

The Economic Significance of Military Activity in Oxfordshire and the Hampshire Economic Area

Overview Paper

29 September 2011



©UK MOD Crown Copyright 2011. Sangin, north of Helmand Province. Troops from 51 Para Squadron RE completing an operational engineering first, as they build an Air Portable Ferry Bridge across the river Helmand in seven hours.

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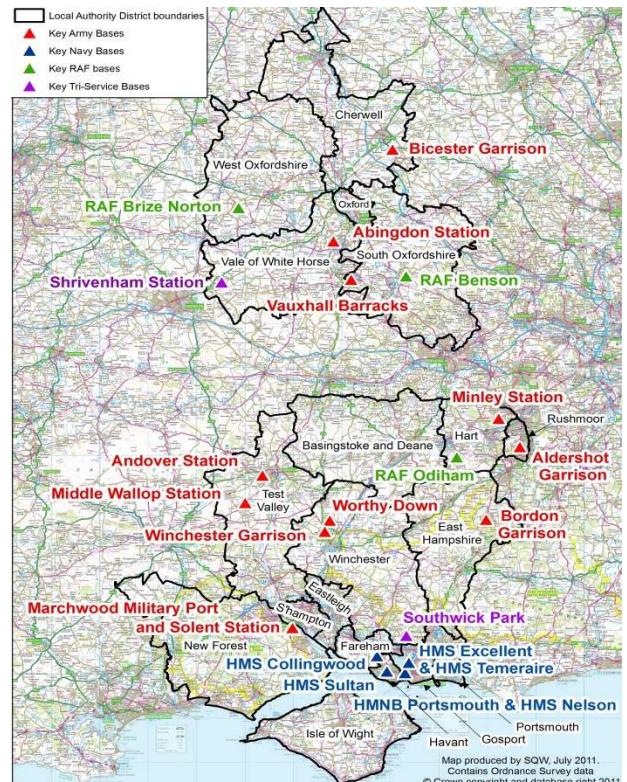
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1: Introduction

Study Context

- 1.1 The Ministry of Defence (MOD) is a significant part of economic life in Oxfordshire and Hampshire. The area is home to bases from all three of the Armed Forces (Army, Navy and RAF) and a range of different military functions, from headquarters, training centres and logistics through to fully operational units. The scale of military activity in Oxfordshire and the Hampshire Economic Area¹ makes it quite unique: it contains 28% of the Royal Navy, 14% of the UK's RAF (in Oxfordshire), and 15% of the UK based Army (with another 27% in the nearby counties of Wiltshire, Surrey and Berkshire).
- 1.2 The MOD is a major employer and purchaser, and given the scale of some of its sites, it has a significant influence on the physical character of some places. The people who work for it – whether as military personnel or in civilian roles – live within local communities, send their children to local schools, and (like everyone else) draw on a range of other local services. Those who cease to work for the MOD potentially provide a key resource for economic growth – whether as potential recruits or entrepreneurs.
- 1.3 In Autumn 2010, the Government published the Strategic Defence and Security Review (SDSR) which clarified the broad future shape of military policy.
- 1.4 At the time of writing, some of the detailed implications in relation to the scale and timing of military change (especially in terms of downsizing across all three services) are starting to emerge.
- 1.5 Within Oxfordshire and the Hampshire Economic Area, the local changes and associated consequences will vary over the next decade. Currently, we know that:
- there will be one closure (at Bordon Garrison in East Hampshire), and some scaling back of activity elsewhere (e.g. employment at Portsmouth Naval base will be reduced by 25% by 2015, with an associated 10% cut in spend)
 - some bases are likely to grow – e.g. Brize Norton in West Oxfordshire



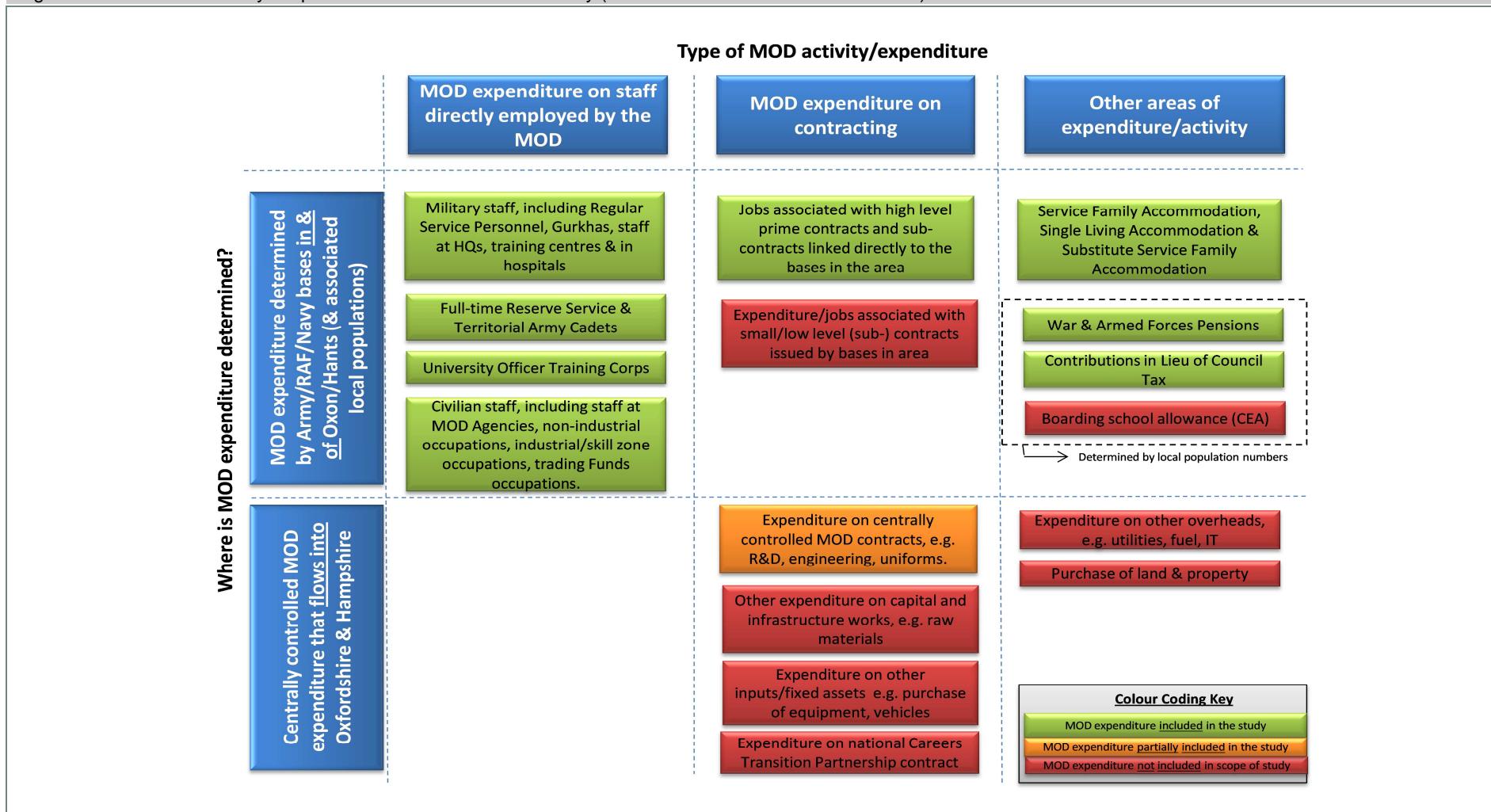
¹ The Study Area covers Oxfordshire County (and the five local authority districts within it), Hampshire County (consisting of eleven local authority districts), and the Unitary Authorities of Portsmouth and Southampton.

- c. some bases are likely to continue at much the same scale.
- 1.6 In parallel, the economic development landscape is also changing fundamentally. The South East England Development Agency (SEEDA) will have closed by March 2012. In its place, three Local Enterprise Partnerships (LEPs) have been established across the Study Area² (but with few resources). Local Authorities and other public/quasi-public sector partners are under significant financial pressure and losing staff, whilst locally determined “Big Society” solutions are strongly favoured by government.
- ## Study objectives
- 1.7 Within this context, Hampshire County Council, Oxfordshire County Council and the MOD commissioned SQW in April 2011 to *assess the economic significance of the military presence in Oxfordshire and the Hampshire Economic Area*. Specifically, the study’s aims have been:
- a. *to explore (and quantify where possible) the particular ways in which MOD activity is influencing economic life* in Oxfordshire and the Hampshire Economic Area: key issues in this context range from the scale and character of employment created by the MOD directly and via contracting, and attracting defence-related businesses to the area, through to implications for local housing markets, land availability, and local labour markets
 - b. *to consider possible future scenarios relating to changes in the scale of MOD activity locally and the implications* – both positive and negative – that might follow in relation to economic prospects and economic policy development: the intention is that this assessment should ensure that future economic strategies and plans are resilient in the context of possible changes linked to MOD activity.
- 1.8 This study is the first of its kind for Oxfordshire and the Hampshire Economic Area as a whole. The aim has been to collate as much evidence as is practically possible within the resources and time available. The report does not claim to cover every aspect of military influence, but hopefully provides a useful starting point and some important insights into military activity. It also seeks to raise some thought-provoking questions which various stakeholders may wish to take forward, and which may warrant more detailed research³.
- 1.9 Figure 1-1 below sets out the broad scope of this study, and identifies key areas where the MOD has a quantifiable impact on the Study Area. As shown, **this study has largely focused on military expenditure/activities that are determined by bases within the Study Area**.

² Oxfordshire LEP, Enterprise M3 LEP and Solent LEP

³ Examples of areas which might warrant more detailed research in future include local research into linkages between local firms and national R&D contracts, job creation through MOD contracting, the potential for clustering, or clarifying where opportunities exist for local firms to engage with MOD contracts.

Figure 1-1: Definition of study scope – what is in and out of the study (in terms of QUANTIFIABLE evidence)



Source: SQW in consultation with the MOD

- 1.10 The quantified findings from this research are based on the collation and analysis of a substantial volume of data (many of which have been provided by the MOD directly⁴). In addition to the quantifiable evidence, the study has also explored the “softer” and indirect impacts and influences of the MOD’s presence in Oxfordshire and the Hampshire Economic Area. This includes qualitative evidence of impacts on local service provision, local labour markets (for example, as military personnel leave the MOD), and local housing markets. Our evidence base in this context has been a series of consultations with representatives from MOD, and the public, private and voluntary sectors⁵, and a workshop held with stakeholders in July 2011.
- 1.11 This Overview Report provides a summary of the headline findings of the research and issues, opportunities and implications associated with the military’s presence – and possible changes in future – for policy makers and wider stakeholders to consider. A Technical Report is also available to accompany this Overview Report, which contains a considerable amount of detailed data and analysis on the topics covered below.

⁴ As much data as possible has been collated with the resources available for this study. Some data is not available from the MOD (such as details on contract expenditure or very localised personnel data) for commercial and data protection reasons.

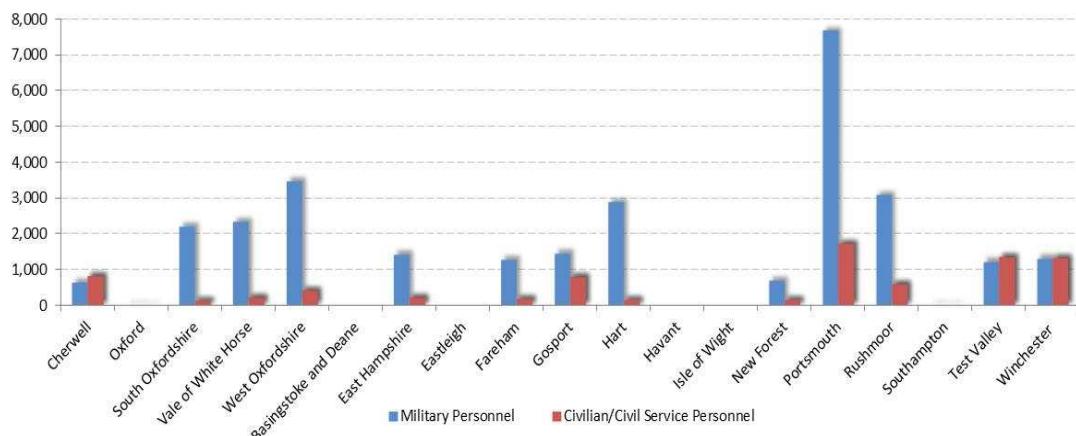
⁵ Including the Armed Forces, Defence Infrastructure Organisation (DIO – formerly Defence Estates), Local Economic Development Officers and Local Enterprise Partnership leads, business representative organisations (such as the Chamber of Commerce and Institute of Directors), housing associations, community and voluntary sector organisations and labour market intermediaries (including Job Centre Plus and the MOD’s Career Transition Partnership).

2: Key Findings

2.1 The MOD is a **major employer across Oxfordshire and the Hampshire Economic Area⁶**, creating employment for around 49,000 people (either directly or via contracting), which represents 4.2% of all jobs in the area. This figure is broken down approximately as follows. Across the study area, there are:

- a. **30,000** “regular” military service personnel (8,770 in Oxfordshire and 21,240 in the Hampshire Economic Area), which represents 2.6% of all jobs in the area
 - This concentration is significantly higher than the English average (0.6% of all employment is military nationwide). Military personnel are relatively concentrated in the following Local Authority Districts, both in terms of numbers and as a proportion of all local jobs: Portsmouth, West and South Oxfordshire, Hart, Rushmoor, Vale of White Horse and Gosport.
- b. **8,290** civilian/civil service personnel (1,660 in Oxfordshire and 6,630 in the Hampshire Economic Area)
 - These personnel are relatively concentrated in Portsmouth, Test Valley, Winchester and Gosport (both in terms of numbers and as a proportion of all jobs in the area).

Figure 2-1: Military and civilian personnel employed directly by the MOD at all bases/sites located in Oxfordshire and the Hampshire Economic Area, July 2011



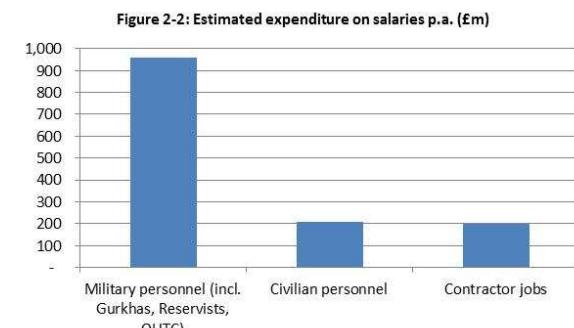
- c. **350** Gurkha personnel, predominantly located in Rushmoor, with small numbers also found in Hart and Winchester
- d. **1,276** military personnel within the “Reserve Forces” (522 in Oxfordshire and 754 in the Hampshire Economic Area), which includes Full Time Reserve Forces, the Territorial Army, the Navy Reserves and RAF Auxiliary Services

⁶ Please turn to Annex A of this report for an overview of the key bases located in Oxfordshire and the Hampshire Economic Area. A separate Technical Report is also available for more detailed analysis

- e. **320** military officer cadets within University Officer Training Corps at Oxford and Southampton Universities
- f. **9,000** jobs (at least) which are associated with contracts (and sub-contracts) issued by bases in the Study Area.

2.2 Through these jobs, the military makes a substantial contribution to the economy each year:

- a. These jobs generate in the order of **£1.4bn in gross salaries each year**, which creates considerable spending power in the local economy.
- b. It is estimated that **the MOD generates around £2.3bn in net GVA⁷ across Oxfordshire and the Hampshire Economic Area each year (£577m is in Oxfordshire and £1.7bn in the Hampshire Economic Area)**, which accounts for around 4.4% of total GVA generated by the area as a whole.



2.3 Many military personnel leave the MOD in Oxfordshire and the Hampshire Economic Area each year, and some of these people choose to stay in the area, offering valuable skills and expertise to the local economy:

- a. **Around 3,300 military personnel left MOD bases in the 145 Brigade Area⁸ in 2009/10**, and half of these aged between 16 and 25 years old. Whilst data are not currently available to track where these leavers go to, the MOD has estimated that of all military personnel leaving the MOD nationally in 2010/11 (around 18,000⁹), in the order of **200-300 military leavers settled in Oxfordshire**, and a further **1,300-1,500 settled in Hampshire**.
- b. Military leavers provide **high quality labour, with many of the core skills that employers are looking for** – efficient, hard-working, disciplined, reliable, motivated, organised, loyal – and are strong leaders/project managers. They also offer vocational skills that are considered to be very desirable transferable skills.

2.4 The military presence in Oxfordshire and the Hampshire Economic Area also influences and impacts upon local economies and communities in a range of other ways. These impacts will vary spatially across the Study Area, and often depend upon the scale of military activity based in an area, and the types of functions undertaken there.

⁷ Gross Value Added: a measure of economic output, based on compensation to employees (i.e. earnings) and profits.

⁸ This data covers all three services leaving MOD bases in the 145 Brigade Area, which is Hampshire, Oxfordshire, Berkshire and Buckinghamshire.

⁹ These could be based in the UK or abroad.

- a. **Just over 8,000 Service Children are registered at schools in Hampshire and Oxfordshire** (in the 2010/11 academic year), accounting for 3.2% of all those enrolled. The number of Service Children enrolled at a school can account for anything up to 95% of pupils at a school. Please refer to the technical paper for more details.
- b. **At least 12,950 spouses/partners of military personnel live in Oxfordshire and the Hampshire Economic Area.** Data are not available on the extent to which spouses/partners of military personnel work in the local labour market, but anecdotal evidence suggests that many spouses do secure employment, especially if the military partner is moved less frequently (e.g. Navy and RAF).
- c. **In 2009/10, around £11.8m was contributed to local authorities in lieu of council tax.** This money was deducted directly from the wages of serving personnel by the MOD, and then paid to the local authority in which the service person was stationed.
- d. The Defence Infrastructure Organisation (previously Defence Estates) **manages around 13,064 hectares of MOD-owned land** across Oxfordshire and the Hampshire Economic Area, and at present there are **around 570 hectares of MOD sites currently being disposed in the area**. These range from small plots (under 0.25 Ha) through to large sites over 100 Ha (e.g. sites at RAF Bicester and Bicester Garrison, Aldershot Garrison and Bordon Garrison).
- e. Last year, around **7,400 war pensions¹⁰** were administered to recipients living within the Study Area, and **32,000 Armed Forces Pensions¹¹** are paid to ex-military personnel living in the Study Area.
- f. The **MOD has a substantial impact on the (mainly private) rented sector in terms of availability and cost**, due to military families that have chosen not to live in MOD accommodation, and MOD demand for Substitute Accommodation which is rented from private market. **The MOD presence also puts pressure on social housing** when military leavers want to stay in the area (especially if they have a family), experience relationship breakdowns, or are made redundant from the military but cannot afford to rent or purchase a house. Homelessness of ex-military personnel is also an issue in some places.
- g. **The MOD presence generates tourist numbers and demand for accommodation**, particularly for Passing Out parades and the Navy's biannual visitor days (generating 25,000 visitors biannually).

2.5 More generally:

- a. The military presence places **demands upon local services**, e.g. for issues such as mental health support, debt and money advice, children and youth services, and housing needs.
- b. Military personnel and their families also make contributions to the local community through **volunteering**.

¹⁰ recipients include ex-service personnel injured, wounded or made ill prior to April 2005 and war widows and war widowers

¹¹ mainly paid to service leavers, but also a small number of dependents and some serving personnel

c. The MOD contributes to local communities by **sharing assets and facilities**.

- 2.6 Within Oxfordshire and the Hampshire Economic Area there is also a high incidence of defence-related businesses, many of which are engaged in high tech and high value-added activities. They are sizeable and very important part of the economy, but the nature of the relationship is different in character from MOD influences that are described above - historically these firms may have had links to local MOD bases, but today they are predominantly linked to centrally controlled MOD supply chains and defence contracts. A study undertaken by the South East of England Development Agency (SEEDA) in 2010 estimates that **372 ‘Aerospace and Defence’ businesses are located in Oxfordshire and the Hampshire Economic Area** - although local intelligence suggests the real number of defence-related businesses is significantly higher, in **excess of 500 businesses**.
- 2.7 In the table below, the key strengths and challenges associated with the military presence in the Study Area are summarised¹².

Table 1: Summary of key advantages and challenges associated with military presence

Advantages associated with military presence	Challenges associated with military presence
<ul style="list-style-type: none"> • Large employer - incomes spent in local economy • Young and fit population, with benefits for local demographic structures • Some contracting opportunities for local firms, especially via sub-contracts for maintenance • Military leavers - pool of labour for local business with strong core skills and technical expertise • Helps to maintain local services, such as schools and transport, especially in rural areas • Provider of shared assets, such as sports facilities, health centres, childcare centres, and training areas. • Presence of military veterans, and pension incomes • Visitor numbers and spend generated through visits to MOD personnel and MOD open days 	<ul style="list-style-type: none"> • Need to better share information on leavers (and their skills) with local businesses • Many of the contract/sub-contract jobs secured by local residents tend to be low paid • Fluctuations in number of military personnel at some bases due to deployment, and “churn” (e.g. at training bases), making integration with local communities/economies challenging • Uncertainty and delays in releasing MOD land, which makes it difficult for local stakeholders to plan for, and enable, economic development • Some pressure on social housing and the private rented sector in places • Some poor quality MOD housing stock has influenced image and deprivation levels in some areas

Source: SQW analysis

¹² See Section 6 of the Technical Report for detailed analysis

3: Issues, opportunities and implications

- 3.1 The significant military presence in Oxfordshire and the Hampshire Economic Area, and the associated influences and impacts, creates a distinct challenge and opportunities for the area. These are summarised below, along with actions that might be taken to address challenges and maximise the economic opportunities presented by the MOD. These issues and opportunities will, of course, vary across different parts of the study area, depending on the precise type and scale of military activity and the local context.

Key issues and challenges

Maximising the economic benefits of military leavers and their skills

- 3.2 Military leavers and their skills (both core and technical skills) provide an enormous potential asset for local businesses. However, the full range of leavers' skills is not always fully understood in the market place and, as a result, consultees observed that military leavers are not always matched effectively with potential job opportunities. There also appears to be a real gap in knowledge amongst local businesses of opportunities to recruit military leavers and the skills they could offer. The situation is improving, but it will be important to continue to:
- a. improve working between MOD/civilian labour market intermediaries and business representative organisations in order to integrate military leavers into local businesses more effectively
 - b. raise awareness amongst businesses of leavers and their skills, noting – for example – that the MOD's Career Transition Partnership has funding to mitigate against training gaps, and ensure that leavers are aware of opportunities for employment within local economies
 - c. ensure that ex-military personnel are aware of, and take-up, the tailored support that is available for them if they lose their first non-military jobs.

Military land and property disposals

- 3.3 In the past, MOD land and property disposals have often been slow, with limited communications with local partners (which has made it difficult to plan for economic development, employment and skills needs) and a focus on maximising the return for the Treasury (rather than maximising benefits for local economies and communities). Areas with land supply constraints have found this frustrating, especially where they are very dependent upon the MOD for employment (and lack the land to develop a more “balanced” economy, replace the MOD employment that is lost, and attract inward investment).
- 3.4 In future, steps should be taken to:
- a. develop a more strategic approach to investments and planning that takes into account local economic and community priorities, as well as those of the Treasury: ministerial

discussions between the MOD, Treasury and CLG on this issue should be encouraged to enable government departments to work together more effectively to deliver better outcomes through the disposal process. The Local Enterprise Partnerships could play a role here

- b. at the local strategic level, improve communications between the MOD and local partners to create more certainty over longer term futures: this is important not only for economic development, but also local businesses and communities. This could be done, for example, via existing MOD and civilian partnerships (see Annex E of the Technical Report for a partnership matrix)
- c. consider the possibility of letting MOD property to local businesses whilst decisions are being made: this has been tried in some locations, and has helped the local firms to expand and to create jobs.

Increased demands on local services

- 3.5 The large military presence places demands on public service providers. Whilst this helps to maintain the viability of some services (such as schools, shops, leisure facilities and transport networks in rural areas), this demand is not always matched by additional resources for the public/voluntary sectors and it can be difficult for schools to plan and manage their resources where the turnover of children is high. Again, communication between the MOD and service providers is key in relation to current needs and future changes.

Maximising the economic benefits of local contracting and sub-contracting opportunities

- 3.6 Anecdotal evidence suggests that local businesses manage to secure some MOD (sub-) contracts but there is a concern that (a) this tends to be in lower value added activities, and (b) awareness amongst many businesses about how to “tap into” supply chains is limited. However, the Defence Infrastructure Organisation’s (previously Defence Estates) move towards consolidation, centralisation and rationalisation of contracts is making it increasingly difficult for local firms to secure MOD contracts. Future actions might include:
- a. raising awareness and helping local businesses to access contracting opportunities (most likely sub-contracting opportunities with the prime contractors) where possible, particularly those in higher value added activities
 - b. encouraging contractors to promote apprenticeships and training opportunities for local residents.

Managing change: military withdrawal or expansion

- 3.7 Communications between the MOD and local partners will become increasingly important as the military changes set out in the SDSR are implemented. Specifically, it will be important to ensure that the challenges associated with withdrawal or expansion are managed effectively.
- 3.8 MOD base closures often do not reach the headlines in the same way as other major closures (e.g. coalmines, large employers), and there is limited recognition of the impact this has on

local economies and communities (and lack of regeneration funding to deal with the consequences). Some areas have suffered from a gradual and piecemeal withdrawal of MOD activities (described as a “drip drip” effect), with very little acknowledgement of the cumulative impact on the economy.

- 3.9 In areas experiencing MOD contraction or closure, in addition to ensuring that the disposal process is managed effectively, there is a need to:
- a. address current mis-alignment between spare capacity in MOD properties, and the shortage of housing elsewhere in the Study Area
 - b. ensure support for re-skilling is available so that those leaving the military are able to find work locally
 - c. market the skills of military leavers effectively to local business in order to demonstrate the private sector benefits of such skills.

Potential opportunities

- 3.10 Many of the opportunities associated with the military are the flip-side of the challenges above. Three key opportunities were flagged especially in the course of this study:

Local strengths in defence-related businesses

- 3.11 Many of the defence-related businesses located in Oxfordshire and Hampshire Economic Area are Research and Development (R&D) intensive and often have non-military applications which are central to wider ambitions for high value-added economic growth. Any downsizing of the military will potentially release skilled labour which – for many of the defence-related businesses – is in seriously short supply. For example, there is a clear and ongoing transfer of knowledge, research and insight between military and civil aerospace; civil aerospace is a sector which is growing quickly globally and suppliers based in Oxfordshire and the Hampshire Economic Area are very well placed to benefit.

Military withdrawal and the release of land

- 3.12 Even though military withdrawal will create a number of challenges, it should also release land into the economy, enabling places to drive forward growth. Over recent years, many local areas within Oxfordshire and Hampshire Economic Area have been “space constrained” and the potential increase in the supply of brownfield land could be helpful.

Maximising the social contributions of military personnel and their families within communities

- 3.13 The view expressed by Voluntary and Community Sector (VCS) organisations was that military personnel (and their families) have skills and experience that could be hugely beneficial for local communities. Furthermore, engaging in VCS activities would help military families to settle locally, and become part of those communities.

4: Conclusions and Next Steps

- 4.1 Based on the evidence and insight generated through this study, the implication is that all three LEPs ought to engage fully with MOD and ensure continuing representation from MOD on their boards. Whatever its form, the function of this engagement should be, first and foremost, to effect an on-going and effective dialogue such that the risks of the military presence – both upside and downside – are properly mitigated and managed as part of the process of economic development. Hitherto, some local authorities have had a reasonable dialogue with MOD and this will need to continue, but scaling up to the LEP level ought to help to cement relationships and confirm the MOD's status as a mainstream – rather than occasional and bit part – player in relation to economic development. Engagement in the LEPs (and, for that matter, with the local authorities) will not resolve every issue and MOD's own agenda will necessarily remain its primary focus, but the breadth and depth of dialogue should improve and, from this foundation, it ought to be possible to make better and more informed decisions.
- 4.2 The specific areas around which the dialogue needs to deepen and develop are essentially those outlined above. They include:
 - a. the use of land assets, and particularly the scope for releasing surplus land for housing and/or employment uses
 - b. the opportunities for local businesses to benefit from the skills of military leavers, recognising – in particular – the strong read-across to civil aerospace and a range of engineering-related activities
 - c. the opportunities for local firms to sell products and services to MOD
 - d. more broadly, the on-going integration of military and civilian personnel within local communities, recognising the distinct contribution that is made by each.
- 4.3 As the UK economy's recovery from recession falters – and as the public sector resources available for economic development dwindle – it is evident that local areas will need to work their economic assets hard in order to secure economic prosperity. Within Oxfordshire and the Hampshire Economic Area, this study has shown that military activity – in all of its different guises – constitutes a substantial element of economic life. Looking ahead, changes in the scale and nature of military activity are likely and the consequence is probable “churn” in the associated pattern of resource use. For the two local economies, this presents both opportunities and threats, and – in seeking to “sweat” their economic assets fully – the new Local Enterprise Partnerships (LEPs) for Solent, Enterprise M3 and Oxfordshire need to ensure they continue to engage with the changes.

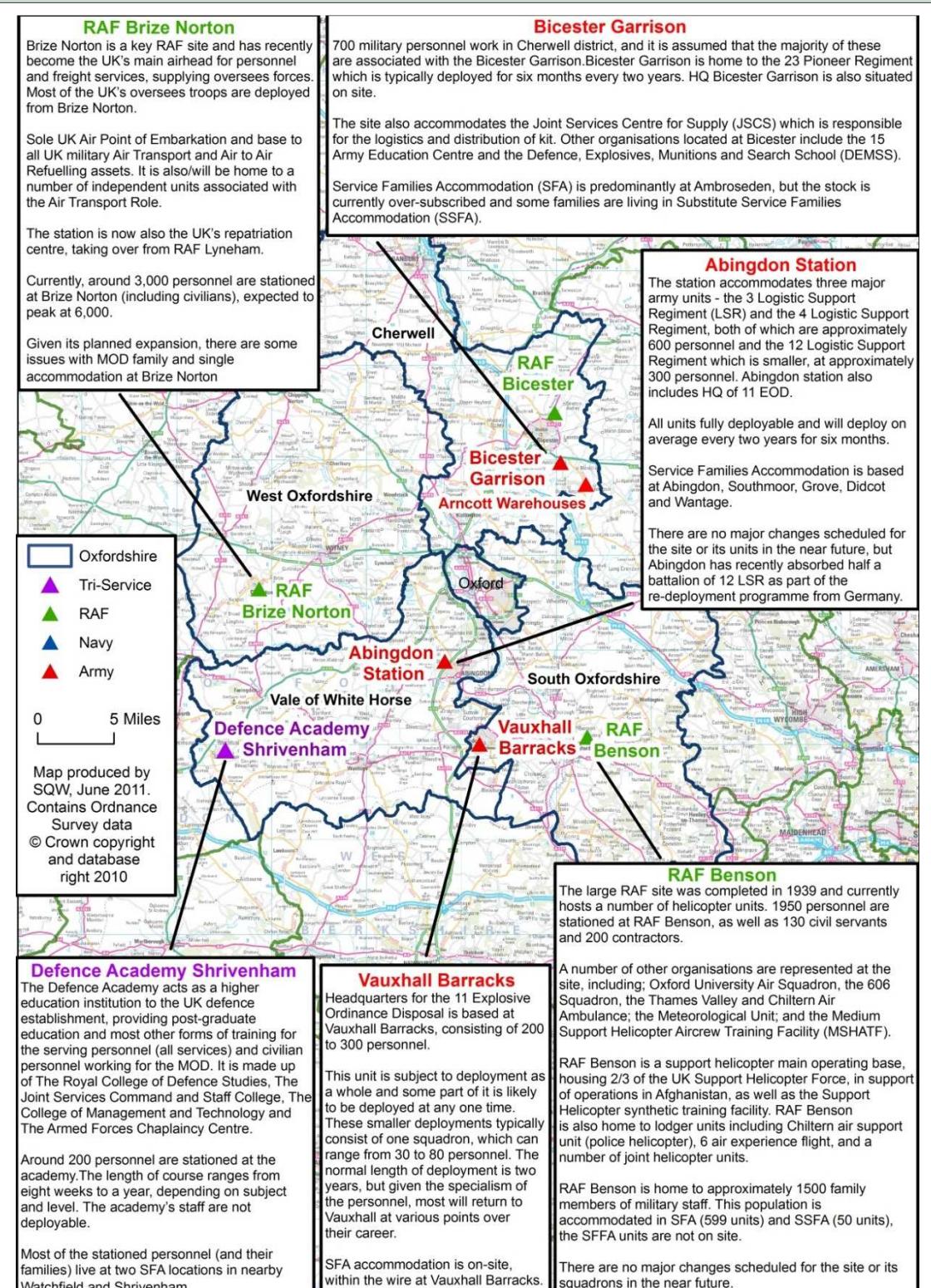
5: Contacts

Name	Position / Role	Telephone number	Email address	Website
145 South Brigade				
Dr Sarah Wareing	C1, Firm Base	01252 347735	145X-firbase-c1@mod.uk	www.mod.uk/communityengagement
Gemma Framp	C2 Firm Base	01252 347790	145x-firbase-c2@mod.uk	www.mod.uk/communityengagement
Hampshire County Council				
Ian Parker	Head of County Development Lead for Civil Military Partnership and HEMP	01962 847269	ian.parker@hants.gov.uk	
Sue Robbins	Wellbeing and Partnerships Officer Lead officer for Welfare Pathway	01962 832160	sue.robbins@hants.gov.uk	http://www3.hants.gov.uk/adult-services/welfarepathway.htm
Oxfordshire County Council				
Claire Moore	Strategic Partnerships Officer	01865 32 3966	claire.moore@oxfordshire.gov.uk	www.oxfordshire.gov.uk/armedforces

Source: SQW

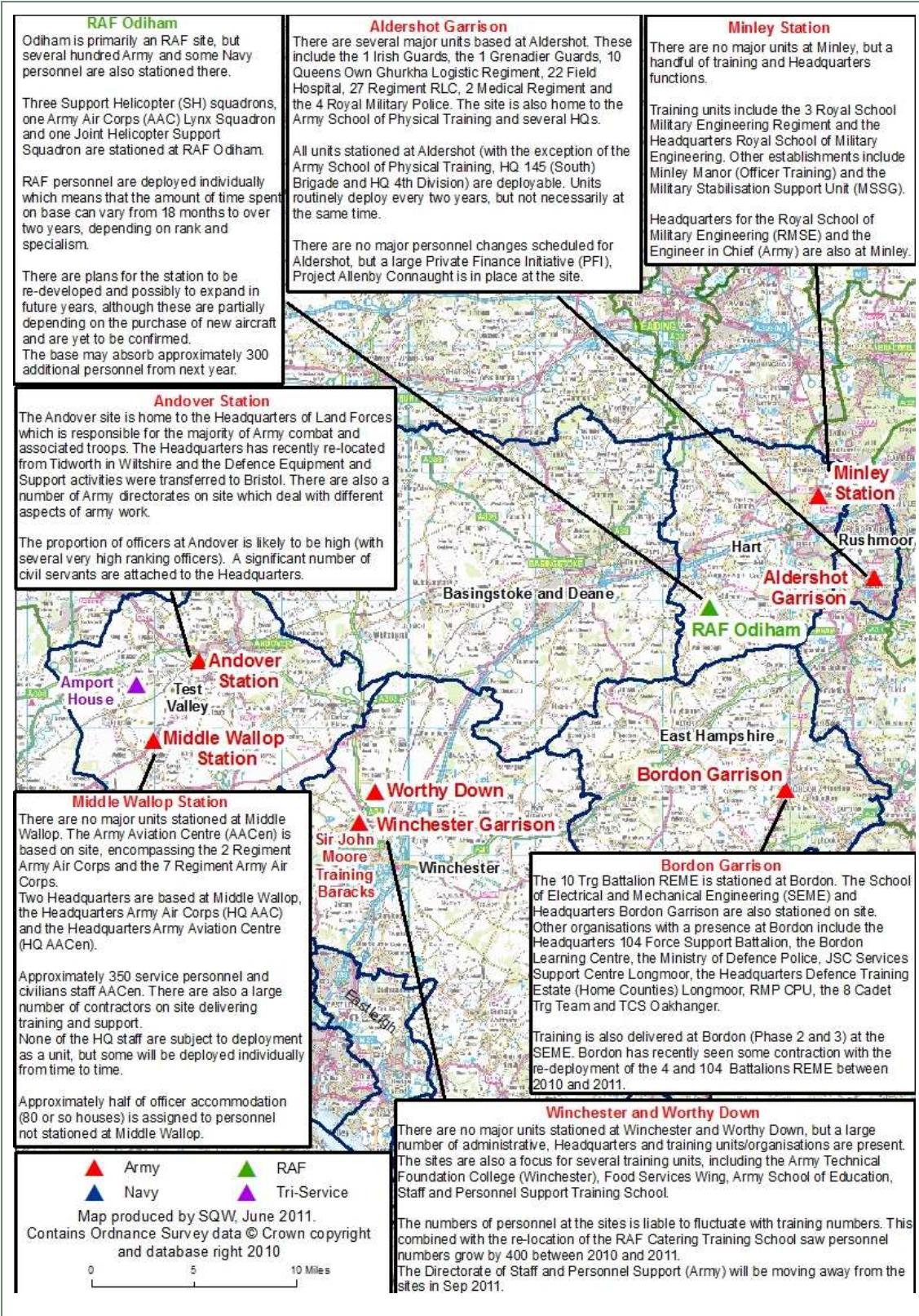
Annex A: An overview of key MOD bases in the Study Area

Figure A-1: Key military bases in Oxfordshire



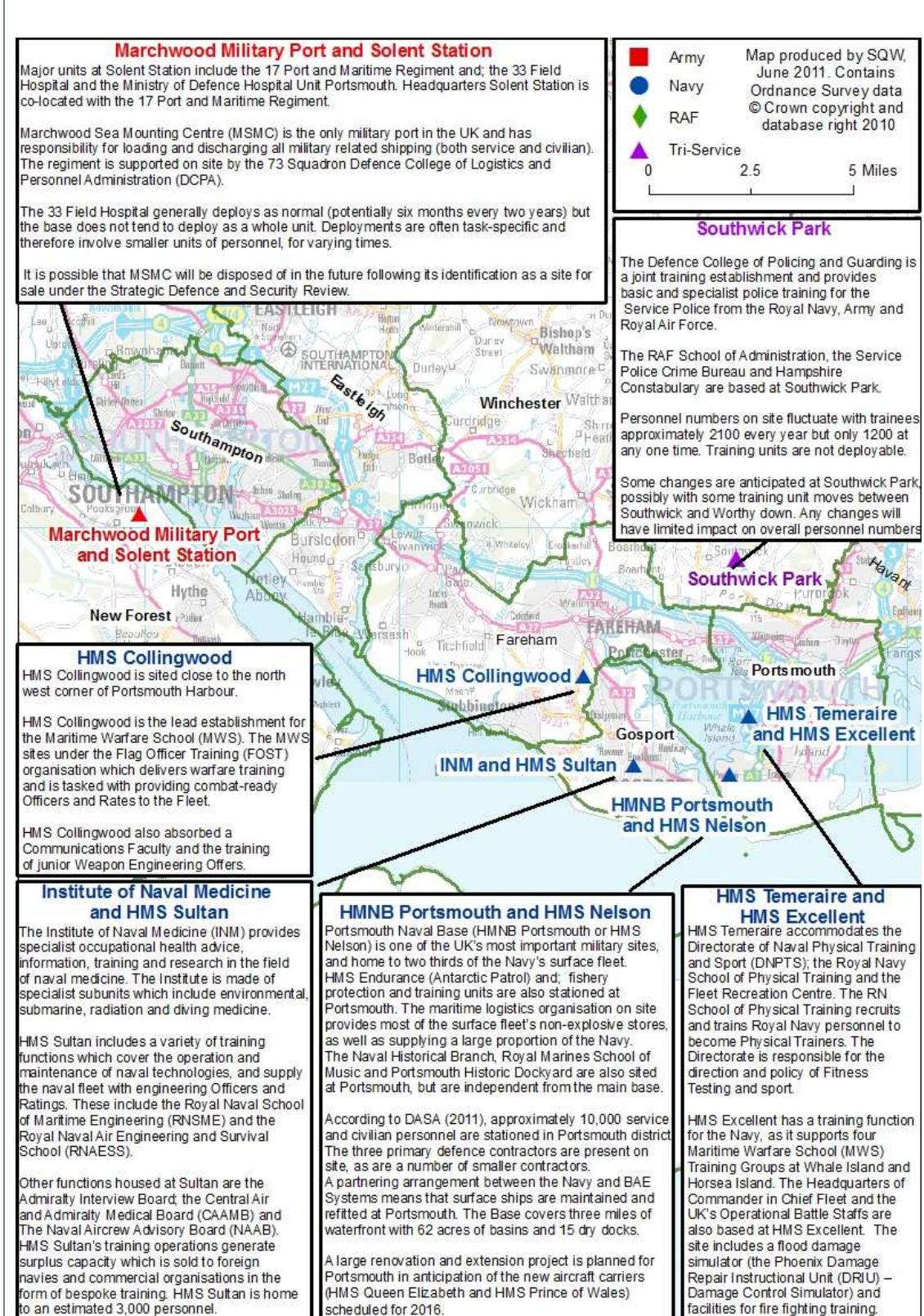
Source: SQW, based on information provided by the MOD

Figure A-2: Key military bases in the northern part of Hampshire



Source: SQW, based on information provided by the MOD

Figure A-3: Key military bases in the southern part of Hampshire, Portsmouth and Southampton



Source: SQW, based on information provided by the MOD