lower employment rates than the LEP-wide average, with the remaining four local authorities exceeding it.

Table 5.1 Local Authority Working Age Economic Activity, Employment and Unemployment Rates (2017)

Local Authority	Population Aged 16-64			Population Aged 16+		
	Economic Activity Rate	% Difference to Solent LEP	Employment Rate	% Difference to Solent LEP	Unemployment Rate	% Difference to Solent LEP
Eastleigh	86.3%	+6.9%	82.1%	+5.4%	3.2%	+0.4%
Fareham	84.1%	+4.7%	82.8%	+6.1%	2.5%	+1.1%
Gosport	76.2%	-3.2%	73.0%	-3.7%	3.5%	+0.1%
Havant	80.8%	+1.4%	78.8%	+2.1%	3.6%	-0.0%
Isle of Wight	76.7%	-2.7%	72.7%	-4.0%	4.2%	-0.6%
New Forest	82.0%	+2.6%	80.5%	+3.8%	2.5%	+1.1%
Portsmouth	76.3%	-3.1%	73.7%	-3.0%	4.1%	-0.5%
Southampton	76.9%	-2.5%	74.0%	-2.7%	4.4%	-0.8%

Source: ONS 2018 / Lichfields analysis

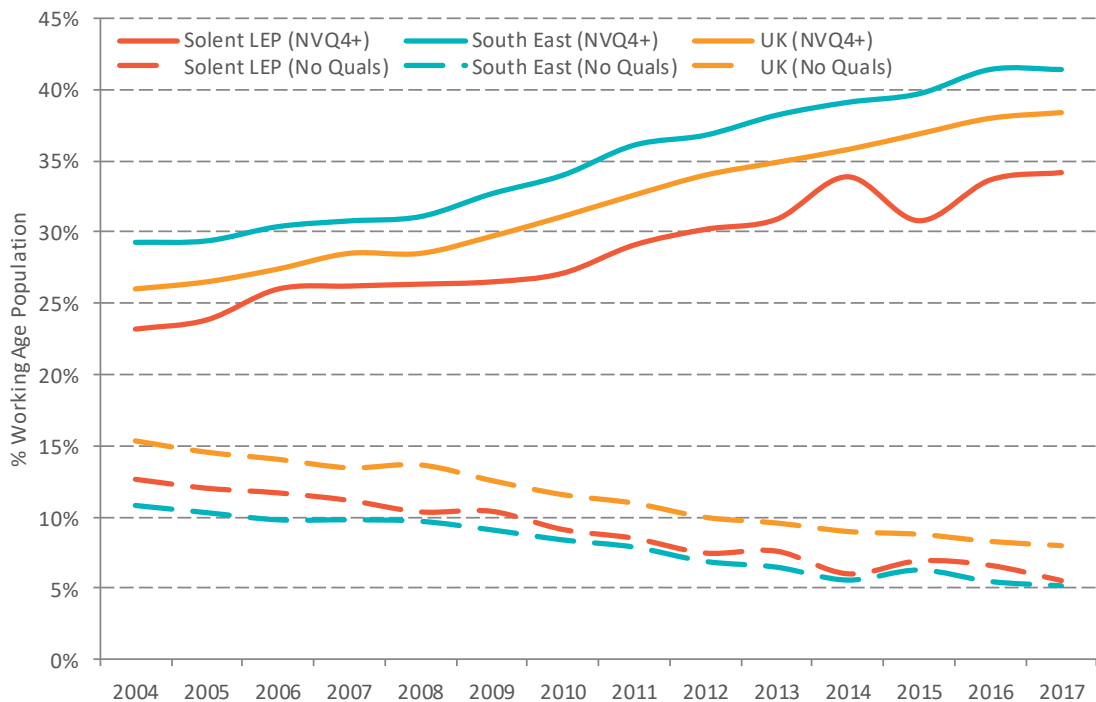
- 5.7 When compared with LEP-wide averages, employment rates associated with each local authority are broadly consistent with economic activity rates, with Gosport, Isle of Wight, Portsmouth and Southampton recording the lowest rates. The other local authorities exceed the LEP-wide average with Eastleigh and Fareham exceeding the Solent average by five percent or more.
- 5.8 Unemployment amongst residents aged 16+ in the Solent LEP area is lowest in Fareham (2.5%) and New Forest (2.5%). These authorities plus Gosport and Eastleigh have lower rates than the

Solent LEP-wide average. The highest rates of unemployment are recorded in Southampton and Portsmouth, and on the Isle of Wight (4.4%, 4.1% and 4.2% respectively).

Resident Skills

5.9 During 2017, over 34% of the Solent’s working-age residents held a degree or higher-level qualification (NVQ4+). In comparison, only 23.2% of the Solent’s working-age residents held a similar qualification in 2004, indicating that the working population has significantly up-skilled over the period. During this time, working age residents across the South East and UK as a whole have continued to hold higher level qualifications (see Figure 5.4) equating to 41% and 38% of working age residents respectively.

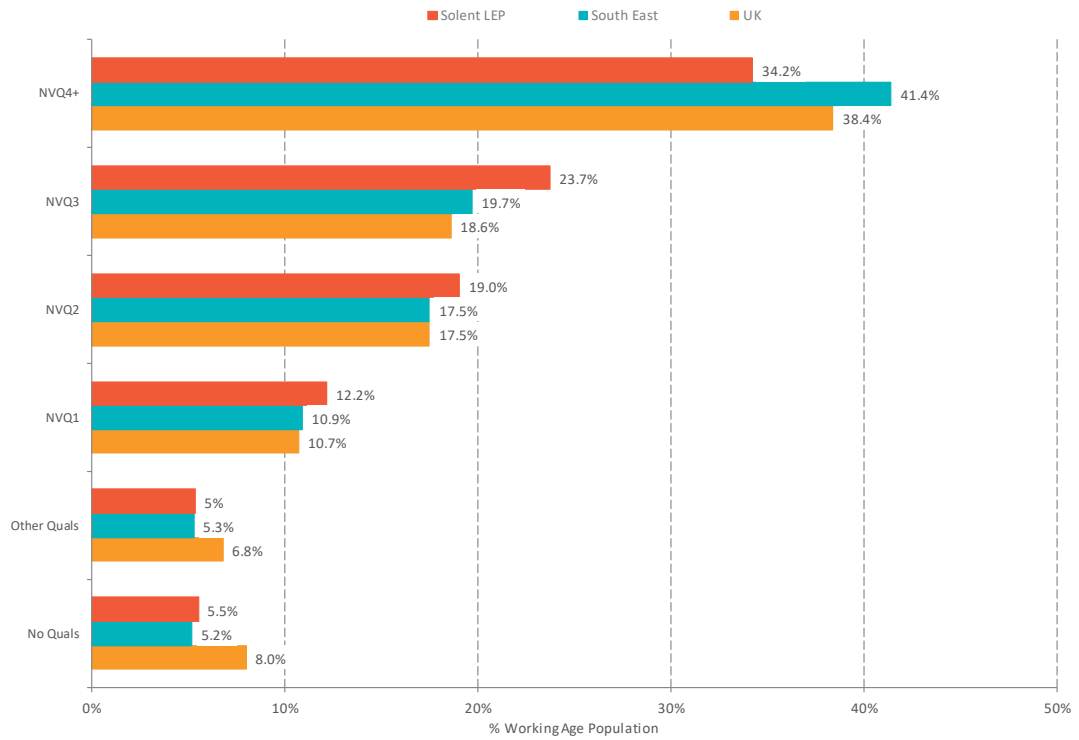
Figure 5.4 Change in Qualifications (2004-2017)



Source: ONS 2018 / Lichfields analysis

5.10 As well as having a lower rate of working age residents holding NVQ4+ qualifications, the LEP area also had a smaller proportion of working age residents holding no formal qualifications in 2017 than the UK, with a very similar rate to the South East (5.5%, 5.2% and 8.0% respectively). Overall, the Solent has a more even spread of working residents holding different NVQ levels than compared with the South East and UK as a whole (see Figure 5.5), indicating a slightly more balanced labour market.

Figure 5.5 Working-Age Qualifications

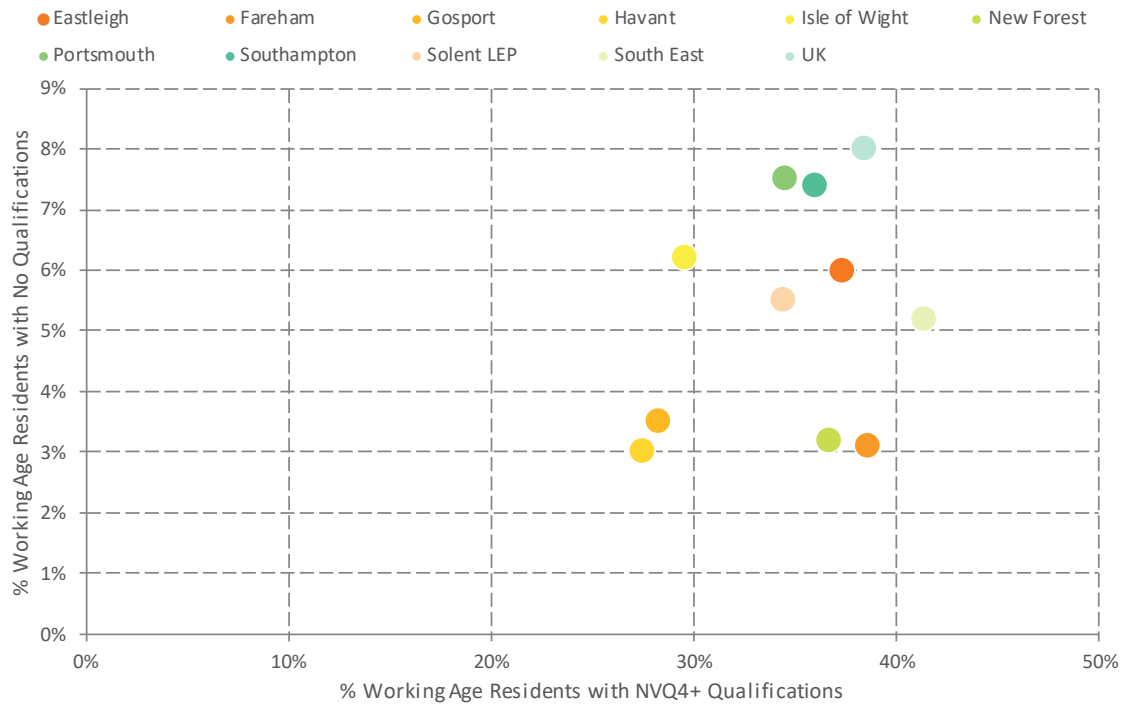


Source: ONS 2018 / Lichfields analysis

5.11

At the individual local authority level, there is widespread variation in terms of working-age residents holding the highest level of qualification (i.e. NVQ4+) and holding no qualifications, and this variation is illustrated in Figure 5.6 overleaf. Fareham has the highest skilled resident base (with 38.6% of residents holding an NVQ4+), while also recording a low rate of working age residents with no formal qualifications (3.1%). By comparison, only Havant has a lower proportion of people with no qualifications than Fareham, but also records a significantly lower proportion of working age residents with NVQ4+ qualifications (27.5%), which is the lowest of all authorities.

Figure 5.6 Qualifications by Solent LEP Authority (2017)



Source: ONS 2018 / Lichfields analysis

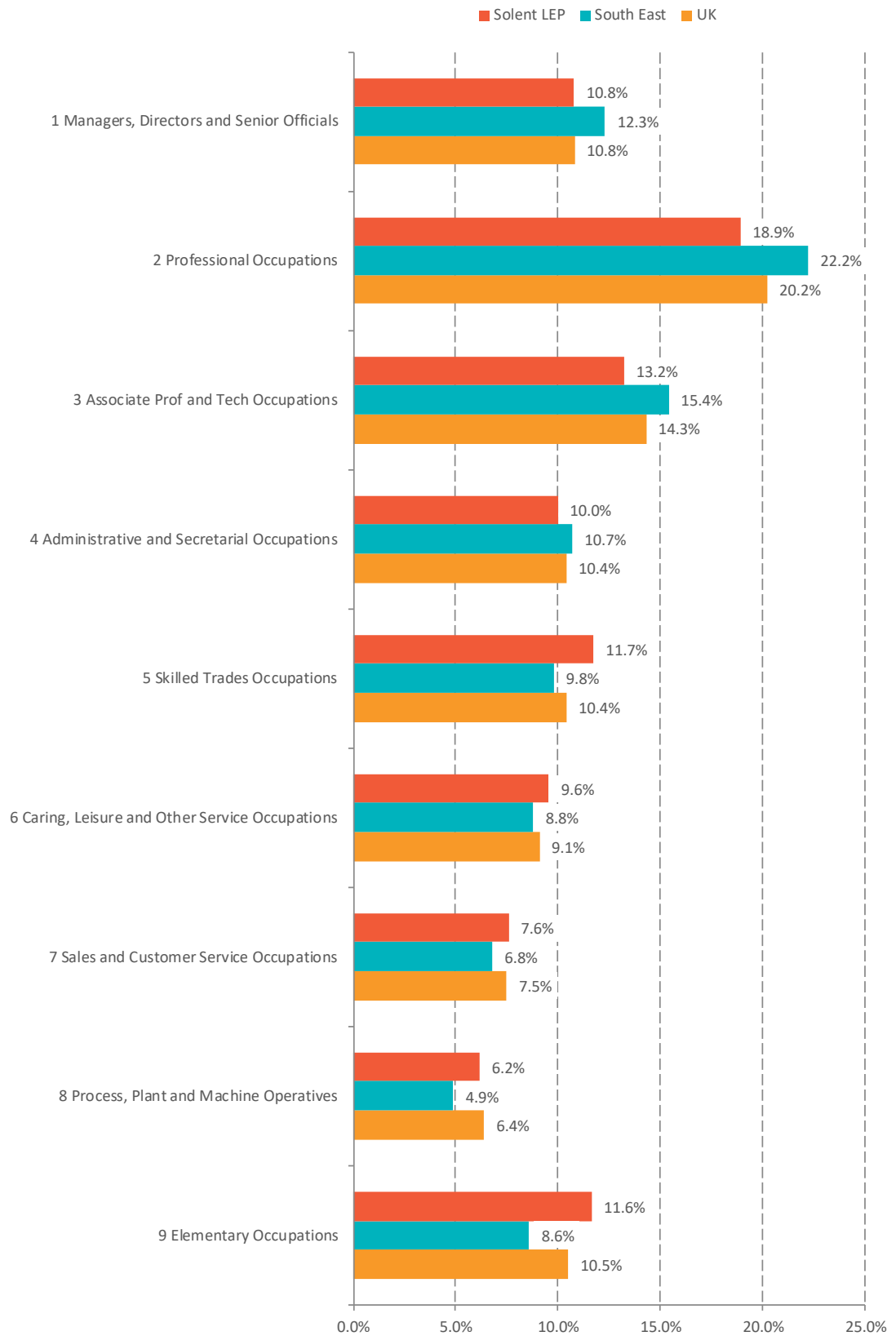
- 5.12 While comparative skills performance will inevitably vary amongst individual local authorities, the fact remains that the Solent-wide average remains below the target set out in the LEP's Skill Strategy, of reaching an NVQ4+ proportion of 36% by 2020 and matching the UK average³⁸. As the LEP's growth sectors will require a workforce characterised by higher level qualifications in particular within science, technology, engineering and maths (STEM), significant scope remains to enhance Solent-wide resident qualifications and to ensure these are aligned with future business needs.

Resident Occupations

- 5.13 Using Standard Occupation Classifications (SOCs), it is possible to analyse what types of jobs employed working-age residents occupy across the Solent, and this takes a step beyond using typical industrial classifications (e.g. professional, scientific and technical activities). Figure 5.7 overleaf shows how employed working-age residents within the Solent LEP area, South East and UK in 2017 were split across the nine major SOC groups.
- 5.14 Compared with regional and national averages, fewer employed working-age residents in the Solent are engaged in the highest three SOC groups (managerial, professional and technical occupations). Instead, higher proportions of Solent residents are employed in all other SOC groups except administrative and secretarial occupations and plant and machine operatives (see Figure 5.7). This trend is not surprising given the comparatively lower level skills base noted above.

³⁸ Solent LEP, (2014); Skills Strategy 2014-2016

Figure 5.7 Occupation of Employed Working Age Residents (2017)

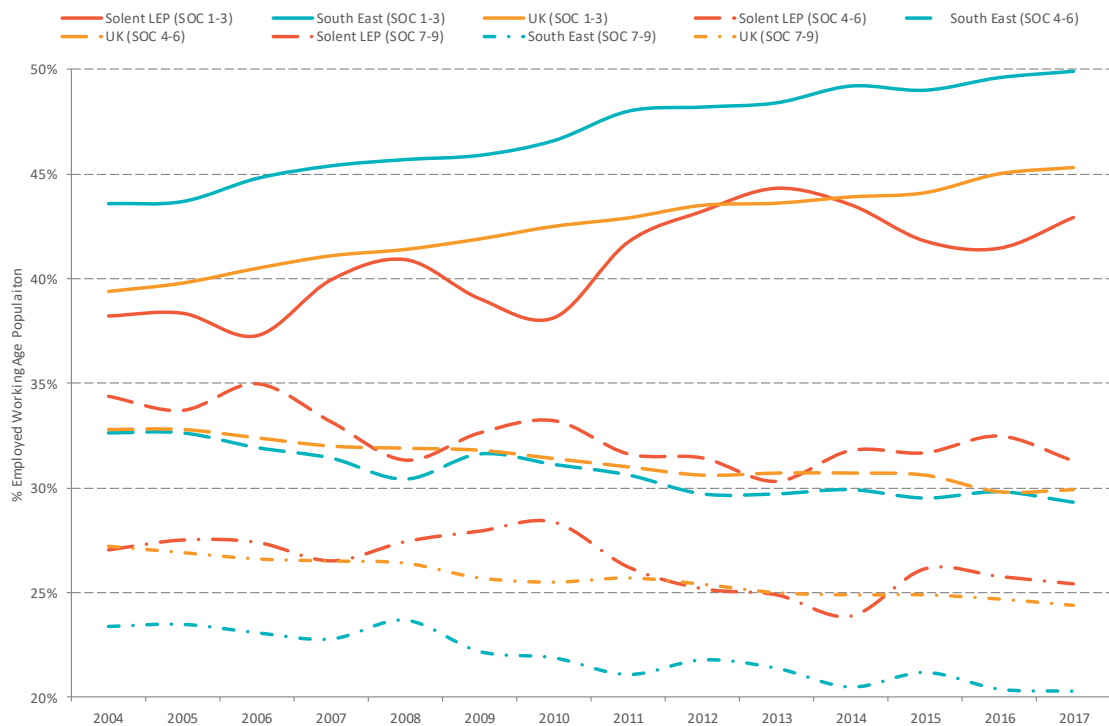


Source: ONS 2018 / Lichfields analysis

5.15

Over the period from 2004 to 2017, the Solent has consistently recorded a lower proportion of residents in SOC groups 1-3 than the South East and UK average, except from 2013 when the LEP area recorded a higher proportion than the UK (see Figure 5.8). The proportion of employed working-age residents in SOC groups 4-6 has tended to fluctuate above and below the regional average over the period, while the proportion in SOC groups 7-9 has generally remained higher than both equivalent averages.

Figure 5.8 Change in Resident Occupation Profile (2004-2017)



Source: ONS 2018 / Lichfields analysis

5.16

Within the Solent, once again performance varies by individual authority area. Three of the authorities have a higher proportion of employed working-age residents classified in SOC groups 1-3 than the Solent average (see Table 5.2). In SOC Groups 7-9, four of the eight authorities had a higher proportion of employed residents classified within these groups than the Solent average. Notably, these authorities include the LEP's two major economic hubs, Portsmouth and Southampton.

Table 5.2 Local Authority Employed Working-Age Resident Occupations (2017)

Local Authority	SOC Groups 1-3		SOC Groups 4-6		SOC Groups 7-9	
	% Employed Residents	% Difference to Solent LEP	% Employed Residents	% Difference to Solent LEP	% Employed Residents	% Difference to Solent LEP
Eastleigh	44.7%	+1.8%	37.2%	+5.9%	17.2%	-8.2%
Fareham	49.8%	+6.9%	26.7%	-4.6%	23.4%	-2.0%
Gosport	35.9%	-7.0%	32.6%	+1.3%	29.8%	+4.4%
Havant	43.8%	+0.9%	31.8%	+0.5%	24.4%	-1.0%
Isle of Wight	38.3%	-4.6%	34.9%	+3.6%	26.3%	+0.9%
New Forest	39.1%	-3.8%	35.6%	+4.3%	25.3%	-0.1%
Portsmouth	41.5%	-1.4%	29.0%	-2.3%	29.1%	+3.7%
Southampton	41.5%	-1.4%	28.4%	-2.9%	29.6%	+4.2%

Source: ONS 2018 / Lichfields analysis

Resident and Workplace Wages

- 5.17 Since 2014, resident and workplace wages across the Solent have increased, and this is also the trend recorded across the South East and UK as a whole. Table 5.3 details gross weekly median wages of residents and workers in the area during 2017 and how these have changed in absolute and proportionate terms since 2014.
- 5.18 The resident gross weekly median wage in the Solent is lower than both the regional and national equivalents, however, the Solent has experienced a higher rate of change (7.4%) than the UK and South East (7.3% and 6.2% respectively). The ‘gap’ between the Solent LEP area and UK is relatively small, with Solent LEP residents and workers earning £4 and £16.10 less per week respectively³⁹. The gap between the Solent and South East is comparatively larger, with South East residents and workers earning £40.30 and £33.60 per week more than in the Solent respectively.
- 5.19 The highest resident wages are found in Fareham, Eastleigh and Gosport, which all record weekly wages of over £450. Havant also exceeds the LEP-wide average, with New Forest, Portsmouth, Southampton and the Isle of Wight all falling below it.

Table 5.3 Resident and Workplace Wages

Location	Resident			Workplace		
	Gross Weekly Median Wage (2017)	% Change (2014-2017)	Change (2014-2017)	Gross Weekly Median Wage (2017)	% Change (2014-2017)	Change (2014-2017)
Eastleigh	£464.9	+7.7%	+£33.2	£449.3	+4.7%	+£20.3
Fareham	£498.9	+6.5%	+£30.3	£436.4	+1.3%	+£5.8
Gosport	£455.0	+13.2%	+£53.1	£426.0	+6.2%	+£25.0
Havant	£448.3	+7.3%	+£30.4	£429.7	+2.9%	+£12.3
Isle of Wight	£408.9	+6.5%	+£24.8	£398.5	+12.5%	+£44.2
New Forest	£431.2	+6.5%	+£26.5	£414.0	+8.2%	+£31.3
Portsmouth	£421.6	+5.4%	+£21.5	£440.8	+0.5%	+£2.0
Southampton	£427.7	+6.3%	+£25.2	£465.0	+8.0%	+£34.3
Solent LEP	£444.6	+7.4%	+£30.6	£432.5	+5.3%	+£21.9
South East	£484.9	+6.2%	+£28.4	£466.1	+7.2%	+£31.3
UK	£448.6	+7.3%	+£30.7	£448.6	+7.3%	+£30.7

Source: ONS 2018 / Lichfields analysis

- 5.20 Across all local authority areas apart from Portsmouth and Southampton, workplace wages are lower than their resident equivalents. This pattern suggests that workers within the two cities are more likely to live elsewhere and commute into work, and also that residents living in more suburban locations in the Solent commute to higher paid employment opportunities outside their own authority boundary.
- 5.21 Southampton and other parts of mainland Solent significantly outperformed Portsmouth in terms of wage growth over the last few years, and this could be partly explained by the presence of large public sector and defence employers within Portsmouth which have suffered from wage stagnation and austerity cuts over recent years.

Out-of-work Benefits

- 5.22 Out-of-work benefit claimant data provides a useful indicator of the health of local labour markets and relative welfare dependency across the Solent. In March 2018, 13,020 people

³⁹ ONS, (2018); Annual Survey of Hours and Earnings

across the Solent were claiming out-of-work benefits, equating to a decrease of 18.9% compared with the total recorded in March 2014 (see Table 5.4). Over the same period, the South East and UK both saw their total claimant count decrease to a greater extent (23.3% and 25.8% respectively), suggesting that scope still remains to reduce work related welfare dependency within the Solent further.

- 5.23 All local authority areas in the Solent – except Eastleigh and Southampton - experienced a decrease in the number of residents claiming out-of-work benefits in the four years to 2018. The increase in residents claiming out-of-work benefits in Eastleigh was minimal with a proportional increase of 4.4%, which equates to an increase of around 40 people in absolute terms. By comparison, Southampton saw a larger proportional increase of 9.7% or approximately 390 people.

Table 5.4 Claimant Count

Location	Total Claimants Aged 16+ (March 2018)	% Change (March 2014 - March (2018)	Claimants as % of Working Age Residents (March 2018)	% (March 2014 - March (2018)
Eastleigh	940	+4.4%	1.2%	-0.1%
Fareham	535	-25.2%	0.8%	+0.2%
Gosport	815	-20.5%	1.5%	+0.5%
Havant	1,230	-31.3%	1.7%	+0.8%
Isle of Wight	1,665	-37.6%	2.1%	+1.2%
New Forest	905	-29.0%	0.9%	+0.4%
Portsmouth	2,540	-30.8%	1.7%	+0.9%
Southampton	4,390	+9.7%	2.5%	-0.1%
Solent LEP	13,020	-18.9%	-	-
South East	74,640	-23.3%	1.3%	+0.5%
UK	890,525	-25.8%	2.1%	+0.8%

Source: ONS 2018 / Lichfields analysis

- 5.24 As a proportion of the working-age population, the latest claimant count in all local authorities except Southampton fell behind the UK average of 2.1%. Two of the local authorities (Fareham and New Forest) fall below the South East equivalent, but in overall terms the Solent LEP area sits above the wider regional average.

Travel to Work

- 5.25 The latest commuting flows data from the 2011 Census can be used to consider the relationship between where people live and where they work across the Solent⁴⁰.

Commuting Flows

- 5.26 Census 2011 origin and destination data collected from the ONS allows for the analysis of commuting flow at a range of different geographies including local authority and MSOA level. The largest commuting flows within the Solent LEP area include movements between Eastleigh and Southampton (12,700 (19%) and 11,200 (10%) people respectively) and workers commuting from Havant to Portsmouth (10,900 or 20% of working resident base). There are also large commuting flows from the New Forest to Southampton (9,100 or 11%), Fareham to Portsmouth (7,800 or 14%) and Gosport to Fareham (7,100 or 18%).

⁴⁰ ONS, (2011); Census

- 5.27 Looking externally, the largest inflows to the Solent LEP area come from the authorities of Winchester, Test Valley and East Hampshire (9,100, 7,300 and 6,000 people respectively), all of which previously formed part of the LEP geography. The most popular out-commuting destinations among Solent residents include Winchester, Test Valley and Chichester (18,300, 8,700 and 6,200 people respectively), which make up 43.9% of the total residents commuting to work outside of the Solent.
- 5.28 Overall, 57,500 people commute to the LEP area from other authorities that are not located within the LEP area; this represents 11.6% of the Solent's workforce base. In overall terms, there is a net outflow from the LEP area of 18,900 workers (just over 3.3% of the Solent's total working residents), which is relatively small given the size of the LEP area's resident workforce and scale of internal in-commuting.
- 5.29 Given the strong connectivity linkages that the Solent LEP area shares with London, the Capital inevitably exerts some influence over labour market patterns to and from the Solent. According to the latest Census data, 7,347 Solent-based residents commute to London for their employment which is equivalent to just under 10% of the total commuting out flow from the LEP area. This scale of out-commuting to London is relatively small in overall terms, representing just over 1% of all working residents in the Solent. The Boroughs of Westminster and City of London accommodate the largest number of commuters, together accounting for 33% of all commuters to London.
- 5.30 London also makes a contribution to the Solent LEP area's supply of workplace labour, with 1,814 people commuting from London to the Solent area for their employment each day. This represents a relatively small share of the total in-flow of commuters to the Solent LEP area, equivalent to approximately 3% of all in-commuters. This supply of labour is drawn from all London Boroughs, although the largest flows come from south west London Boroughs such as Croydon, Hillingdon and Richmond upon Thames.
- 5.31 Table 5.5 overleaf provides a breakdown of the key commuting metrics for each Solent LEP local authority. The net flows of workers for each local authority includes both internal and external commuting and indicate that overall there is a net out-flow of workers daily from each authority area within the LEP area except Portsmouth.
- 5.32 Data on workforce self-containment indicates that over 60% of the resident workforce of the Isle of Wight, New Forest, Portsmouth and Southampton work within their own local authority area⁴¹. The Isle of Wight's self-containment rate is very high, due to its physical isolation from the mainland. In other more suburban local authorities on the mainland, namely Eastleigh, Fareham and Gosport, local residents are more likely to out-commute than to work in their own local authority area.
- 5.33 As a whole, the LEP area was characterised by high levels of labour market self-containment at the time of the 2011 Census, with nearly 85% of the area's residents also working within the Solent.
- 5.34 As at 2018, the Solent's workforce totals 588,300 with a working-age population of 776,500. This means that the working-age resident base within the LEP area exceeds its total workforce by 188,200 or 32%. Not all of these working-age residents are economically active (i.e. wanting a job or in a job), however this mismatch does necessitate a degree of out-commuting by some of its residents to gain employment opportunities elsewhere.

⁴¹ Rate of self-containment is calculated by subtracting the proportion of each local authority's workforce that out commutes to another local authority or outside of the UK from the local authority's total resident workforce.

Table 5.5 Local Authority Commuting Metrics

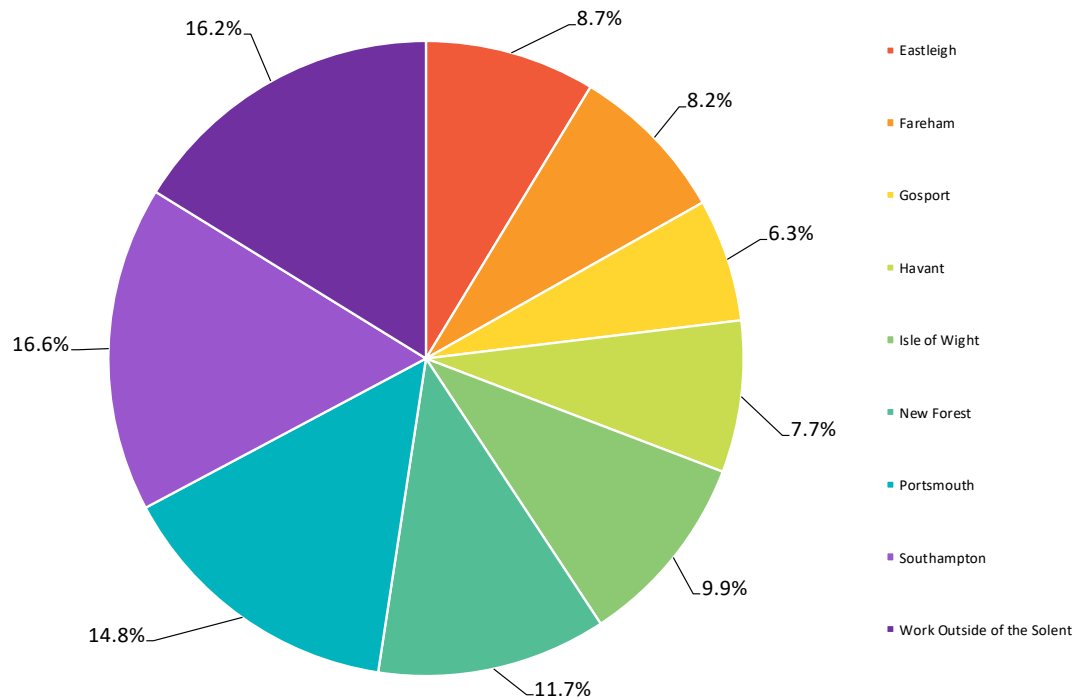
	Eastleigh	Fareham	Gosport	Havant	Isle of Wight	New Forest	Portsmouth	Southampton	Solent LEP
Residents Working Locally	32,100	26,900	19,600	29,300	55,100	53,700	68,900	71,600	479,600
In-Commuters	32,500	24,700	7,400	17,700	2,100	22,800	41,500	42,000	57,500
Out-Commuters	33,900	29,900	20,600	26,500	4,700	30,000	28,100	41,400	76,400
Net Flow	-1,400	-5,200	-13,200	-8,800	-2,600	-7,200	+13,400	+600	-18,900
Self-Containment	48.7%	47.3%	48.7%	52.5%	92.2%	64.2%	71.0%	63.4%	83.8%
Top 5 In Commuting Locations	Southampton, Test Valley, Fareham, Winchester, New Forest	Gosport, Portsmouth, Southampton, Eastleigh, Havant	Fareham, Portsmouth, Havant, Winchester, Southampton	Portsmouth, East Hampshire, Fareham, Chichester, Winchester	Newport, Southampton, Portsmouth, Poole, Christchurch	Southampton, Bournemouth, East Dorset, Christchurch, Eastleigh	Havant, Fareham, Gosport, East Hampshire and Winchester	Eastleigh, New Forest, Test Valley, Fareham and Winchester	Winchester, Test Valley, East Hampshire, Bournemouth Chichester
Top 5 Out-Commuting Locations	Southampton, Winchester, Test Valley, Fareham, New Forest	Portsmouth, Winchester, Southampton, Eastleigh, Gosport	Fareham, Portsmouth, Winchester, Eastleigh, Havant	Portsmouth, Chichester, East Hampshire, Fareham, Winchester	Portsmouth, Southampton, Test Valley, Westminster, City of London, Poole	Southampton, Eastleigh, Test Valley, Bournemouth, Christchurch	Havant, Fareham, Winchester, Chichester, East Hampshire	Eastleigh, New Forest, Winchester, Test Valley, Fareham	Winchester, Test Valley, Chichester, East Hampshire, Wiltshire

Source: ONS 2011 / Lichfields analysis

5-35

Figure 5.9 below breaks down the components of the LEP's 83.8% labour self-containment rate. The individual components of the pie chart show what proportion each authority contributes to the cumulative self-contained workforce between the eight authorities. Out of the local authorities, New Forest, Portsmouth and Southampton contribute the largest proportions of the total self-contained workforce, with Gosport and the Isle of Wight providing the smallest contributions.

Figure 5.9 Solent LEP Labour Self-Containment



Source: ONS 2011 / Lichfields analysis

5-36

This level of labour market self-containment in the Solent area is similar to the equivalent rate within the Thames Valley Berkshire LEP area which was approximately 85% as at 2011⁴², and significantly higher than the adjoining Enterprise M3 LEP area which recorded a labour self-containment rate of just 72% in 2011⁴³. Indeed, recent evidence⁴⁴ prepared by the Enterprise M3 LEP indicates that there is a net inflow of 10,000 people per day from the Solent area to the Enterprise M3 area, reflecting the better availability of cheaper housing within the Solent compared with housing provision available within the Enterprise M3 area.

5-37

The proportion of residents mainly working at or from home varies considerably within the LEP area. Table 5.6 shows that the lowest rates of home working are found in Southampton, Gosport and Portsmouth (7.0%, 7.2% and 7.4% respectively). Home working is more common in the local authorities that have larger rural areas such as New Forest, or in the case of the Isle of Wight, are isolated from the concentration of employment opportunities available on the mainland.

⁴² Thames Valley Berkshire LEP, (2017); Strategic Economic Plan Evidence Base

⁴³ Enterprise M3, Skills and Employment Evidence Base, August 2013

⁴⁴ Enterprise M3, Developing and Industrial Strategy for Our Area, Consultation Paper Autumn 2017

Table 5.6 Home Working (2011)

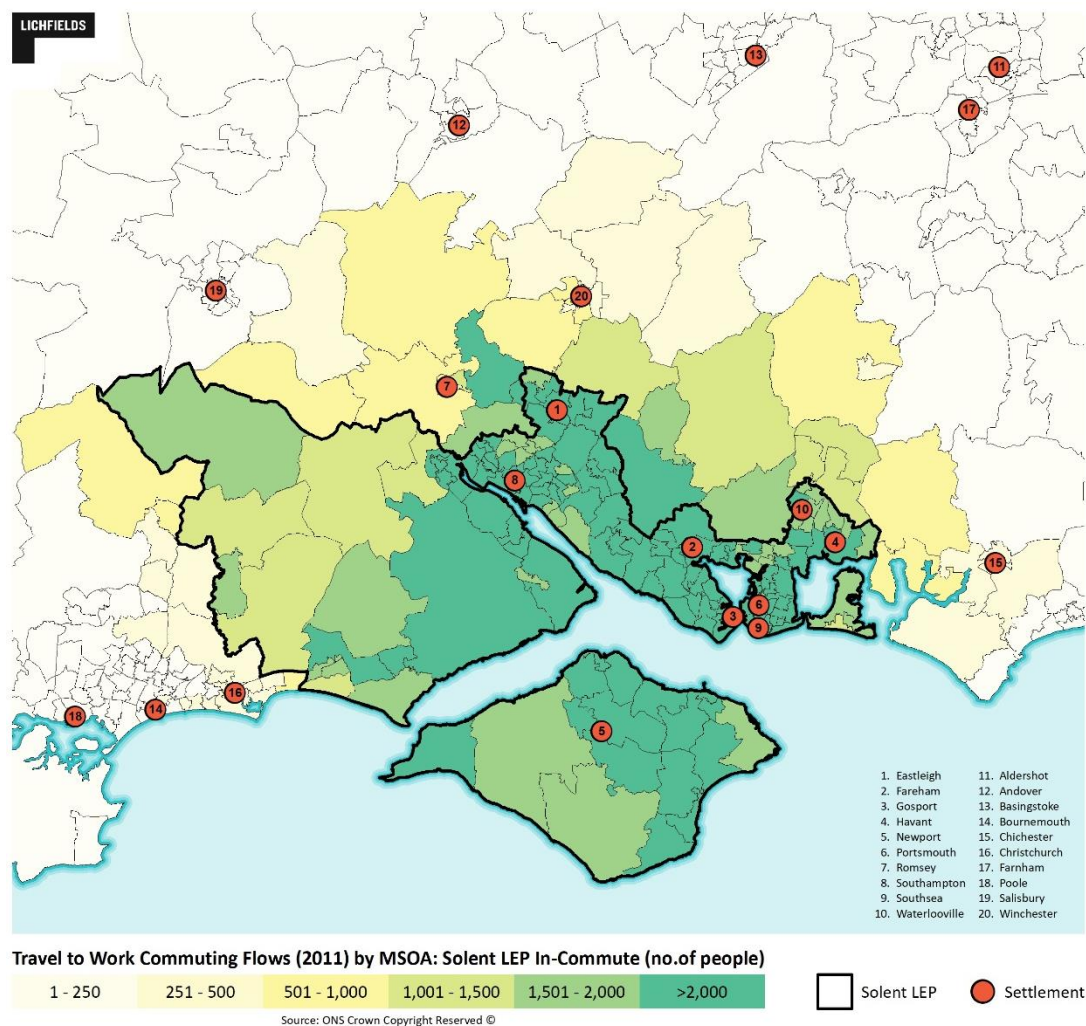
Local Authority	Number of Residents Working from Home	% Resident Workforce Working from Home
Eastleigh	6,300	9.5%
Fareham	5,700	10.0%
Gosport	2,900	7.2%
Havant	5,000	8.9%
Isle of Wight	7,500	12.6%
New Forest	11,500	13.7%
Portsmouth	7,200	7.4%
Southampton	7,900	7.0%

Source: ONS 2011 / Lichfields analysis

5-38

Figure 5.10 below provides a more detailed view of where workers in the Solent LEP area travel from to work. The map shows that the majority of the LEP’s workforce is drawn from within its own boundary or from MSOAs located near to the LEP area boundary in adjacent local authorities such as Chichester, Test Valley and Winchester.

Figure 5.10 Solent LEP In-Commuting by MSOA

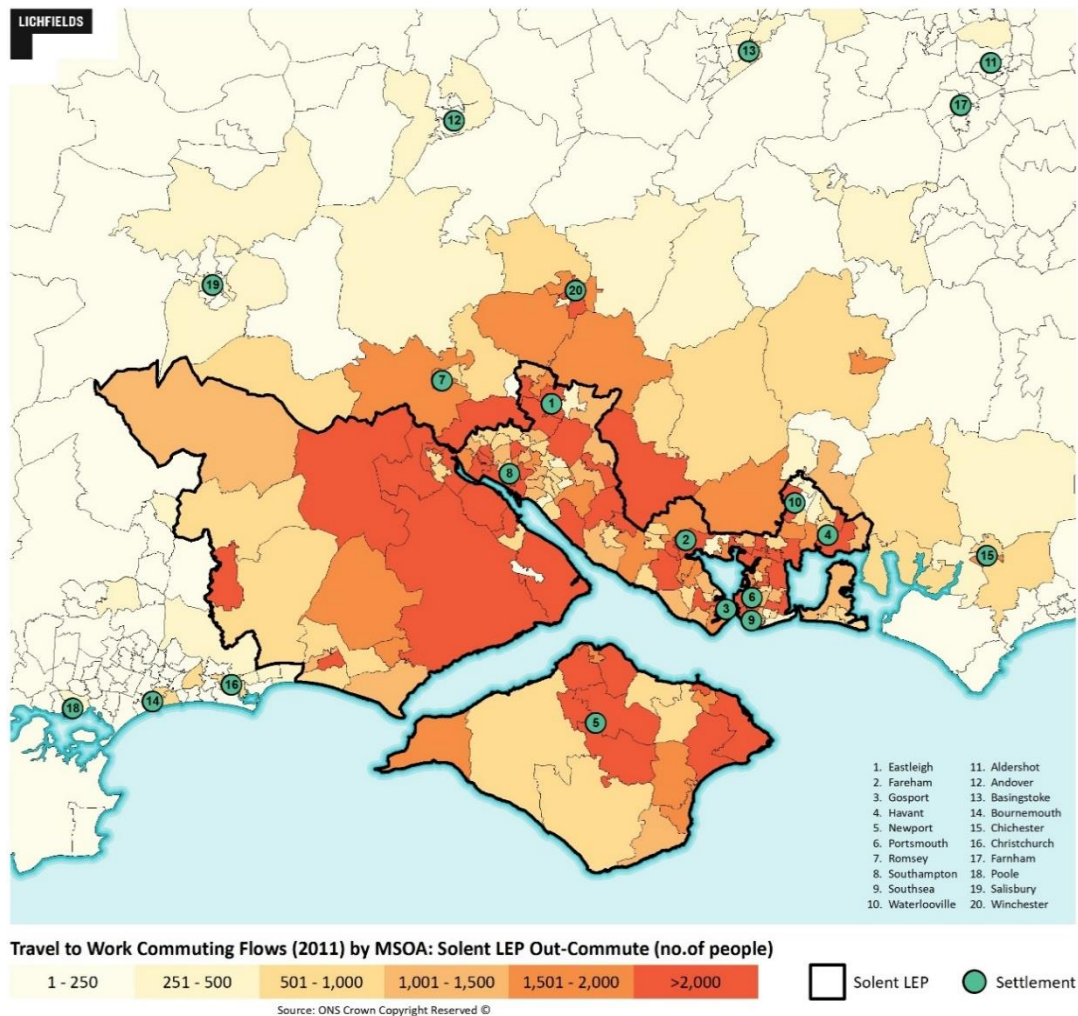


Source: ONS 2011 / Lichfields analysis

5.39

Figure 5.11 below provides equivalent data showing where workers in the Solent LEP area travel from to work. The map shows that the majority of the LEP’s workforce is drawn from within its own boundary or from MSOAs located near to the LEP area boundary in adjacent local authorities such as Chichester, Test Valley and Winchester.

Figure 5.11 Solent LEP Out-Commuting by MSOA



Source: ONS 2011 / Lichfields analysis

Travel to Work Areas

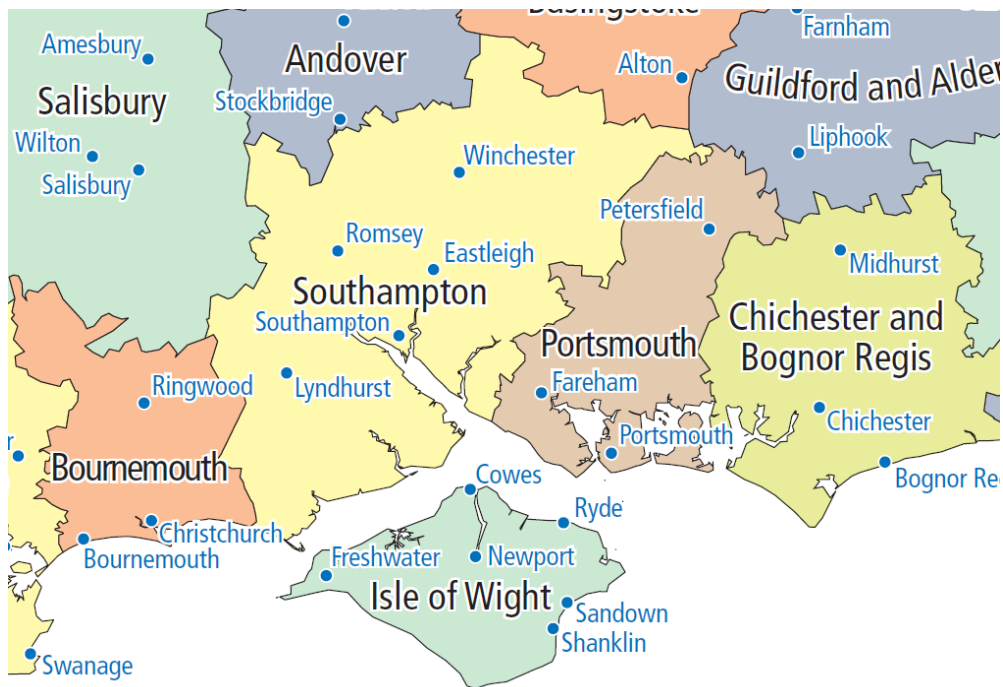
5.40

The ONS defines Travel to Work Areas (TTWAs) as those areas where the majority of the resident population also works in the same area. TTWAs represent the area from which local businesses are most likely to recruit their employees, while key strategic routes have the ability to extend these TTWAs well beyond the immediate sub-region.

5.41

In 2015, the ONS used 2011 Census data on home and work addresses to define 228 TTWAs that cover the whole of the UK. This analysis identifies three TTWAs that cover the Solent LEP area; namely Southampton, Portsmouth and Isle of Wight (as shown in Figure 5.12). The Portsmouth and Southampton TTWAs extend beyond the Solent LEP area boundary, into adjoining Test Valley, Winchester and East Hampshire local authority areas.

Figure 5.12 Census 2011 Travel to Work Areas



Source: ONS 2011

5.42

This analysis indicates that the majority of the LEP area’s workforce is drawn from the local population base, and that the majority of local residents also tend to work within the Solent. The strong internal flows of commuters point to Eastleigh, Southampton, Portsmouth and Isle of Wight as being the main foci or destinations for commuting within the LEP area.

Summary

5.43

Based on the analysis of key labour market metrics, a number of key takeaway points can be summarised as follows:

- The Solent LEP area outperforms the UK average in terms of the proportion of working-age residents who are economically active, employed and unemployed, and has done so for a number of years. The LEP area has generally lagged behind the South East on these metrics but has started to close the gap;
- The South East and UK have higher proportions of working age residents holding higher level qualifications than the Solent LEP area. However, the LEP area performs better in terms of proportion of working-age residents with no qualifications. Overall, Solent residents hold a more even spread of qualifications;
- A lower proportion of Solent employed working-age residents work in higher skilled SOC group 1-3 occupations than the South East and UK. LEP residents are more likely to be engaged in occupations in lower skilled SOC groups 7-9. As with other metrics, individual local authority performance varies considerably within the Solent;
- Both resident and workplace wages have increased across the Solent in recent years, although average wages remain below both regional and national averages. Portsmouth and Southampton both have higher workplace than resident wages (reflecting their status as knowledge based centres of employment), while resident wages tend to be higher in all other local authority areas where many residents commute to higher paid jobs elsewhere;
- The number of residents claiming out-of-work benefits in the Solent has decreased over the last few years, though at a lower rate than across the South East and UK. Most local authorities in the Solent have a lower proportion of working-age residents claiming out-of-work benefits than the UK average, although in most cases this still falls above the South East equivalent; and
- Latest commuting data suggests that the majority of the LEP area's workforce is drawn from the local population base, and that the majority of local residents also tend to work within the Solent. Key commuting destinations include Eastleigh, Southampton, Portsmouth and Isle of Wight and in overall terms there is a daily net outflow of workers from the LEP area to work in other locations.

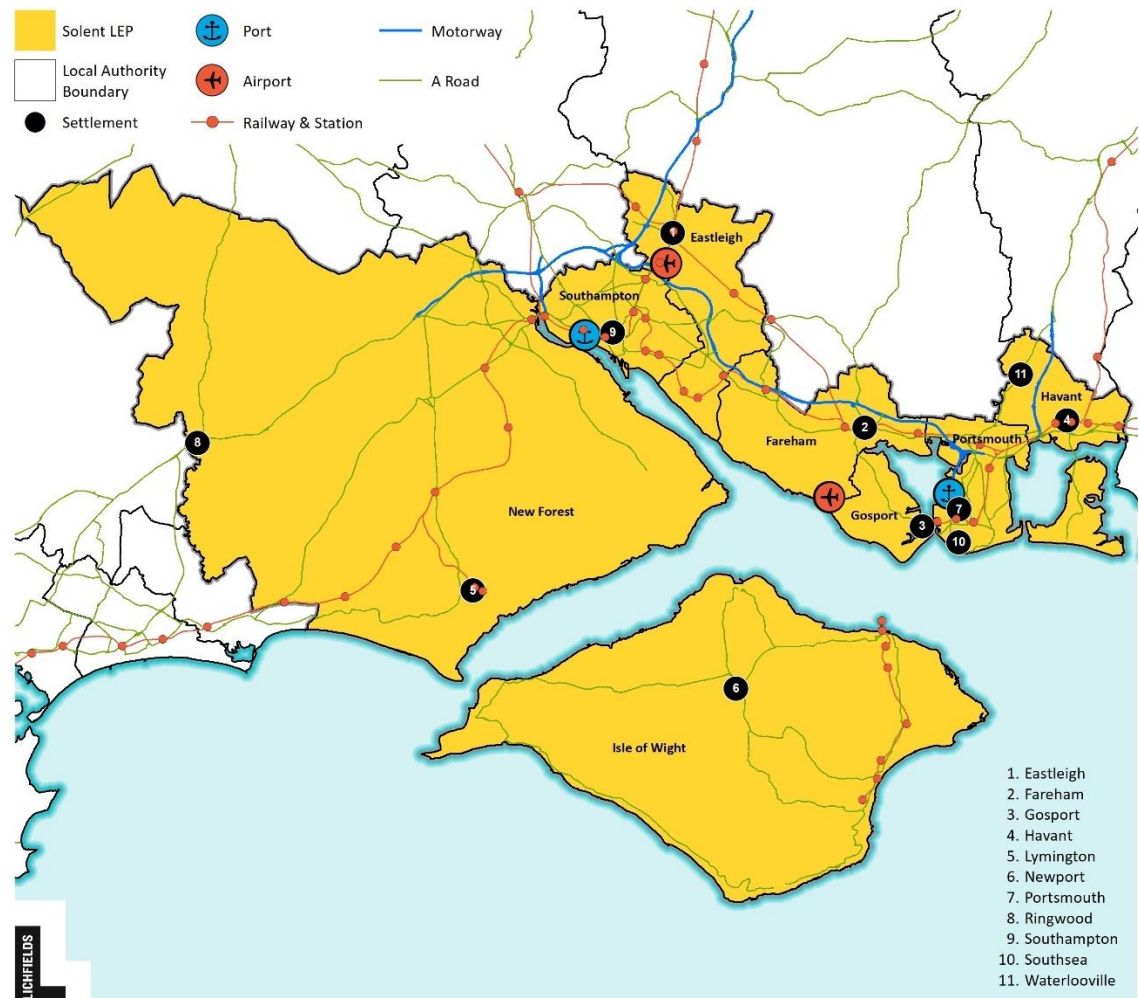
6.0 Solent Functional Economic Area

This section considers the common economic features of the Solent LEP area, its economic assets and constraints to future growth.

Spatial Profile

6.1 The Solent is characterised by a relatively complex geography which, whilst giving the area its unique character, provides both opportunities and challenges with regard to the economy. With a population of around 1.3 million people and 41,600 enterprises, it forms an internationally-recognised economic hub and cluster, anchored around the Isle of Wight, the two cities of Portsmouth and Southampton, the M27 corridor and the Solent waterway (see Figure 6.1). Key challenges associated with the Solent’s natural geography result in severance, additional travel costs and time, and the channelling of over 3.2 million trips each day through a small number of transport ‘pinch points’.

Figure 6.1 Solent LEP Key Infrastructure



Source: Lichfields analysis

6.2

A Unique Economic Geography

- 6.3 By analysing socio-economic metrics at a Solent-wide level, it is possible to identify a number of characteristics and trends that distinguish the Solent from its wider hinterland. A key feature in this regard is the Solent's range of economic assets, many of which are globally significant, and these will form an important part of any future strategy to maximise the growth potential of its economy and business base. Its natural advantages stem from the Solent's unique geography comprising three islands and two peninsulas, coupled with renowned countryside and coastline. These are supported by strengths in key economic sectors, world-class universities and transport links by road, rail, air and sea.
- 6.4 The mainland part of the Solent represents the most urbanised area in the South of England outside London and lies at the interchange of key strategic rail and highway freight networks. Unlike many other LEP areas across the country which tend to have a single key centre to which most trips gravitate, the Solent has two large cities – Portsmouth and Southampton – and a constellation of large towns. This results in a sizeable 'core' urban area within the Solent which tends to accommodate the majority of business activity, surrounded by a more suburban and rural fringe and with a considerable distance to the next largest urban centre. The historic pattern of development has been shaped and influenced by large areas of protected green space within and immediately outside of the Solent LEP area, resulting in a predominately urban coastline with much of the recent development clustered around the key ports.
- 6.5 These historic trends have also helped to characterise the relatively high population density found within the Solent; pockets of particularly high population density can be found in locations like Portsmouth, matching some London Boroughs. At the same time, there is a relative quantitative imbalance between working-age people and employment, with the Solent recording one of the lowest jobs densities (the ratio of jobs to working-age people) in the South East, with this trend particularly pronounced in locations such as Gosport which has seen a declining military employment base over recent years. In the most part this stimulates out-commuting flows to other parts of the Solent but does limit the ability of some local areas to achieve more sustainable development and growth.
- 6.6 Another notable feature of Solent's economic identity is the strong degree of labour market and migration self-containment, and this is evidenced through the latest data which points to relatively localised movements when it comes to commuting and re-locating. This helps to re-enforce the notion of the Solent operating as a single economic entity or functional economic area and is further supported from a commercial property market perspective, with a strong level of interaction evident between the key business centres of Southampton and Portsmouth and their wider hinterlands which include the smaller centres of Eastleigh and Fareham.
- 6.7 Indeed, the two cities of Portsmouth and Southampton lie at the heart of the Solent economy, with their associated ports accommodating much of the area's jobs and business base. As economic powerhouses, going forward it is important that economic opportunities driven by the two cities are realised – in particular, the potential to develop the knowledge economy – at the same time as supporting those areas that are economically vulnerable, for example by tackling pockets of deprivation and welfare dependency and by securing additional job opportunities for those not in work.

Economic Assets and USPs

- 6.8 The presence of two major urban centres act as hubs for knowledge-based growth and are well placed to drive growth in private sector knowledge-intensive industry, due to the agglomeration and clustering benefits that derive from high value businesses locating in close proximity to each other. As noted above, these two cities also bring global connectivity advantages through the

presence of two internationally significant ports and an airport as well as an unrivalled entrepreneurial ingenuity.

- 6.9 The Solent is also home to a thriving research community through its universities and research institutions which act as places of transformation. As well as representing major employers in their own right, they support the generation of new businesses, support existing businesses to thrive and bring significant revenues to the local area.
- 6.10 A particular strength is the Solent's diverse economic foundation, supporting a varied business base and accommodating a number of sectors with strong potential for growth. Whilst the marine and maritime sector represents the Solent's most obvious strength (described further below), the area also boasts a number of other growth hubs within areas such as advanced manufacturing, aerospace, digital and computer science. These economic assets have enabled the area to build a track record in translating innovation and new technologies into commercial success.
- 6.11 Notwithstanding the mixed nature of the Solent's economy, its coastal location with sheltered havens and double tides sets the Solent apart from other areas and gives the Solent a unique economic identity. This couples with a longstanding clustering of businesses and educational strengths to place it at the heart of the UK's marine and maritime sector. Recent evidence base work undertaken on behalf of the Solent LEP underlines the economic significance of the maritime sector as well as its vital role in supporting the UK economy and international trade. It not only provides the industry and innovation base necessary to be at the leading edge of new growth opportunities, but also acts as a nationally recognised test-bed for a range of enabling and emerging technologies.

Connectivity

- 6.12 The Solent's connectivity strengths are reinforced through the presence of three International Gateways: The Ports of Southampton and Portsmouth provide the anchor points for the Solent's globally leading marine and maritime sector and defence cluster, whilst Southampton International Airport specialises in provision for business passengers. Together, these International Gateways play a crucial economic role in providing global connectivity to markets across the Solent and wider regional and UK economies. For example, the Solent is located just 20 nautical miles from the international shipping lanes of the English Channel and less than 100 nautical miles from the markets of mainland Europe.
- 6.13 The Solent's role as a gateway economy provides a uniquely outwardly facing perspective and inevitably influences the nature of economic activity that takes place across the LEP area. This means that the Solent shares economic relationships with places beyond its 'core' functional economic area and has a relatively wide economic sphere of influence.
- 6.14 The area's economy therefore has a significance or 'footprint' that extends beyond the locality, making an important contribution to national economic growth. This is supported by direct highway and rail links to London and the strategic road network. The economic and communications inter-dependencies between the two cities of Portsmouth and Southampton and the wider Solent area are critical to the Solent's continued success and there are strong strategic links and common interests with the Enterprise M3 and Dorset LEPs, most notably with regard to connectivity, the aerospace, digital, marine and maritime sectors, and the visitor economy.

Growth Challenges and Opportunities

- 6.15 A combination of relatively high levels of urbanisation, the presence of two large cities, the role of the three International Gateways in connecting the UK with global markets, and the challenges imposed by the Solent's unique geography come together to result in complex and exceptional demands on the area's transport networks. The issue of congestion represents a common theme affecting different parts of the Solent, and an over-riding challenge to future growth.
- 6.16 The overriding connectivity constraint within the area exists between Portsmouth and Southampton, due in part to the geography and demography of the area, coupled with a dysfunctional transport network. Other connectivity constraints include existing linkages between the Isle of Wight and the mainland, with issues including the cost of fares and frequency of services outside of peak periods⁴⁵. Physical separation is reported to have a negative effect on the Island's economy in a number of ways, not least through an 'Island premium' which represents the additional cost of conducting business on and with the Isle of Wight⁴⁶.
- 6.17 This pattern reflects a wider 'splintering' of Solent's economy, whereby connectivity issues noted above have sought to disaggregate the economy into smaller functional areas and in doing so, have started to erode the benefits associated with agglomeration and industrial clustering, something in which the Solent has traditionally been successful. This increasingly 'polycentric' characterisation of Solent's economy brings with it various challenges to growth, including barriers to workforce productivity as labour market flexibility is reduced.

⁴⁵ Solent Local Enterprise Partnership, Island Infrastructure Investment Plan, May 2018

⁴⁶ University of Portsmouth, Impact of physical separation from the UK mainland on Isle of Wight public service delivery, 2016

7.0

Synthesis

7.1

This Economic Profile report brings together a series of data and intelligence to consider and present a range of demographic, employment, business and labour market characteristics for the Solent-wide area. A summary of the Solent's key strengths, weaknesses, opportunities and challenges to future economic growth is presented in Table 7.2 below, and in more detail in Table 7.2 overleaf.

Table 7.1 Summary Solent SWOT Analysis

Strengths	<ul style="list-style-type: none"> • Presence of major, unique strategic assets with a key focus on marine and maritime (inc Portsmouth Naval Base, Port of Southampton, Southampton and Daedalus Airports) • International connectivity advantages supported by the above • The Solent is home to three universities which not only provide an important catalyst for knowledge-based productivity growth but also generate significant economic benefits for the local economy • Extensive natural capital, including New Forest National Park and spectacular coastline, giving the Solent a unique economic identity
Weaknesses	<ul style="list-style-type: none"> • Pockets of poor transport connectivity within the Solent, with particular connectivity constraints between the key centres of Portsmouth and Southampton • Sluggish enterprise growth and business survival rates amongst some sectors • Resident base currently lacks many of the skills that will be required to drive up productivity and support high value businesses to grow
Opportunities	<ul style="list-style-type: none"> • Strategic assets (noted above) provide significant opportunities for future economic growth, diversification and prosperity • Utilising the Solent's unique coastal geography to maximise the area's contribution to UK productivity growth, supporting the area to become a 'Coastal Powerhouse' • Developing the Solent's existing strengths and USPs to become a world-class global hub for marine and maritime activity
Threats	<ul style="list-style-type: none"> • Ongoing uncertainty associated with Brexit, potentially impacting on short term labour shortages, the flow of trade in and out of the Port, as well as the Solent's relative competitiveness and international profile as a business location • Productivity challenges within parts of the economy which, if unaddressed, could constrain future growth and prosperity • Increasingly polycentric economy that has been disaggregated into smaller functional areas, whereby eroding the benefits associated with agglomeration and industrial clustering

Source: Lichfields analysis

7.2

This analysis identifies a 'patchwork' of varied economic characteristics and performance across the Solent, with each constituent local authority area depicting its own economic distinctiveness, strengths and weaknesses, with some locations consistently standing out and outperforming LEP-wide benchmarks. The Solent's 'urban core' – taking in the cities of Southampton and Portsmouth – portrays the most varied population and business base, and tends to face the greatest socio-economic challenges. Meanwhile, the more suburban and rural locations tend to be more affluent, but lack the critical mass of economic activity and employment opportunities associated with the coastal corridor. The commuting consequences from this economic geography result in significant highways congestion at peak times of the day.

7.3



It also underlines a number of common or recurring themes and characteristics that come together to give the Solent its unique economic identity. These include economic strengths and



opportunities brought about through the presence of high growth, knowledge intensive sectors as well as key economic infrastructure (such as the Ports) that give the Solent its USPs and intrinsic qualities required to support its ambition to be a global maritime gateway. Considering the Solent as its own economic entity is useful in re-enforcing these USPs, and provides a helpful starting point when it comes to articulating how the sub-region's economy, business and population base has changed over recent years and how it might grow going forward. The Solent is characterised by high levels of self-containment, both from a labour market and migration perspective, and this re-enforces the importance of good connectivity within the Solent to facilitate an efficient and well-performing economy.

7.4 At the same time, the Solent cannot be complacent, with a number of deep-seated socio-economic challenges continuing to hold back growth and stifle economic development across particular pockets and Boroughs. These issues - many of which are self-reinforcing - include workforce productivity (beyond a number of key, high performing sectors), enterprise start-up and survival, workforce skills and deprivation.

7.5 Whilst recognising that the Solent effectively forms its own broad functional economic area, a combination of factors – mainly relating to infrastructure and connectivity – have started to cause a ‘splintering’ of the Solent’s economy, most notably between the key economic hubs of Portsmouth and Southampton, but also with regard to some of the more peripheral parts of the LEP area. The imperative therefore, is to challenge barriers to productivity and efficiency by addressing key gaps in infrastructure in order to realise the benefits associated with agglomeration and strong industrial clusters, particularly as the Solent strives to build its reputation as a global maritime gateway. In other words, the economic dividend that could come through enhanced connectivity across the Solent and a related boost in productivity is significant and represents an overriding area of latent growth potential going forward.

Table 7.2 Solent SWOT Analysis

Theme	Strengths	Weaknesses	Opportunities	Threats
Employment 	<ul style="list-style-type: none"> Broad economic base which is not overly reliant on one key sector/small number of key sectors Presence of several specialist sectors that other parts of the UK struggle to replicate. The marine and maritime sector provides a significant competitive advantage, with unique strategic assets inc HMNB Portsmouth and the Port of Southampton The Solent has three universities, which employ a significant number of people and provide accessible higher education for the area's resident base Employment has continued to grow across multiple new sectors, indicating that the economy is adapting to meet new market requirements 	<ul style="list-style-type: none"> Some areas within the Solent are more reliant than others on key sectors, making them vulnerable to ongoing economic restructuring (e.g. Gosport) Recent job losses recorded in Eastleigh, despite its sizeable commercial base The New Forest is forecast to lose jobs in future, with local residents needing to increasingly rely on other centres for employment Workforce productivity lags behind the South East average and varies significantly within the Solent Low job density in a number of authorities (inc Gosport, Havant, Isle of Wight), undermining economic sustainability Solent reliant upon urban cores for employment opportunities, resulting in sub-optimal commuting outcomes 	<ul style="list-style-type: none"> Employment is expected to continue increasing across the LEP area along with workforce productivity Strategic sectors could provide a base from which the LEP area can drive future economic growth beyond the level forecast by 'baseline' projections This could include exploiting the Solent's unique coastal geography and economic strengths to become a world-class global hub for marine and maritime activity Opportunities to develop the knowledge economy through realising the growth potential of the two economic powerhouses of Portsmouth and Southampton Capitalising upon the LEP area's tourism assets to further develop and diversify its tourism offer, including within new parts of the New Forest National Park that now feature within the LEP geography 	<ul style="list-style-type: none"> Workplace productivity is forecast to remain similar to the UK average, but continue to lag behind the South East in future Economic forecasts indicate that the driver of future growth will be private sector service industries, while sectors such as manufacturing (where the Solent has historically been strong) are forecast to decline significantly Relatively low levels of self-employment could constrain enterprise growth in future If economic and job growth continues to consolidate within the Solent's key urban core this could threaten the overall economic efficiency and productivity of the area through increased congestion associated with commuting / labour flows
Business 	<ul style="list-style-type: none"> Trend of high sustained business growth across the LEP area, and enterprise survival matches South East and UK averages The quantum of commercial floorspace has continued to increase across the LEP area, providing businesses with the floorspace they need to grow and diversify Strong demand exists for office and industrial floorspace in key commercial centres, indicating that businesses are looking for space to grow Data identifies a large number of businesses located within rural areas of the Solent (e.g. New Forest), suggesting there is a healthy rural economy 	<ul style="list-style-type: none"> The gap between business births and deaths has continued to close in the last couple of years, suggesting that some business start-ups in the Solent are struggling to survive and grow Contraction of office space in the Solent's major office location, Southampton, over recent years, reducing the size of its office market in spatial terms Enterprise growth within the Solent has lagged behind South East and UK averages in recent years Commercial property market failures (inc land values and rental/sales values) in parts of the Solent (inc Isle of Wight) preventing new speculative development from taking place 	<ul style="list-style-type: none"> Key site opportunities to develop existing economic clusters inc Daedalus EZ and boost business activity in two of the smallest economies in the Solent (i.e. Fareham and Gosport) Growing demand for industrial space and sites across Solent and wider South Coast – opportunities to satisfy this business demand if suitable sites and space can be made available Potential to develop the rural economy in the New Forest alongside the more urban economy contained in the other seven authorities Opportunities to boost business survival across the Solent through focused support (building on existing successful business support programmes) 	<ul style="list-style-type: none"> Ongoing uncertainty over Brexit and how this will affect key business sectors in the Solent The gap between enterprise births and deaths continues to close, potentially leading to a contraction in the stock of enterprises over the long term Continued erosion of waterfront sites through residential redevelopment reduces opportunities for marine/maritime business growth which is identified as a key opportunity Decreasing levels of consumer expenditure in key shopping destinations could threaten key retail locations such as Gunwharf Quays Permitted Development Rights continue to facilitate loss of business space across the Solent, making it difficult to plan effectively for business growth in future

Theme	Strengths	Weaknesses	Opportunities	Threats
Population 	<ul style="list-style-type: none"> The Solent LEP area has a large and growing population In-migration to the LEP area currently exceeds out-migration, suggesting it is an attractive place to live, supported by quality of life factors Housing across most of the Solent is more affordable than across the South East as a whole The overall level of socio-economic deprivation in the Solent is moderate, and comparable to other similar sub-regions 	<ul style="list-style-type: none"> The proportion of working age residents has declined in recent years, implying an ageing population This trend is particularly pronounced in the New Forest which has experienced a decline in its working age population recently Housing is generally less affordable for the Solent's workforce than for its residents (based on average wages) Acute housing affordability pressures in some parts of the Solent including New Forest Pockets of high deprivation persist in some areas including Gosport, Portsmouth and Southampton 	<ul style="list-style-type: none"> The ageing population offers the opportunity to boost economic growth through increased demand for health and social care services (also responding to the national Industrial Strategy grand challenge) The relative affordability of housing could attract more people to move to the Solent, helping to boost the working-age population over time High population density (i.e. critical mass) attracts the latest / emerging technologies and services, benefiting the population Opportunities to increase in-migration to the Solent from other parts of the UK to take-up new jobs and counter-balance the forecast decrease in working-age residents 	<ul style="list-style-type: none"> Forecast decline in working-age residents could limit the potential for sectors to grow through labour and skills shortages Increases in retired residents could lead to stagnation in the local property market as younger residents are less able to afford residential property Deprivation levels could increase if the Solent economy stalls Housing affordability pressures in some areas (i.e. Eastleigh and New Forest) reduce labour mobility and housing choices Brexit could stimulate out-migration of the Solent's European workforce back to the EU, resulting in labour shortages and challenges for business growth
Labour Market 	<ul style="list-style-type: none"> The local workforce mainly comprises residents of the Solent LEP area, so the area is less reliant on external (footloose) labour flows that could transfer to other locations Favourable levels of economic activity and unemployment when compared with UK average Generally strong strategic connectivity enables labour mobility and opens up access to employment opportunities for Solent residents Workplace wages are relatively high in the Solent's core economic hubs (i.e. Portsmouth and Southampton) 	<ul style="list-style-type: none"> The resident workforce is less well qualified than the South East and UK average with a lower proportion of residents holding higher-level (NVQ4+) qualifications This results in lower than average resident and workplace wages and significant variation within the Solent area Lower levels of in-commuting from elsewhere limits the Solent's labour pool mainly to the local resident population (and its skills base) Lower proportions of residents hold occupations in SOC groups 1-3, which are typically associated with high-skilled and high-value jobs 	<ul style="list-style-type: none"> High workplace pay in certain parts of the Solent LEP area could help retain the workforce required to drive key growth sectors Scope to retain more students after graduating from the three Solent universities to work in the LEP area, retaining higher level skills in the workforce Opportunity to re-balance job density by encouraging and supporting local employment growth in accessible, sustainable locations Scope to increase the number of residents in SOC groups 1-3 through up-skilling opportunities and creation of highly skilled jobs in specialist sub-sectors 	<ul style="list-style-type: none"> The LEP's resident base continues to lag behind the South East and UK on higher level skills and fails to capture knowledge based growth opportunities as and when they arise A decline in the working age population and low unemployment could lead to the local economy reaching full employment too quickly The Solent becomes too reliant on its indigenous workforce which struggles to up-skill Failure to retain students from the three universities leads to a 'brain drain' effect that will disproportionately benefit areas of the UK outside of the Solent

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