



Solent Local Enterprise Partnership  
 Meeting of the Board to be held on Friday 21<sup>st</sup> October 2016 at the University of  
 Portsmouth  
 08:00 - 10:00 followed by the LEP Board strategy session

<b>Item</b>	<b>Title</b>	<b>Time</b>
1.	Welcome and Introduction	08:00 - 08:10
2.	Apologies for absence	
3.	Minutes of meeting held on Friday 10 <sup>th</sup> June 2016	
4.	Matters Arising and declarations of interest	
5.	Overview of University of Portsmouth Strategic Plan - Professor Graham Galbraith	08:10 - 08:25
6.	Local Growth Deal Capital Programme 2016/17	08:25 - 08:45
7.	Executive Update	08:45 – 09:15
8.	Inward Investment and FDI results for the Solent area 2015	09:15 – 09:35
9.	Innovation panel - Innovation strategy update	09:35 – 09:55
10.	Any Other Business	09:55 - 10:00

**21.10.2016**

**Item 3**

**Draft meeting notes of Board meeting held on  
10.06.2016**



SOLENT  
**LOCAL**  
ENTERPRISE  
**PARTNERSHIP**

## Solent Local Enterprise Partnership Meeting of the Board of Directors

Held on Friday 10<sup>th</sup> June 2016  
08:00 - 11:00  
At CEMAST, Lee-on-Solent

<b>Present</b>	<b>In Attendance</b>
Gary Jeffries (Chairman)	Stuart Baker
Nick Gross	Marc Griffin
Stuart Hill (left at 09:45am)	Dan Hughes
Brian Johnson	Richard Jones
Donna Jones	Diarmid Swainson
Russell Kew	Nicola Twiddy
Dave Lees	Chris Ward
Simon Letts (left at 09:50am)	
Keith Mans (left at 10:00am)	
Anne-Marie Mountifield	
Sandra Sassow	
Sir Christopher Snowden (left at 10:45am)	<b>Apologies</b>
Seán Woodward	Chris Allington
	Jonathan Bacon

<b>Item</b>		<b>ACTION</b>
<b>1.</b>	<b>Welcome</b> Gary Jeffries welcomed everyone to the meeting and welcomed the 2 new Solent LEP B Directors, Sandra Sassow and Nick Gross to the meeting. Roundtable introductions took place.	
<b>2.</b>	<b>Apologies</b> Apologies were noted from Chris Allington and Jonathan Bacon.  Gary Jeffries advised that the order of the agenda items would be changed to ensure all board members could be present for the Competing for Growth discussion.	
<b>3.</b>	<b>Minutes of meeting held on 18<sup>th</sup> March 2016</b> The full set of Minutes and the set for publication on the Solent LEP website were <b>AGREED</b> from the previous meeting and signed by Gary Jeffries.	

<p><b>4.</b></p>	<p><b>Matters arising</b></p> <ol style="list-style-type: none"> <li>1. LEP geography and the inclusion of the whole of the New Forest areas was discussed. It was recognised that it is important to ensure that the marine and maritime business community in the area is included in funding calls and work relating to strategy development. It was also noted that a formal change to the LEP geography would need to be considered by DCLG.</li> <li>2. SMR Automotive Mirrors UK Limited (SMR) update - the Solent LEP Executive is expecting a grant application shortly and if submitted it will be considered by the Funding, Finance Performance Management Group (FFPMG) at their meeting on 15<sup>th</sup> July 2016.</li> </ol> <p><u>Declarations of Interest</u></p> <p><u>The following declarations of interest were recorded:</u></p> <p><b>Brian Johnson</b> - BAE Systems proposal which is being considered as part of the Local Growth Deal (LGD) 3 bid submission and BAE Systems proposal that has come forward under the innovation programme.</p> <p><b>Seán Woodward</b> - Fareham &amp; Gosport Programme currently funded under the LEP LGD capital programme - The Fareham Innovation Centre proposal which is being considered as part of the LGD 3 bid submission.</p> <p><b>Dave Lees</b> - Southampton Airport Economic Gateway work which is being considered at the meeting</p> <p><b>Christopher Snowden</b> - University of Southampton proposals which are being considered as part of the LGD 3 bid submission.</p> <p><b>Keith Mans</b> - Hampshire County Council (HCC) Road Schemes under the current LGD capital programme.</p> <p><b>Simon Letts</b> - Centenary Quay project</p>	
<p><b>6.</b></p>	<p><b>Competing for Growth – LGD 3 bid submission</b></p> <p>The Board were advised that Solent LEP had issued 2 calls for projects, one last autumn (2015) and one in March 2016 of this year. As a result 3 full business cases for proposals had been developed and 40 outline business cases were also received totalling £259m.</p> <p>It was advised that all LEPs had been requested to submit a snap shot of their LGD 3 proposal by mid June 2016 and following feedback a final proposal by the end of July 2016 (date to be advised)</p> <p>Anne-Marie Mountifield presented the draft snapshot proposal which looked to bring forward a portfolio of 9 discrete projects and 3 programme funds ( for skills, innovation and the Isle of Wight). The bid was seeking an additional investment of £164m from the Government to deliver</p>	

5,000 new jobs and enable the delivery of 11,500 new homes. It also has the potential to unlock a wider investment of £960m through this proposal which would bring the total value of the Solent deal to £1.12bn.

Gary Jeffries asked for his thanks to be noted to the Executive for their work to date on this.

There was a board discussion on the proposal and whilst it was noted that the guidance from government asked LEPs to prioritise housing, skills and transport there should also be a continued focus on innovation and the development of more proposals to support high growth businesses and enterprise.

On a broad basis the board were content for the snapshot and they

- **approved** the presentation as a basis for the snap shot proposal and challenge session with Ministers, noting that it needs to be submitted by 24 June 2016; and **delegated** authority to the Chief Executive and Chairman of the Board to finalise this work; and
- **delegated** authority to the Chief Executive and CFO from the Accountable body to submit the value for money information and project information from the 2015/16 LGD programme, once requested by Government.

The Board **Agreed** to review the rankings for the outline business cases in July.

It was noted that within the LGD 3 submission there were 3 full business cases for projects that were ready for delivery. The board were asked to consider and approve them for inclusion in the current LEP Capital programme in the event that funding was released in the current year. The board considered them as follows:

Full Business Cases from the autumn call

- **Centenary Quay Phase 4** - Simon Letts declared an interest in the proposal and provided a representation on the scheme. He then withdrew from the meeting whilst it was discussed.

**The Board then considered and agreed** the due diligence report for Centenary Quay Phase 4 and **approved** it for inclusion in the capital programme for 2016/17 onwards subject to affordability in the LGD capital programme.

Simon Letts returned to the meeting.

- **BAE Marine Support Centre** - Brian Johnson declared an interest in the proposal and withdrew from the meeting whilst it was discussed.

The Board **considered** and **agreed** the due diligence report for the BAE Marine Support Centre and **approved** it for inclusion in the capital programme for 2016/17 subject to achievement of the the pre conditions set out in the due diligence report .

Brian Johnson returned to the meeting.

- **Stubbington Bypass** – Keith Mans declared an interest in the proposal

	<p>Anne-Marie Mountifield provided an update on the business case and advised that not all the local contribution is currently in place. It was advised that the County Council is exploring options to increase the level of local contributions through mechanisms including prudential borrowing, Growing Places Loan funding, and use of the retained business rate income from the Solent Enterprise Zone (EZ). However, as the project presently stands, just £2m of local contributions have been committed. Keith Mans confirmed that Hampshire County Council were working with local partners including Fareham Borough Council in relation to the looking at utilizing the retained business rates on the EZ.</p> <p>Keith Mans then withdrew from the discussion and left the room.</p> <p>AMM advised that the Board would need to consider any proposal to use retained rates should it come forward in the future.</p> <p>The Board <b>considered</b> and <b>agreed</b> the due diligence report for the Stubbington Bypass and <b>noted that</b> it was not yet in a position to be included in the capital programme for 2016/17 as not all local contributions had been confirmed.</p> <p>Keith Mans returned to the meeting .</p> <p>Stuart Hill gave his apologies and due to other commitments left the meeting at 9.45 am</p>	
<p>5.</p>	<p><b>Local Growth Deal Capital Programme</b></p> <p>AMM took the paper as read and highlighted the following areas:</p> <ul style="list-style-type: none"> <li>- Current status of 2016/17 LGD schemes and the future capital programme, quarter 1 analysis.</li> <li>- <b>Solent Gateway update</b></li> </ul> <p>Simon Letts declared an interest in the scheme and he withdrew from the discussion and due to other commitments left the meeting at 9.50 am</p> <p>The Board <b>approved</b> the following decisions:</p> <p><b>Agreed</b> for the Floating Bridge component of the Solent Gateways programme to progress as an independent project and to <b>delegate</b> authority to the executive to issue a variation to the current funding agreement; and <b>considered</b> the status of the East Cowes and Trafalgar Dock elements of the gateway programme and <b>agreed</b> to withdraw them from the approved capital programme and will invite the scheme leads to re submit their proposal when they have all consents and funding in place and the LEP can consider it again (subject to affordability and availability of LGD funding)</p> <ul style="list-style-type: none"> <li>- North Whiteley update</li> </ul> <p>the Board noted the progress update and it was agreed to invite the scheme lead will be to attend FFPMG on 15<sup>th</sup> July 2016 to provide a further update.</p> <p>Keith Mans left the meeting at 10.00 am</p> <p><u>Innovation Call</u></p>	

Stuart Baker advised that 7 full businesses cases had been received, 5 from the private sector and 2 from Universities. The Innovation and business support investment panel had considered the cases and recommended that the following projects be approved for funding:

University of Portsmouth Future Technology Centre  
BAE Systems Marine and Maritime Autonomy Hub  
Bowman Power

Brian Johnson declared an interest in the BAE Systems proposals and withdrew from the discussion.

The Board **considered** the recommendations from the innovation and business support investment panel and **agreed** to approve the three projects being brought forward into the LGD Capital programme for 2016/17 subject to completion of independent due diligence confirming their eligibility and subject to the outcome of public consultation. They **delegated** authority to FPPMG to consider the outcome of the due diligence and consultation (as appropriate) at their next meeting in July 2016.

Brian Johnson returned to the meeting.

#### Local Transport Majors Scheme

Declaration of interest made by Dave Lees who withdrew from the discussion.

Two proposals have been submitted to the fund to develop outline business cases for;

1. Solent Metro, £650k ask with a £155k contribution from the Solent LEP.
2. Connectivity around Southampton Airport Gateway, a £400k ask with a £100k contribution from the Solent LEP

Decisions on this fund are not expected until later in the year from DfT. The Board **agreed** to allocated £255k to proceed at risk on these two outline business cases so time allows to get these into the Autumn Statement and they **delegated** authority to the executive to take this forward.

Dave Lees returned to the meeting.

#### 7. **Executive Update**

Anne-Marie Mountifield took the paper as read and highlighted the following areas:

#### LEP Executive team

The Board **considered and agreed** the proposed staffing structure as set out in the executive report; and to **delegate** authority to the Chief Executive and Chief Financial Officer of the accountable body, Portsmouth City Council to take forward the proposed organisational change.

#### Devolution

The Board **agreed** to progress the work in relation to the Solent devolution deal with a view to agreeing it in July 2016; and **agreed to delegate** authority to the Chairman and Chief Executive to finalise the devolution negotiations on behalf of Solent LEP.

### Science and Innovation Audit

The Executive has now received feedback on the submission from BIS. BIS did advise that the LEP's consideration of marine and maritime was unique amongst all proposals, and that we may wish to consider bringing this forward (along with photonics and advanced materials) within a 'southern' SIA, with a range of themes across a broader geography. A second round of applications to undertake a SIA is expected to be launched in June. In this regard, the Executive has discussed with Enterprise M3 LEP the potential for developing a joint submission with Dorset and Thames Valley Berkshire LEP's to build critical mass, and it is recommended that the LEP moves forward on this basis.

### Governance

Solent LEP Articles of Association were originally developed and incorporated in 2011 and subsequently reviewed and updated on two occasions during the course of 2012.

There is now a need to review the Solent LEP Articles of Association in relation to a number of developments including;

- The need to ensure SME representation on the LEP Board as required by Secretary of State Greg Clark's April 2016 correspondence, and;
- The need to reflect the requirements of any Devolution Deal agreed for the area which requires a seat on the Solent LEP Board for a Directly Elected Mayor.

Given the current position locally it is advisable that the Board does wait until the position in relation to the proposed devolution deal for the area becomes clearer.

The Board considered the review of the Solent LEP articles of association and **agreed** the preferred option to wait until the devolution deal for the area is known.

Sir Christopher Snowden left the meeting at 10.45 am

In his letter dated 12<sup>th</sup> April 2016 regarding further growth deals, Greg Clark MP set out the following expectation relating to LEP Board Governance:

"My expectation is that LEPs will have SME representation on their Board and I would like to see a proposition on how you will implement this in your proposal."

It was noted that currently Solent LEP have 4 SME Business directors on the board and the option recommended to the Board allows for retaining the existing size of the Board and the voting balance between Director classes, reflecting the previous preference of the Board to ensure that the LEP remains business-led. This is subject to such option satisfying the requirements of the level of representation required (which is still awaited).

The Board **agreed** to this option for securing SME representation on the Board, subject to any additional guidance that we may receive from central government.

### Forward Plan

The Board **considered** and **agreed** the updated forward plan

<p><b>8.</b></p>	<p><b>Finance update</b> Chris Ward went through the recommendations in the report. The Board <b>agreed</b> the following:</p> <ul style="list-style-type: none"> <li>(i) The final outturn for 2015/16 of £50,602,231 and the sources of funding called upon (as set out in Appendix A)</li> <li>(ii) The budget for 2016/17 financial year (as set out in Appendix B)</li> <li>(iii) The revised budget for the period 2017/18 to 2020/21 (as set out in Appendix B)</li> <li>(iv) The LEP Board noted the latest status of each fund and the updated forecast reductions in contract levels for Regional Growth Funds of £8,497,240 (as set out in paragraphs 5.1 and 5.2 of the report)</li> <li>(v) The LEP Board noted the latest Local Growth Fund programme summary (as set out in Appendix E)</li> <li>(vi) The Board considered a range of options to use the available Growing Places Funding later in the financial year</li> <li>(vii) the allocation of matched funding for the Enterprise Adviser Network (as set out in paragraph 6.8 of the report)</li> </ul>	
<p><b>9.</b></p>	<p><b>AoB</b> Diarmid Swainson advised that today would be his last attendance at a Solent LEP Board meeting as the Solent LEP Business Relationship Manager. Gary Jeffries formally thanked Diarmid Swainson for his support.</p> <p>No further business. Meeting closed.</p>	

**Meeting closed at 11:15**

**21.10.2016**

**Item 6**

**Local Growth Deal Capital Programme 2016/17**

**Item:** 6  
**Title:** Local Growth Deal Capital Programme 2016/17 update for Board  
**Date:** 21 October 2016  
**Purpose:** For information and action

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### 1. 2016/17 LGD capital programme status – June 2016

Since the last board meeting on 10 June 2016 the Executive have continued to work with 2016/17 scheme leads to progress projects to signed agreements and to ensure commencement of delivery on site to maximise opportunities for defrayal of the £44,198,569. 2016/17 LGD allocation.

Table 1 summarises the current approved position (incorporating approvals from the June 2016 board meeting).

**Table 1: Current Funding Agreement Status of Projects within the 2016/17 Solent Growth Fund Programme - Quarter 2**

LGD Programme Management Costs	£	300,000
Solent Growth Fund (2016/17)	£	3,493,568
Innovation programme Fund	£	5,575,000
Large Local Major transport schemes	£	255,000
<b>Sub Total</b>	<b>£</b>	<b>9,623,568</b>
<b>Final Agreement</b>		
Eastleigh College Estates Renewal	£	2,190,000
Isle of Wight College CoE for Composites, Advanced Manufacturing and Marine	£	5,500,000
Solent Gateway Programme - Isle of Wight Floating Bridge	£	3,776,782
A27 Station Roundabout / Gudge Heath Lane	£	2,893,000
Fareham and Gosport multi year programme (A27 Dualling and Newgate Lane)	£	4,500,000
BAE Systems Marine Engineering Centre Development	£	129,400
<b>Sub Total</b>	<b>£</b>	<b>18,989,182</b>
<b>Under negotiation</b>		
North Whiteley	£	2,500,000
Centenary Quay	£	1,261,176
BAE Marine Workshops and Marine Support Centre	£	1,050,000
<b>Sub Total</b>	<b>£</b>	<b>4,811,176</b>

<sup>1</sup> The £44,198,569 includes the 16/17 allocation of £42,640,334 + carry forward from 2015/16 + Capital Funding returned to LGD from Accountable Body

<b>Total (a)</b>	<b>£</b>	<b>33,423,926</b>
<b>Solent Growth Deal Award 2016/17 (b)</b>	<b>£</b>	<b>42,640,334</b>
<b>Carry forward from 2015/16 (c)</b>	<b>£</b>	<b>558,235</b>
<b>Capital funding for LGD returned from Accountable body (d)</b>	<b>£</b>	<b>1,000,000</b>
<b>Total LGD Capital programme 2016/17 (d) = (b) + (c) + (d)</b>	<b>£</b>	<b>44,198,569</b>
<b>Un allocated capital funding (d) - (a)</b>	<b>£</b>	<b>10,774,643</b>

**General LGD Scheme delivery update** - Board members should **note** that more schemes have gone to contract and final agreements have been signed since the last Board update in June 2016.

Based on the June 2016 position we had an allocated capital programme of **£33,423,926** (including under negotiation schemes) which represented 75.6% of the total allocation available for 2016/17.

In relation to delivery **£28,612,750** (64.7%) of the capital programme available for 2016/17 was committed and a further **£4,811,176** (10.9%) was under negotiation. This left a balance of **£10,774,643** (24.4%) to be allocated.

Board members should note that as at the 30<sup>th</sup> August 2016 the total amount of 2016/17 LGD funding defrayed was **£2,274,440**. The Executive has received a further claim to the value of **£715,280** since this date and is due to receive, in accordance with the latest implementation plan profiles, claims to the value of **£6,798,970<sup>2</sup>** for the next claim round. Implementation plans and Quarter 2 claims will be reviewed and any significant deviations from the forecast profile will be verbally updated to the Board. The Executive will provide a more detailed analysis and confirm the total defrayed value after Quarter 2 at the next FFPMG meeting in November 2016 following a review of the claims received and payments that have been processed.

The board should note the following update in relation to the 2016/17 Capital programme:

#### **a. Solent Growth Fund**

As previously advised to the Board in June, the Executive have progressed with the development of a new Solent Growth Fund business support grant programme, which as part of Enterprise week is scheduled for a formal launch in November 2016. Prior to this we will be undertaking a series of engagement events with intermediary organisations to ensure that SME's are aware of the fund ahead of the formal launch.

The Solent Growth Fund is being positioned within the context of the new economic landscape. It is a competitive capital grant programme tailored to support the Solent SME base, to grow quickly, improve productivity, strengthen trade with international markets, and support businesses experiencing challenging trading conditions. The £2 million programme fund will target SME's that are seeking to move into or expand in the export market and we are seeking to work with the newly formed Department for International Trade to ensure that it can sit alongside any other initiatives that they are planning to bring forward.

<sup>2</sup>The total value of claims expected for September 30<sup>th</sup>, in accordance with the scheme implementation plans, is the summation of Isle of Wight College, Eastleigh College, Isle of Wight Floating Bridge, BAE Systems Marine Engineering Centre Development and the Fareham and Gosport multiyear programme schemes.

Outside of the Solent LEP SGF we are continuing to work with our partners to establish 'agency' arrangements through which we can extend our SME funding support. On this basis we have increased our work with Natural Enterprise who support rural SME's on the Isle of Wight. A new fund has been agreed for £165,000. This builds on the programme funding made available through Natural Enterprise in 2015/16<sup>3</sup> and to date we have supported 18 SMEs with grants totalling £195,653.50 safeguarding and/or creating 58 jobs.

In addition, the Executive continues to work with partners to develop new funding programmes and we have been working with the colleagues at the Web Science Institute at the University of Southampton to develop a new funding programme, utilising £500,000 of Solent Growth Funding. The premise of the emerging proposal is to provide funding to support the development of research ideas from students within the Web Science Institute (WSI) to the point to which they can attract angel investment, and become new businesses.

There is an ambition to launch the fund officially on 29<sup>th</sup> November to coincide with 10<sup>th</sup> anniversary of Web Science as a discipline. Further detail on this will be discussed at the Board meeting.

It should also be noted that £1,000,000 has been ring-fenced as match funding for the ERDF SME fund bid. The final ERDF application for this fund is being considered by DLG currently and all structural and investment fund projects signed before the Autumn Statement will be fully funded, even when these projects continue beyond the UK's departure from the EU. Therefore we are working hard to agree this ahead of the statement in November 2016.

#### **b. Innovation Programme Fund**

Board Members will be aware that the LEP Executive issued a call for Innovation capital projects, in April 2016, to access up to £3m of Local Growth Deal funding within the 2016/17 financial year.

Following the outcome of the due diligence a proposal from the University Of Portsmouth has been approved as part of the LGD 2016/17 Capital programme.

The LEP has also launched a further £3m Innovation Programme Fund on 3<sup>rd</sup> October 2016 and once again this call will seek to prioritise delivery of capital schemes from the 2016/17 LGD programme. Funding is being made available as grant, equity share, forward funding or loan, recognising that different funding models will appeal to different projects. Two closing dates have been established; one at the end of October 2016 for projects that are advanced and can defray expenditure in the current financial year; and another at the end of November 2016 for projects that need more development time. The LEP has hosted a breakfast workshop for those interested in submitting applications for funding on 13<sup>th</sup> October 2016.

#### **c. BAE Marine Workshops and Marine Support Centre**

The Board will recall that this £9.7 million project (which secured LGD and Employer ownership funding from the LEP) supports skills development and marine engineering facilities through investment in the refurbishment of their Skills Development Centre and former Steel Production Hall within HM Naval Base, Portsmouth.

The due diligence has been completed and was approved by FFPMG in July 2016. The public consultation period also concluded in July 2016 with no comments received.

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<sup>3</sup> The total funding allocation to Natural Enterprise, including £165,000 for 16/17, is now £300,000

A combined funding agreement, covering both the Employer Ownership of Skills Fund and the Local Growth Fund contributions has been put in place and signed in July 2016.

## **2. Schemes under negotiation**

As we move towards the end of Quarter 2 (as at 30<sup>th</sup> September) of the current financial year the Executive is working towards signing funding agreements with scheme leads on the remaining projects under negotiation as set out in table 1 above. The following summary shows where negotiations are against each scheme in the approved capital programme for 2016/17 on a project by project basis:

### **a. North Whiteley**

The Board will recall that £14m LGD funding for the North Whiteley scheme was approved subject to pre-conditions being met. The funding is currently profiled over 3 years with £2,500,000 of LGD funding allocated for 2016/17. The North Whiteley project is a critical component of the LGD capital programme as it will enable the delivery of 3,500 new homes and it is noted that it now has a potential start date in 2017/18 and therefore the scheme will be re profiled to reflect this timeline.

### **b. Centenary Quay**

The Board will recall from the last Board meeting that, following the consideration of the independent due diligence advice on the Full Business Case for Centenary Quay Phase 4, the Board agreed to allocate £7,675,921 to this multiyear project subject to the outcome of the consultation period. The eight weeks concluded on 6<sup>th</sup> July 2016 and no comments were received.

The project is part of our LGD 3 bid submission to government and we are awaiting confirmation of the outcome of this. Notwithstanding this the Board recognised the importance of the scheme to housing delivery in the Solent and agreed to support the acceleration of the project and this is reflected in the reprofiling of the scheme in 2016/17.

## **3. Work under development - use of unallocated funds**

The Board will recall from the last Board meeting that the Executive were requested to review options to address the LGD funding in 2016/17 that is currently unallocated. These options are detailed as follows.

- **Projects / expenditure that could be brought forward from future years**

The Board will recall that it requested the Executive to review schemes with the potential to bring forward funding into 2016/17 for FPPMG to consider. The Executive identified 2 schemes which have started in 2016/17 which could utilise additional funds to maximise defrayal of the 2016/17 LGD allocation. Following the update at FPPMG it was agreed by members to explore this further with relevant scheme promoters and update the Board.

**Fareham and Gosport Multi Year Programme - Newgate Lane South and A27 Dualling** - The Executive identified Newgate Lane South and the A27 Dualling projects as potential projects that would benefit from advanced funding in 2016/17. Both these schemes form an integral part of the Fareham

and Gosport multiyear programme and the updated LGD capital programme profile in table 3 reflects the proposal to bring these schemes forward.

- **Local large Transport Majors**

In the March Budget, the Government announced a new £475m Large Local Major Transport Fund (LLMT) across the period 2016/17 to 2020/21, funded through the Local growth Fund single pot. The profile of the funding is provided in the table below.

2016/17	2017/18	2018/19	2019/20	2020/21
£10m	£45m	£45m	£95	£280

Only £10 million is available in 2016/17 and the aim of the fund is to support those exceptionally large and potentially transformative local schemes that are too big to be funded through the Local Growth Fund allocations and could not otherwise be funded. Across the 38 LEPs the average minimum capital cost bid threshold is circa £50 million for a large scheme. For Solent LEP it is £69m. This would suggest that up to seven projects could be funded nationally.

Bids were invited for development costs (to produce an Outline Business Case - OBC) or preparation/construction of a scheme (if an OBC already exists). The initial deadline for applications was 31<sup>st</sup> May 2016 and Solent LEP submitted two proposals seeking funding to support the development costs for the preparation of outline business cases for the Southampton Airport economic Gateway and phase 1 of the Solent Metro. The LEP was unsuccessful with each of its initial applications and DfT provided the LEP with an opportunity to re-submit the applications. Both proposals have been resubmitted and we expect to hear the outcome of this before the end of 2016. Any new funding will not be available until 2017/18.

Recognising that should the LEP have been successful with its initial application there would have been a need to progress rapidly in the current financial year, the LEP went out to tender to secure expert consultancy support to develop initial work to feed into an Outline Business Case (OBC).

The case for improved public transport connectivity in the Solent is well understood as is its impact on productivity. It is therefore, recommended that the LEP Board agree to the deploying LGD funding for the commissioning of work to develop a Strategic OBC for completion in April 2017, so that, should the LEP be successful in its application for development costs, an OBC may be progressed without delay in 2017/18. This is reflected in table 3 below.

- **Solent LEP Investment Opportunities**

**Investment Regeneration to unlock sites** - The Board will recall from the last meeting in June that they asked to consider opportunities to invest in land or other redevelopment in cases where development has stalled because of constraints that might be overcome with the help of Solent LEP. Such investments will only be made on the basis that they will be repaid and/or the LEP will take an equity stake in the development (pending repayment).

A number of opportunities have been identified and discussed with partners such as Kingston Marine Park on the Isle of Wight and Brockhampton West at Havant. The sites have come forward either as a

result of previous bids for Local Growth funding or, in the case of the Enterprise Zone, because of Solent LEP's sponsorship responsibilities.

The executive have now appointed AECOM as independent consultants to provide an evaluation of the cost and risks of acquisition and development potential and an update on this work will be discussed at the board meeting. A provisional investment fund has been established to unlock such sites and is reflected in table 3 below.

- **Solent Growth Deal Programme Development fund**

The Board will recall that the possibility of utilising some funding to support the development of feasibility work for projects deemed to be of strategic significance for the Solent area has been discussed. Therefore the board are asked to consider whether we should open up a £500,000 development fund to support the development of feasibility work and outline business cases for projects that have the potential to directly deliver significant housing (in excess of 150 units), bring forward new and innovative solutions for the rental market, employment floorspace for logistics (in excess of 100,000 sq feet), waterfront employment sites (in excess of 5 acres) or projects that will deliver grade A office space/move on space (in excess of 50,000 sq feet or units totalling 50,000 sq feet for move on space). Applicants would be expected to make a 50% contribution to the cost of the work and priority would be given to schemes that have a potential to commence by 2018/19. This mirrors the Central Government approach used for the DFT Local Large Majors Fund where they have set aside money to support the development of outline business cases The purpose of the fund would be to support schemes of a strategic nature to the value of between £10m - £50m.

### Summary

The Board should **note** that based on the further work completed by the Executive, Table 4 below provides a proposed forecast position for LGD Spend 2016/17

**Table 3: Proposed LGD Capital programme for 2016/17 (as at 30th September 2016)**

LGD Programme Management Costs	£	300,000
Solent Growth Fund (2016)	£	3,493,568
Innovation programme Fund (2016)	£	3,075,000
Local Large Major transport schemes (Solent Metro and SAEG)	£	1,000,000
<b>Sub Total</b>	<b>£</b>	<b>7,868,568</b>
<b>Final Agreement</b>		
Eastleigh College Estates Renewal	£	2,190,000
Isle of Wight College CoE for Composites, Advanced Manufacturing and Marine	£	5,500,000
Solent Gateway Programme - Isle of Wight Floating Bridge	£	3,776,782
A27 Station Roundabout / Gudge Heath Lane	£	2,893,000
Fareham and Gosport multi year programme (Newgate Lane South)	£	373,000
Fareham and Gosport multi year programme (A27 Dualling)	£	4,127,000
BAE Systems Marine Engineering Centre Development	£	1,179,000
<b>Sub Total</b>	<b>£</b>	<b>20,038,782</b>

<b>Under negotiation</b>	
Centenary Quay (Year 1)	£ 1,261,176
University of Portsmouth Future technology Centre	£ 1,050,000
<b>Sub Total</b>	<b>£ 2,311,176</b>
<b>Schemes with the potential to be brought forward in Q4 - 2016/17</b>	
Fareham and Gosport multiyear programme (Newgate Lane South–next phase)	£ 5,700,000
Fareham and Gosport multiyear programme (A27 Dualling – next phase)	£ 3,198,000
Centenary Quay (Years 2 to 4)	£ 6,414,745
<b>Sub Total</b>	<b>£ 15,312,745</b>
<b>Work Under Development</b>	
Potential Investment Regeneration to unlock sites for growth	£ 1,500,000
Solent Growth Deal Programme Development Fund	£ 500,000
<b>Sub Total</b>	<b>£ 2,000,000</b>
<b>Total (a)</b>	<b>£ 47,531,271</b>
<b>Solent Growth Deal Award 2016/17 (b)</b>	<b>£ 42,640,334</b>
<b>Carry forward from 2015/16 (c)</b>	<b>£ 558,235</b>
<b>Capital funding for LGD returned from Accountable body (d)</b>	<b>£ 1,000,000</b>
<b>Total LGD Capital programme 2016/17 (e) = (b) + (c) + (d)</b>	<b>£ 44,198,569</b>
<b>Over programmed capital funding (f) = (a) - (e)</b>	<b>£ 3,332,702</b>

Board members will note from table 4 that we are now forecasting an over programme of **£3,332,702** of the total allocation assuming that all of the other programmed expenditure is defrayed by 31 March 2017. The over programming is made up of the following items:

- Solent Growth Deal programme development fund £ 500,000
- Local Large Majors Transport OBC £1,000,000
- Investment regeneration fund for stalled sites £1,500,000
- Forward funding LGD Centenary Quay £ 332,702 -
- **TOTAL £3,332,702**

The Board should **note** that there are still a number of risks linked to defrayal and from experience of delivery in 2015/16 and given the status of some of the elements of the 2016/17 programme we are anticipating some further changes to this position. Therefore it advised, in line with 2015/16, that we over programme.

### **c. Overall Programme Profiling**

It is also important to consider the overall approved LGD programme to 2020/21 and the Board has already been made aware that a risk is that the Local Growth Deal funding is heavily weighted in the early years where programme delivery is tending to slip which in turn can cause an imbalance in the funding available against the projected spend. This is being monitored very closely and we will look at future year profiling and a further update will be provided to the board at the December 2016 meeting.

**Item:** 7  
**Title:** Executive update  
**Date:** 21 October 2016  
**Purpose:** For information and action

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## **1. LEP Executive team**

At the June meeting the board agreed a new organisational structure for the LEP Executive. This has now been implemented as of 1 September 2016. We will be reviewing the fixed term vacant posts for the Local Growth Programme Officer and Local Growth Project Manager and providing a report on this and the implementation of the new structure and at next Employment Remuneration Committee which is expected to convene before the end of November 2016.

## **2. Update on Local Growth and Devolution**

Since the last board meeting work has continued on the proposed Solent devolution deal and a governance review has been completed and a consultation undertaken which looked at the governance options, including the preferred option which is to form a Mayoral Combined Authority.

As previously notified Solent LEP conducted a series of business engagement events to inform its response and the board approved this for submission on 16 September 2016. On a wider basis we can advise that the public consultation ran from 22 July 2016 to 18 September 2016 and the outcome of this has been published. In total there were 2,531 questionnaire responses. In addition there was also a total of 999 engagements at events, broken down as follows: roadshows 842; public meetings/discussion group 96; stakeholder events 40; Facebook Q&A 21.

More than 2,500 people took part in a public consultation and 71 per cent of those responding were in favour of moving power and funding for the economy, transport and jobs from central government to groups of local councils working together. The same proportion supported the idea of the Isle of Wight Council, Portsmouth City Council, Southampton City Council and the Solent Local Enterprise Partnership working closer together.

When asked about specific things a combined authority should get powers for, 75 per cent were in favour of more local powers for support for businesses to grow, closely followed by 74 per cent of people backing extra powers for transport. New responsibilities for skills and employment were favoured by 73 per cent and 70 per cent agree with more local powers for housing and infrastructure planning. When asked about the best way to secure and manage new powers and funding, the majority of people agreed with having a combined authority headed by a directly elected mayor.

The plans will now go to the full council meetings for the three councils involved, ahead of each cabinet making a decision on submitting a formal bid to government. The first full council meeting was

Portsmouth's on 11 October 2016, with both Southampton and the Isle of Wight meetings taking place on 19 October 2016.

A final decision on submitting an application to government could be made by the end of October and the proposed authority would take on responsibility for services currently managed by central government and receive £900m of new funding over the next 30 years.

Further feedback on responses from business will be discussed at the Board meeting and Strategy session on 21 October 2016.

Local growth policy is undergoing further development as the new government departments undertake preparations ahead of the Autumn statement on 23 November 2016. At the time of writing we have not yet received any feedback on the LGD 3 submission but as previously advised Business and Energy Secretary Greg Clark has underlined the vital role of local growth and the importance of 'place' in developing and delivering the Government's comprehensive industrial strategy. For the first time, all Ministers in the Department for Business, Energy and Industrial Strategy will act as local growth champions across the United Kingdom and will be tasked with building relationships with a number of Local Enterprise Partnerships (LEPs) and will act as a first point of contact for respective LEPs in England within the Department for Business, Energy and Industrial Strategy. Our Local Growth Champion is Jo Johnson and he has since written to the chair of the LEP. His letter is attached in Annex A.

### 3. Skills for growth - update from the Employment and Skills Board (ESB)

#### a. Solent Employer Ownership of Skills Programme

Further to the last full board meeting in June 2016 five contracts under the Solent Employer Ownership Programme have been issued and a financial summary of programme defrayal is provided in table 1. In summary the programme has approved applications totalling £1,425,454. To date £1,297,620 has been defrayed in direct grant payments. £127,834 is outstanding in final claim payments to British Marine £20,900 and Fareham College £106,934. The remaining balance is retained to cover the programme management costs. As part of the on going monitoring and evaluation the ESB will receive a year end report which will look at the skills and training outputs that are being delivered against each project.

**Table 1: Status update for the Solent Employer Ownership of Skills Programme**

<b>Project allocations</b>					
	Total Project costs	Private & other match funding	EOP funding	Defrayal	Unclaimed
<b>MHI Vestas</b>	£916,091	£9,347,275	£268,816	£268,816	£0
<b>Fareham College</b>	£802,000	£481,200	£320,800	£213,866	£106,934
<b>Formaplex</b>	£409,365	£245,727	£163,638	£163,638	£0
<b>British Marine</b>	£128,000	£76,800	£51,200	£30,300	£20,900
<b>BAE</b>	£9,067,000	*£7,884,418	£621,000	£621,000	£0
<b>Project totals</b>			£1,425,454	£1,297,620	£127,834
* This does not include the additional £1,179,000 LGD allocation					

Table 1.

#### b. The Careers and Enterprise Company (CEC)

As previously reported in March 2016 the CEC invited Solent LEP to submit plans to expand provision in this area. A contract was agreed in August 2016 and year two of the CEC programme in the Solent officially commenced on the 1<sup>st</sup> September 2016. At the time of writing the project now has two full-time enterprise coordinators (EC'S) in post with an additional EC recruited and due to start on 18<sup>th</sup> October. The contract will establish a minimum of 60 enterprise advisers in schools across the Solent. This will afford an Enterprise Adviser in every secondary school in the Solent. The pre-16 task group which meets quarterly provides governance and operational oversight of the project to ensure its impact is maximised, dovetails into existing activity and takes account of the strategic priorities of the statutory education authorities. Employers are key to the success of this project and all Board members are asked consider how they can support and promote the project.

### **c. Post-16 Further Education Area Review**

The Solent Area Review commenced in early November 2015. The review takes account of all post-16 education and training across the area and assesses how well this fits with local economic and educational need; however the colleges that are covered specifically by the area review are as follows:

- Brockenhurst College (general FE college)
- Fareham College (general FE college)
- Eastleigh College (general FE college)
- Highbury College (general FE college)
- Isle of Wight College (general FE college)
- South Downs College (general FE college)
- Southampton City College (general FE college)
- Barton Peveril College (sixth form college)
- Havant College (sixth form college)
- Itchen College (sixth form college)
- Portsmouth College (sixth form college)
- Richard Taunton Sixth Form College (sixth form college)
- St Vincent College (sixth form college)

A steering group was established to engage key stakeholders through all stages of the work, monitor progress and discuss emerging findings. The steering group comprises of: the Principals and Chairs of Corporation from all 13 colleges; representatives from the four local authorities (Hampshire, Isle of Wight, Portsmouth City Council and Southampton City Council); a representative from the Solent Local Enterprise Partnership (LEP); the FE Commissioner, a representative of the Sixth Form College Commissioner; the Regional Schools Commissioner and representatives from the Education Funding Agency, the Skills Funding Agency and BIS.

The last meeting was held on the 9<sup>th</sup> June 2016 where all stakeholders agreed the outcomes for the process, which would feed into the final published report. At the time of writing the Solent Area Review is still awaiting publication.

### **d. Skills Strategy Up-date**

At the last meeting ahead of the EU referendum, it was reported that the LEP executive would be forming a skills sub-group to progress a new Skills Strategy. Whilst the Skills Strategy has its own evidence base, it is directly informed by the Strategic Economic Plan (SEP). To support the development of a new SEP/industrial strategy, the Solent LEP has recently contracted Oxford Economics to conduct new economic analysis to provide an up-dated baseline of the Solent economy. Furthermore the analysis will take into account & present a series of potential scenarios for the Solent

economy in the light of possible post-Brexit impacts. Work on the Skills Strategy will commence once the initial piece of economic modelling work is completed and the framework for the SEP is formalised. The LEP executive therefore plans to commence work on the Skills Strategy in mid- 2017. It should be noted that overarching objectives set out in the 2014-16 strategy still resonate:

- Provide world-class skills
- Support transitions to employment for those leaving education or returning to the labour market
- Raising business investment in skills
- A developing a more responsive skills and employment system

Furthermore the emphasis on higher skills, STEM and devolving resources to the local area remain the focus going forward.

#### **4. Business Support – RGF update**

The board will recall that the RGF programmes were due to close on 30 September 2016 and the executive are currently liaising with BEIS (formerly BIS) in relation to the final close down. This will be reported in more detail as part of the mid-year review at FPPMG in November 2016 and the Board in December 2016.

#### **5. European Structural Investment Funds (ESIF) update**

The Board has received regular up-dates on the progress of the Solent European Union Structural and Investment Fund (EUSIF) Programme. The decision to leave the European Union in June has had a significant impact on the delivery of the ESIF programme both nationally and locally. In his conference speech, the Chancellor set out that the guarantee for ESIF-funded projects announced in August will be extended to the point at which the UK departs the EU. This will provide further certainty to those organisations bidding for EU support whose projects meet domestic strategic priorities and deliver value for money. Where projects secure EU funding before we exit, payments will be guaranteed even after Britain has left the EU. Each Government department will have responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending. The press release can be found here: <https://www.gov.uk/government/news/further-certainty-on-eu-funding-for-hundreds-of-british-projects>. DCLG will therefore continue to work with areas to prepare further calls and funding agreements in line with the requirement to demonstrate value for money and fit into domestic spending priorities. Treasury has actioned Local Managing Authority teams to work with ESI Funds sub-committees in each LEP area to gather information on the remaining activity and associated funding that might be signed after the Autumn Statement while we remain a member of the EU.

A table outlining committed sums against remaining allocations is provided below (Table 2). It should be noted that amounts contracted or committed has reduced, with applications to ERDF having either failed gateway or full application stages or where applicants have subsequently withdrawn the application. Across the two principle funding streams, £10.3m has been committed; approximately £2.7m ERDF and £7.7m ESF. There have been no further calls for EAFRD which has allocated £150k to date. Notwithstanding the hiatus caused by Brexit the speed of which applications are progressing to contract in the Solent remains a concern.

Table 2 ESIF summary October 2016

ESIF Funding breakdown October 2106				
Activity	FINAL Revised allocations in Euros	FINAL Revised allocations in Sterling – based on exchange rate	Max amount committed	Unallocated
<b>Research and Innovation ERDF</b>				
Solent Innovation	€4,103,593	£3,200,803	£1,500,000	£1,700,803
<b>SME Competiveness ERDF</b>				
Business Support Activity	€7,428,045	£5,793,875	£0	£5,813,593
UKTI - international trade	€281,690	£219,718	£200,000	
SME grant scheme	€2,681,647	£2,091,685	£1,000,000	£1,091,685
Graduate Placements	€2,384,750	£1,860,105	£0	£1,860,105
<b>sub-total</b>	<b>€12,776,132</b>	<b>£9,965,383</b>	<b>£1,200,000</b>	<b>£8,765,383</b>
<b>Low Carbon ERDF</b>				
Low Carbon	€5,081,053	£3,963,221	£0	£3,963,221
ESF	€1,184,166	£923,649	£0	£923,649
<b>ESF opt-in</b>				
Employer responsive	€5,650,367	£4,407,286	£2,256,699	£2,150,587
Support for unemployed	€3,330,547	£2,597,826	£1,155,870	£1,441,956
Support for employers - apprenticeship grants	€2,220,364	£1,731,884	£0	£1,731,884
Supporting young people - IAG	€882,956	£688,706	£385,290	£303,416
Enhanced traineeships	€1,765,913	£1,377,412	£770,580	£606,832
<b>ESF other</b>				
Solent Jobs pilot	€3,316,692	£2,587,020	£2,000,000	£587,020
Solent Jobs pilot via BL	€845,070	£659,155	£600,000	£59,155
Community Grants	€1,768,749	£1,379,624	£500,000	£879,624
<b>Total</b>	<b>€42,925,603</b>	<b>£33,481,970</b>	<b>£10,368,439</b>	<b>£23,113,531</b>

<b>ERDF</b>	<b>€21,960,778</b>	<b>£17,129,407</b>	<b>£2,700,000</b>	<b>£14,429,407</b>
<b>ESF</b>	<b>€20,964,825</b>	<b>£16,352,564</b>	<b>£7,668,439</b>	<b>£8,684,125</b>
<b>ERDF</b>				
Support for tourism activities in rural areas (7.5)	€529,165	£423,332	£0	£423,563
Funding new and developing micro & small rural businesses (6.4)	€881,964	£705,572	£150,000	£555,957
Food processing	€353,150	£282,520	£0	£282,675
<b>Total</b>	<b>€1,764,279</b>	<b>£1,411,423</b>	<b>£150,000</b>	<b>£1,262,195</b>

Solent LEP are waiting for a contract for the £1 Million SME support activity fund. It is hoped that this will be forthcoming before the end of October at which point we will be able to launch the Solent growth Fund, providing capital and revenue support to SME's in the Solent. It will prioritise SME's seeking to expand into new export markets and those seeking to bring new products to existing markets as well as start up firms. As the LEP is providing the match funding for the EU funding at programme level (from our LGD capital programme fund) we will not require applicants to provide match funding against the EU funding. This will simplify the application process for funding beneficiaries as the LEP will take on the administration associated with the management of the EU funding. It should be noted that there will still be a strong expectation that funding awards should unlock wider private sector investment and as a result beneficiaries will still be required to make a financial contribution to any project which is funded under the Solent LEP SGF programme.

## **6. Land, Property and Infrastructure update**

- **Logistics Commission**

Board members will recall that the Land Property and Infrastructure panel agreed to commission a logistics study for the Solent LEP region.

An invitation to tender (ITT) was issued in July 2016 to secure consultant support to develop this study with a view to assessing the strengths of the Solent area in relation to logistics and distribution and how the Solent is positioned to respond to, and provide for, current and forecast market requirements. The report is seeking to identify the different requirements of logistical through-movements to the ports and airport within the Solent area and distribution and would consider sustainable solutions, including consolidation and sustainable distribution.

Barriers to securing greater efficiency in the sector locally were also requested to be considered as part of the study and the provision of providing a recommendation in response to them, for example, skills and training, transport (road, rail, air and sea) and infrastructure, environmental constraints and property requirements. The emphasis of the study was to focus on increasing productivity in the Solent area – in other words, using improvements in the sector to promote and reinforce the economy of the Solent rather than as an end in itself.

The Land Property and Infrastructure Panel considered an initial draft of the work at their meeting on the 30th September 2016. The panel had advised that the work requires further development to include stronger business and commercial input as well as the need to provide benchmarking data on the size of the logistics sector in the Solent (when compared with other areas in the UK), market demand, future trends including the need to reflect advances in technology and autonomous solutions, new investment in the Port of Southampton and an analysis of the potential impact of the outcome of the EU referendum on the movement of goods and people. This was deemed essential in order that a clear set of findings can be agreed and from this some key recommendations to inform future work.

A further update can be provided at the board meeting and the Board are advised that the item is not expected to come back for consideration until early in 2017.

- **Sub-national transport bodies (SNTBs)**

In late 2015, as part of the government's ambition to deliver economic growth across the country, including through the creation of a Northern Powerhouse and Midlands Engine, the provision of new powers were set out for areas to create Sub-National Transport Bodies (SNTBs). The legal powers and duties offered would allow SNTBs to advise transport Ministers on investment priorities in their own areas and on strategic transport schemes to boost growth. Such bodies would have a statutory status. The idea is that SNTBs will be able to provide a coordinated view of needs for their area and support more effective economic development. It is expected that, as a minimum, a SNTB will produce a strategic transport plan. A SNTB may also be requested by the Secretary of State for Transport to provide advice to Government, to coordinate transport activities in the SNTB area, and potentially to take on transport responsibilities operated by other authorities in the area.

In January 2016, legislation to provide for SNTBs was enacted through the [Cities and Local Government Devolution Act 2016](#). Legislation provides for the Secretary of State to establish a SNTB covering relevant authorities (defined as Combined Authority, an Integrated Transport Authority, a County Council or a Unitary Council), so long as the area of the SNTB consists of the whole of the area of two or more relevant authorities and where the Secretary of State considers that its establishment would facilitate the development and implementation of transport strategies for the area, and the objective of economic growth in the area would be furthered by the development and implementation of such strategies.

The Secretary of State may by regulations provide for an SNTB to have any of the following functions in relation to its area:

- to prepare a transport strategy for the area;
- to provide advice to the Secretary of State about the exercise of transport functions in relation to the area;
- to co-ordinate the carrying out of transport functions in relation to the area that are exercisable by different constituent authorities, with a view to improving the effectiveness and efficiency in the carrying out of those functions;
- if the STB considers that a transport function in relation to the area would more effectively and efficiently be carried out by the STB, to make proposals to the Secretary of State for the transfer of that function to the STB;
- to make other proposals to the Secretary of State about the role and functions of the STB.

A SNTB must publish a transport strategy, which is defined as a document containing the SNTB's proposals for the promotion and encouragement of sustainable, safe, integrated, efficient and economic transport facilities and services to, from and within the area of the SNTB. Whilst in preparing the

Transport Strategy a SNTB must have regard to the promotion of economic growth in its area, LEPs are not listed as required consultees.

So far SNTBs have been developed through Transport for the North and Midlands Connect, built on existing, less formal arrangements. As it is an enabling power it is up to the constituent authorities to jointly make a proposal to the Secretary of State for there to be an SNTB for their area, and that those authorities consent to the making of the regulations.

The notion of a pan-regional structure within the south east has started to emerge, with some Local Transport Authorities, through the South East 7 (SE7) Leaders' Board (which includes Brighton & Hove City Council, East Sussex County Council, Hampshire County Council, Kent County Council, Medway Council, Surrey County Council, and West Sussex County Council developing a proposal for a possible SNTB for the South-East - Transport for South-East (TfSE). The proposed boundary for TfSE includes the SE7 Councils. This would therefore encompass/partly cover 4 LEP areas, Coast to Capital, Enterprise M3, Solent and South East.

Given the provisions within the Cities and Local Government Devolution Act 2016 for the creation of SNTBs as well as the steps being made by SE7 Councils to come forward with a SNTB covering the South East Solent LEP will be asked to give a view on this area of work and it is anticipated that the GTV LEP grouping will discuss the matter further at a forthcoming meeting. Therefore the board are asked to consider the SE7 proposition and on a broader basis to provide views on the prospect of an SNTB coming forward that may cover the Solent LEP area including consideration of the emerging Combined Authority proposal, functional economic geographies, the role of east / west movements, our marine and maritime linkages with the south west, the defence clustering around the Portsmouth - Farnborough axis, strategic links to Midlands and links to London.

- **Island Infrastructure Task Force**

An Island Infrastructure Task Force was established in July 2016, and is chaired by Christopher Garnett OBE. The purpose of the Task Force is to "assist the Isle of Wight Council in preparing an integrated Island wide transport infrastructure and services development plan ensuring that transport services to/from and on the Island are safe, secure, accessible and affordable". The Task Force responds to a request by the Rt. Hon. John Hayes MP (Minister of State for Transport at that time) who in October 2014 invited local partners to establish a Task Force to undertake a holistic review of transport infrastructure.

The Solent LEP Chairman engaged with Christopher Garnett during August 2016 to explore whether the membership of the Task Force could be broadened, to reflect the importance of local growth to the future of the Island and to recognise the role of the private sector in infrastructure delivery and service provision on the Isle of Wight. As a result the membership has been widened to include representation from the FE sector (IoW College) and the advanced manufacturing sector (MHI Vestas). It should be noted that currently there is no representation from transport operators within the membership of the Task Force.

Alongside this Solent LEP has advised that it will contribute £20,000 to the development of an Island Infrastructure Plan. £15,000 of this funding was secured through the Department for Transport's (DfT) Transport Delivery Excellence fund, and was, in part, awarded on the basis of strengthening the pipeline of infrastructure projects on the Island. The Island Infrastructure Plan will underpin the selection of projects that come forward under the Island Infrastructure Fund, for which the LEP is seeking £15m through its LGD3 bid. The Island Infrastructure Fund will focus on unlocking new development sites for employment and housing.

In order to inform the development of the Infrastructure Plan, the LEP has, historically, found benefit in engaging with a broad spectrum of stakeholders who have a direct involvement across the private and public sectors. This not only ensures that the work takes on board a range of views and evidence, but also captures the totality of planned investments as well as securing buy-in from the outset in the approach to be taken. In this regard the role of Island Task Force in providing input to the work is important and it will be considered and the Island Task Force will be invited to provide a representative on a steering group which will be established for this work as it is well-recognised that transport investment is key to supporting economic growth.

It is proposed that this work is commissioned without delay and a steering group established, to provide as much time as possible for business cases to be developed to access the Island Infrastructure Fund, should this be successfully secured through LGD3.

## **7. Governance**

There are a number of governance issues to be brought to the attention of the Board and they are documented as follows:

### **a. Solent Local Enterprise Partnership Limited Annual General Meeting and Solent LEP Annual Growth Conference**

In accordance with Article 13 of the Articles of Association, Solent LEP is required to hold an Annual General Meeting (AGM) each year for its corporate membership. The next AGM is due to be called for January 2017. This will be the fifth AGM of the Company and, as such, there is no requirement for any Directors to retire from their positions on the Board at this meeting.

The AGM is a requirement which relates solely to formal members of the Company, however, in addition to updating Company Members on the activity of the Board over the last year, the approach of aligning the formal AGM with a wider "Annual Growth Conference" in order to engage with a wider range of external stakeholder across the Solent was positively received in January 2016.

It is therefore proposed that the Solent LEP make arrangements for a formal AGM and Annual Growth Conference.

### **b. Solent LEP Assurance Framework**

In March 2014, all LEP's were asked to sign up to working with government to develop a single assurance framework covering all Government funding flowing through LEPs, to ensure all LEPs have robust value for money processes in place. The purpose of this LEP assurance framework is to support the developing confidence in delegating funding from central budgets and programmes via a single pot mechanism. [National guidance](#) to LEPs on Assurance Frameworks was published in December 2014.

Accordingly, the Solent LEP Assurance Framework covers the procedure for all Government funding flowing through the Solent LEP and setting out the robust value for money processes that have been put in place. The Assurance Framework was first published in May 2015 and updated in April 2016, following a review of all LEP Assurance Frameworks by BIS.

A further review of the Solent LEP Assurance Framework and Delivery Panel Structure has been carried out. A number of changes are recommended, with a view to standardising the processes

established by the LEP across the delivery panel structure implemented by the LEP Board to date. Substantive changes relate to two key areas:

1. Updates to the Staff Scheme of Delegation, bringing processes in line with the recent organisational review.
2. Standardisation of the Panel Terms of Reference to ensure good governance practise across the Panel structure and simplification of the Assurance Framework.

In addition the LEP are working with the Accountable body to strengthen additional assurance measures and we will be bringing forward an internal audit plan and updated risk assessment framework for FPPMG to consider at the next meeting.

## **8. Forward Plan**

Further to the previous Board meeting the forward plan has been updated as follows:

### **Friday 16 December 2016 - Venue tbc**

- Executive update
- Local Large transport Majors and the Solent Metro
- Annual report for Solent LEP 2016
- Draft Growth Strategy 2017/18
- Mid year financial review and budget update for 2016/17
- Local growth deal update

### **February/March 2017 – date and timings to be confirmed**

- Executive update
- Inward investment update
- LGD Update for 2016/17 programme and proposed programme for 2017/18
- Innovation strategy and operational plan – draft report
- Forecast year end financial forecasts and budget for 2016/17
- Infrastructure update to include Enterprise Zone update and Solent logistics study

Board members are asked to;

- **CONSIDER** and **AGREE** the updated forward plan.

**21.10.2016**

**Item 7: Annex A**



Department  
for Education



Department for  
Business, Energy  
& Industrial Strategy

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13 September 2016

Dear Mr Jefferies,

### **Ministerial Local Growth Champions for Local Enterprise Partnerships**

I was pleased to hear that you have submitted a bid for the next round of Growth Deals which will support your ambitious growth proposals for the Solent area. It is fantastic to see how the work you have done in recent years is creating the right environment for local businesses prosper and drive economic growth. In particular, projects such as "Bridging the Gap" providing critical support to SMEs and individuals impacted by economic shocks and supporting SME growth.

I am also aware that you have provided funding and support to accelerate the delivery of the Cancer Immunology Centre at University Hospital Southampton, which will hopefully lead to the development and delivery of new cancer therapies. I am very interested in this development in my role as Minister with responsibility for Science & Research, particularly as the new Centre will support the creation of new life science-related businesses.

I am aware that mainland Solent LEP is the most urbanised area in the South of England, outside London and has a complex geography which provides both challenges and opportunities. In particular, the limitations of transport and housing have limited the Solent economy with productivity, in particular, remaining a challenge.

I want to work with you further to help develop and deliver your growth ambitions, engage with business and local stakeholders, and see how we can ensure that the strengths of the Solent are reflected in the Industrial Strategy. I believe it is vital that Local Enterprise Partnerships continue to have an active role in ensuring 'place' is a key component of that strategy. Government is committed to build an economy that works for all and an effective industrial strategy has to recognise and take advantage of the differences and unique strengths that exist across the country.

My office and officials in the Cities and Local Growth Unit will continue to explore options for me to visit the Solent area and I am delighted that I will be your nominated minister and local growth champion. I look forward to working with you, and wish you the very best with your Growth Deal proposals.

Yours sincerely,



**JO JOHNSON MP**

**21.10.2016**

**Item 8**

**Inward Investment Update**

**Item:** 8  
**Title:** Inward Investment and FDI results for the Solent area 2015  
**Date:** 21 October 2016  
**Purpose:** For information and action

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## 1. Background

The [Solent Strategic Economic Plan](#), published in March 2014, identified the establishment of a single inward investment model to encourage companies to open new sites in the region, supported by effective marketing, as a strategic priority. This recognised the strong relationship between Foreign Direct Investment (FDI) and economic growth, and in recognition of the relative underperformance of the Solent area when compared to other LEP areas.

To progress this priority, the LEP commissioned Deyton Bell in August 2014 to provide an Interim Head of Inward Investment. The key focus of this role was the development of the Inward Investment Strategy and Implementation Plan. These were informed by the Inward Investment Delivery Panel, and were considered by the LEP Board at its meeting on 5<sup>th</sup> September 2014. The [Inward Investment Strategy](#) was adopted by the Board at the September meeting and published in October 2014.

## 2. National Context

The new Government has identified that central to their plans for the economy is the development of an Industrial Strategy. Broadly, the Government's Industrial Strategy would appear to feature the following elements that are relevant within the inward investment arena both in terms the regulatory environment as well as supporting investment and infrastructure:

- Stricter merger and acquisition rules, with more emphasis on a 'public-interest test' for foreign take-overs
- New corporate governance structures, including consumer and employee representation on boards, and greater transparency around executive pay
- Continued work towards higher productivity, including through the development of the science and research base in the UK
- Delivery of infrastructure projects
- Increased house-building
- Continued support for regional development of cities and other economic areas outside London

In addition, there is a view that the Industrial Strategy will seek to unleash the potential of "places", through intervention that seeks to support or develop those industrial sectors in places that demonstrate a comparative advantage. It is expected that the focus will be on providing the resources and economic environment, which makes it easier for businesses and individuals to be productive.

Within the context of the outcome of the EU referendum, it is also clear that there will be a significant focus placed on developing international trade. At the national level, work in this regard is being led by the new Department for International Trade (DIT), which has consumed UKTI. The Secretary of State for the Department is the Rt. Hon. Liam Fox MP, who has already written to the LEP to set out his ambitions for his Department. This is provided in annex A. The responsibilities of DIT are:

- developing, coordinating and delivering a new trade and investment policy to promote UK business across the globe
- developing and negotiating free trade agreements and market access deals with non-EU countries
- negotiating plurilateral trade deals (focused on specific sectors or products)
- providing operational support for exports and facilitating inward and outward investment

### **3. Local Context and Performance**

On an operational basis the provision of the additional 0.6 FTE resource on an interim basis has enabled the LEP to develop its relationship with UKTI, respond to inward investment-related enquiries as well as supporting engagement with LEP partners within the Greater Thames Valley on shared initiatives such as [MIPIM 2016](#) and more widely as part of the South Coast Marine Cluster.

### **4. Repositioning the Inward Investment Strategic Priority**

In response to the decision of the UK to leave the EU, there has been a re-positioning of inward investment policy in Government and a renewed focus on strengthening the position of the UK as a trading nation, through the establishment of the Department for International Trade.

In consideration of this, the board are also advised of the need to take into account the EU referendum and the policy position of the Government, which is to secure new trade agreements beyond Europe and in this context the new DIT has been established.

Given the current FDI performance in the Solent area and the importance of international trade post Brexit it is critical that the LEP reflects the new position in relation to Inward Investment and International Trade. In this regard the board should consider repositioning the Inward Investment Strategic Priority as Inward Investment and International Trade.

In recent round tables with business there has been a clear view that inward investment needs to be given more attention and that the LEP should take a more prominent role moving forward with a view to actively promoting and marketing the offer of the Solent in its broadest sense - focussed on its sectoral strengths, assets, geography and quality of life. Businesses are seeking support to strengthen international competitiveness and international trade relationships. There is a need to support businesses to diversify products and markets and the board will be asked to consider this at the meeting on 21 October 2016.

**21.10.2016**

**Item 8: Annex A**



## Department for International Trade

The Rt Hon Liam Fox MP

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31<sup>st</sup> August 2016

*Dear Mr. Jeffries,*

Trade has never been more important to our nation than it is today. As you know, the Prime Minister has recognised this by creating The Department for International Trade, for which it is my honour to serve as Secretary of State.

I want to take this opportunity to share my ambitions for the department and explain why I believe we have a golden opportunity to make the United Kingdom a truly global trading nation.

The Department for International Trade has responsibility for coordinating and implementing trade and investment policy and, in time, negotiating free trade and market access deals around the world. We will provide operational support for exports and provide financial support for exporters through the UK's export credit agency, UK Export Finance. We will also facilitate inward and outward investment. To do this we will bring together trade promotion and trade policy, allowing us to champion UK businesses around the world.

I'm delighted to serve as Secretary of State for the Department for International Trade and UK Export Finance, and straight away I want to reiterate that leaving the EU is a thoroughly pro-market, pro-free trade decision. I believe that, following the British people's historic vote, we can become a beacon of hope for open trading and a much more outward-looking country.

My message is simple: the United Kingdom is open for business like never before. I also want to ensure government and its stakeholders are working together as effectively as possible. I'm clear that government alone is not the answer – if we don't draw on the expertise that exists around us then we will fail.

As you will be aware, I'm joined in the department by three ministerial colleagues: Greg Hands, Lord Price and Mark Garnier, all of whom bring with them a wealth of experience and will be a huge asset to the department. I have attached a document outlining how we will split our responsibilities.

There's no doubt we're entering one of the most important periods in our economic history. I'm excited about the opportunity we have to make the United Kingdom a truly global trading nation: a nation that businesses around the world want to do business from and with.

I look forward to working with you.

*yours sincerely,  
Liam Fox*

**THE RT HON LIAM FOX MP**  
Secretary of State, Department for International Trade  
& President of the Board of Trade



## Ministerial roles



### **Rt Hon Dr Liam Fox MP**

#### **Secretary of State for International Trade**

Will be in overall charge of all policies and sectors, both directly and through his Ministers of State. He will personally lead on the defence and security sector and will be involved in the most significant global deals across all sectors.



### **Greg Hands MP**

#### **Minister of State for Trade and Investment**

Will lead on high value export and investment campaigns in: technology & smart cities, infrastructure, energy, healthcare and life sciences. He will also lead on: cross-Whitehall alignment; the business forecasting function; UKEF; and policy direction on topics such as mergers and acquisitions and the Overseas Development Institute (ODI).



### **The Lord Price CVO**

#### **Minister of State for Trade Policy**

Will be leading the Trade Policy Unit, which has a wide range of critical Trade Policy functions, including strategy and communications, organisation, operations, free trade agreements and the UK's dealings with the World Trade Organisation.



## **Mark Garnier MP**

### **Parliamentary Under Secretary of State**

Will lead on high value export and investment campaigns in: financial services, advanced manufacturing and aerospace, automotive, bio-economy and consumer, creative & education. He will also be leading on work with the Export Control Organisation, the high volume export campaign, UK regional delivery and overseas partner delivery.

**21.10.2016**

**Item 9**  
**Innovation Update**

**Item:** 9  
**Title:** Innovation Update  
**Date:** 21<sup>st</sup> October 2016

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## **1. Innovation Strategy**

The Solent LEP Innovation and Business Support Delivery Panel (IBSDP) was established in October 2015, and is chaired by Steve Barber. The initial focus of the panel has been the development of an Innovation Strategy for the Solent, to help frame future LEP activity in this important arena.

An initial phase of this work has been to produce an evidence base of the Solent's innovation strengths to underpin the development of an Innovation Strategy. Board members will recall from the June 2016 meeting that the IBSDP commissioned PACEC to take forward an initial phase of activity to provide the underpinning evidence base on which an independent Innovation Strategy for the Solent will be developed. The research focusses on the identification of innovation areas as smart specialisms that have the greatest potential for commercialisation and generating economic value in the Solent - both mature and embryonic. This work has now completed and the Executive Summary is provided as annex A.

It should be noted that the Innovation & Business Support Delivery Panel considered the report at its meeting on the 4<sup>th</sup> October, and agreed that it had achieved the objectives of the brief and that it provided a strong evidence base on which to develop an innovation strategy. The I&BSDP recommended waiting until the outcome of the Autumn Statement and further guidance from government in relation to the Industrial Strategy, before commissioning work to develop an Innovation Strategy for the Solent.

## **2. Science and Innovation Audits**

Board members will also recall that shortly after the establishment of the IBSDP, the former Department for Business Innovation and Skills (BIS) invited LEPs and partners to form consortia and submit applications to take forward Science and Innovation Audits (SIAs) of the innovation landscape of consortia areas. In the initial round the Solent LEP worked with Dorset LEP, industry and Universities to submit an application and it was reported to the LEP board in March 2016 that this application had been unsuccessful, and indeed, no application from the south east of England had been successful.

A new SIA round was launched in July 2016 and Solent LEP has worked with neighbouring LEPs (Dorset, Enterprise M3, Thames Valley Berkshire and Coast to Capital) on an "Innovation South" application to undertake a Science and Innovation Audit over a broader area - recognising the need to collaborate to innovate. This application aims to maximise the potential competitive economic advantages of the area's strengths in Digital Enabling Technologies applied to key high-tech sectors:

- Connected Digital (*Creative Digital Media, Gaming, Augmented Reality, Gamification, Smart Cities*)

- Bio Science (Medical Technologies, Regenerative Medicine, Musculoskeletal, Digital Human & Animal Health, Health & Wellbeing, Plant & Food Production)
- Advanced Engineering (Composite Materials, Automotive, Aerospace, Autonomous Systems, Satellite engineering, Defence, Marine)
- Marine & Maritime (Advanced Manufacturing, particularly composites, Ocean and Climate Change Monitoring, Maritime Data, Maritime Autonomous Systems)

Whilst the work the LEP has progressed to develop an innovation evidence base for the Solent, which is, in essence a Science and Innovation Audit, if successful, the SIA round 2 applications will add value through understanding the innovation ecosystem on a broader basis, and also signal to central government that we are deeply engaged in the innovation agenda.

The outcome of the SIA round 2 applications is expected in autumn 2016, with SIAs expected to complete early in 2017.

**21.10.2016**

**Item 9: Annex A**

# PACEC

Public and Corporate  
Economic Consultants

## Solent LEP – Innovation Strategy Phase I: Evidence Base

### Executive Summary



September 2016

## 1 EXECUTIVE SUMMARY

Solent LEP through its Innovation and Business Support Group (IBSDP) commissioned PACEC to provide quantitative and qualitative data to be used to inform an independent and objective Innovation Strategy for the Solent LEP area. The research forms Phase 1 of the Strategy and focusses on the identification of innovation areas as smart specialisms that have the greatest potential for commercialisation and generating economic value in the Solent.

Specific objectives are to confirm and validate areas and sectors with potential competitive and comparative advantages identified by the Solent IBSDP, confirm any other sectors and identify early seeds of expertise that may have potential to create economic value. The strengths are ranked within a UK, European and global context, where possible subject to data availability, mapped to show competitive advantages, and the economic growth potential in the short and longer term.

The core specialism and sectors put forward by IBSDP are marine and maritime, photonics, advanced materials and composites, digital and computer science, aerospace and defence, life sciences, clean tech and creative industries from the Solent Strategic Economic Plan.

The study involved a mixed method quantitative and qualitative approach including a review of a range of relevant innovation and sector specific reports; identification, access and analysis of a series of core, publically available, innovation indicators and in-depth qualitative interviews with 30 key innovation stakeholders from higher education, research centres and industry in Solent. These have provided confirmation of the core sectors and brought initial insights into new emerging sectors and early seeds of expertise. The quantitative indicators used in the study are drawn from the Department for Business Innovation & Skills' July 2015 "*Mapping Local Comparative Advantages in an Innovation Framework and Indicators Appendix*". To ensure that the indicators being used were up to date, the research team consulted directly with the Smart Specialisation Hub and cross-referenced the indicators used in the evidence base against an emerging framework under development by the Hub.

Subsequent sections of the report present evidence on the core sectors that form Solent's innovation eco-system which demonstrates their strengths. Data, used extensively for evidencing smart specialisations at the EU level, is also presented to provide an assessment of the Solent's position in an international context.

### 1.1 Alignment of knowledge assets to core sectors

The Solent innovation eco-system featuring Solent universities, research centres and science and technology parks is critical in helping to identify the key sectoral strengths in Solent. The system is strengthened by good transport connectivity to other areas in the south east including London, the south west, nationally and internationally. There are four universities with strengths across STEM subjects, the arts and creative industries. These strengths are, for the most part, well aligned to both the core and emergent sectors discussed in the report. The key university areas include physics (related to advanced materials, composites and aerospace/defence), computer science and informatics (key for the digital economy and computer science), communications and media studies (for creative industries) and information management across the universities with Southampton University also being strong nationally in electrical, electronic and general engineering (which are important to the marine and maritime, materials and aerospace sectors and technologies). These

sectors have a strong interface with the cross cutting sectors of photonics, advanced materials and composites and digital/computing science in particular which highlights the synergy and critical mass. The wider innovation base also has a series of research centres that are internationally renowned in marine and maritime, photonics, digital, computer science and autonomous systems, forensics, cyber security, advanced sciences, life sciences, immunology and intelligent infrastructure, with other centres planned in cancer immunology, research in infrastructure and cities, as well as a future technologies centre.

These centres and the universities engage to a significant degree with businesses who in turn benefit from innovation support through a strong network of innovation centres, science and technology parks across Solent. Related to these is the SETSquared partnership of universities in the south and south west that provide innovation support for businesses, in which the University of Southampton plays an important part linked to its strong role in university-industry collaboration.

## 1.2 Business innovation activity and core sectors

As well as the universities, the businesses in Solent play a critical role in innovation, contributing to research and the development of technology, and commercialising technology in products and services for the market. The contribution Solent businesses make is assessed highlighting the core sectors in the study and by benchmarking them against activities elsewhere.

### *Business investment and skills inputs*

Solent is ranked 7<sup>th</sup> against all thirty nine LEPs for attracting Innovate UK funds per full time employee (with strong areas in marine and digital) and the expenditure on R&D per head is some 50% higher than the national average. This and related activity helps to ensure that qualifications and graduate retention is similar to the English average, albeit generally lower compared to south east LEPs.

### *Business employment inputs*

Data on employment shows that of the 440k employees in Solent there are significant skills in the high tech sectors which lead in innovation, namely 35.8k jobs or 8%, especially in the key sectors of computing services, specialist engineering, the manufacture of computers / electronic products, and machinery/electrical equipment, telecoms, scientific R&D and other professional scientific / technical services. The concentration of employment in these core sectors helps to validate the key strengths in Solent has in these sectors. The analysis shows **Solent's strengths against other LEP** areas in the core sectors of **marine and maritime (ranked 4<sup>th</sup>)**, aerospace (ranked 3<sup>rd</sup>) and photonics (also ranked 3<sup>rd</sup>). The Solent ranks 8<sup>th</sup> of all LEP areas in the digital and creative industries sectors. While the region ranks lower in the life sciences (17<sup>th</sup>) nationally, significant research institutions, recent investment in research infrastructure, and comparatively high levels of future employment, suggest that the life sciences sector is an emergent one for Solent. The advanced materials industry sector ranks lower compared to other LEP areas (34<sup>th</sup>). In the EU context the LQ concentrations of activity are highest for marine and maritime (water tanks position), aerospace and defence, life sciences (medical devices) and digital industries.

These core sectors, taking a wide definition including the public and private health sectors, account for a significant number of jobs in Solent (c.120k) which underpins their importance. There is a significant number of jobs in the life sciences (including the public health sector), digital and

computing, creative industries and marine and maritime sectors, with strong growth in life sciences, creative industries and the digital and computing sciences sectors.

The future prospects for the core Solent sectors look reasonably strong in terms of employment growth up to 2020. The highest growth in jobs is likely to come from the creative industries and life sciences sectors with some 2,800-2,900 jobs in each followed by digital industries at 1,500. In percentage growth terms creative industries, digital industries and photonics will grow more strongly (with 4 to 5%) over the period, although the absolute number of jobs will be lower.

### *Business innovation activity*

Some twenty percent of Solent businesses collaborate in innovation activity which is similar to the nearby LEP areas of Enterprise M3 or Coast to Capital, but lower than the highest areas for collaboration in the Oxford and Cambridge sub-regions. It is higher than the national average for LEPs especially in the North. Solent also has a high level of SME-university engagement relative to other LEP areas near London or in the south east, particularly for research contracts with industry. Within Solent, the Southampton and Portsmouth areas have a relatively high level of patent applications compared to similar urban areas but lag behind neighbouring areas in the south east.

Solent has fewer employees in knowledge intensive businesses (KIBs) compared to England as a whole and other LEPs in the south east which may be a constraint on further growth in the core sectors. It is possible that skills shortages will slow the rate of growth in Solent. Some 38% of employers in Solent have highlighted skills shortages which places Solent in the top ten LEP regions for shortages.

### *Industry outputs*

Underpinning its innovation activity, the Solent economy demonstrates positive features in a national context. Overall productivity in Solent is above the average for England, albeit relatively lower compared to the south east. Business start-up registrations are relatively high in Portsmouth and in districts near Southampton. The proportion of high growth businesses is greater in Portsmouth and Southampton than in similar urban areas elsewhere in the south east and England, and job creation per expanding firm is higher than in other similar urban areas in the south east.

## **1.3 Sectoral assessments**

While the assignment requires a comparison of sectoral strengths within the Solent, the overlaps that exist between sectors and technologies, and the considerable role that cross-sectoral networks will play in any future innovation strategy mean that any comparison between sectors should only form a part of decision-making regarding a future innovation strategy. The synergies across sectors and technologies presented throughout the report further strengthen any individual sectoral advantages.

The **marine and maritime** sector is the Solent's most obvious, and most significant smart specialisation opportunity. It not only provides the industry and innovation base necessary to be at the leading edge of blue growth opportunities, but also acts as a nationally recognised test-bed for a range of enabling and emerging technologies. Strategic stakeholders were of the unanimous opinion that the Solent's marine and maritime sector, and the innovative technology that can be applied to it, represent a key area of strength for the region.

At present, approximately 40,000 jobs are provided by the sector in Solent, accounting for 20.5% of GVA and supporting over 3,000 businesses<sup>1</sup>. PACEC's LEP model estimates growth in the marine industry of 3% (equivalent to 500 jobs between 2015 and 2020).<sup>2</sup>

In terms of industry growth, the overall trend is for growth across several marine and maritime sub-sectors including:

**International shipping:** increases in vehicle exports from 650,000 in 2012 to more than 1m in 2017), with Solent well placed to support transformative technologies including 'smartship', advanced materials, big data analytics, sensors and communication;

**The cruise industry:** a 200% rise in passengers locally in the past decade, contributing £1bn to the local economy in 2011 and predicted annual growth of 6% p.a.)

**Leisure marine:** 88% of businesses in the sector are predicting positive growth and over 34% are reporting increased investment, with increases in exports to countries including Russia, China, Brazil, South Korea and India expected to grow particularly rapidly;

**Offshore renewable energy technologies:** offshore wind could deliver come £7bn of GVA to the UK economy by 2020/21 (excluding exports) supporting 30,000 jobs;

**Ocean space:** strong opportunities identified in the Lloyds Register GMTT 2030 report, with the Solent particularly well placed to support the top four transformative technologies in the sector namely advanced materials, big data analytics, autonomous systems and sensors and communications.

Assessed in an international context against other European clusters, the Solent compares favourably as a Blue Growth Cluster. Employment in 2012 was higher than 3 and 4-star rated European clusters such as Zeeland and Kristiansand. Annual growth between 2009 and 2014 in the Solent was just under 3.5%, which again compares favourably to several 3 and 4-star rated Blue Growth Clusters.<sup>3</sup>

The Solent has a long history of research excellence and commercialization in **photonics**. The University of Southampton has been a prominent contributor to the photonics sector for decades, and has recently established a strategic partnership with the Nanyang Technological University in Singapore which is also a leading international contributor to photonics research.

The Solent is an international hub for photonics research and development, as evidenced by the presence of regular international conferences and extensive international academic networks. The Photonics sector is particularly outward in its view of the market, and has established tangible links with other international centres of research and industry. At present, in absolute terms the sector accounts for comparatively fewer jobs than other core sectors. However, the strength of Photonics R&D in the region, and the extensive range of applications that innovative photonics technologies have across multiple sectors of strength make the strong case for ensuring that the research strength remains in the region. In terms of industry, any future strategy could take advantage of the sector's

<sup>1</sup> Solent LEP, 2015, 'Making Waves: Solent's Marine and Maritime Sector'

<sup>2</sup> Including SIC codes that cover both manufacturing and related service and support activities

<sup>3</sup> Note that the primary source for assessing Solent's sectoral strengths in an international context is the European Cluster Observatory's Cluster Mapping Tool. In some cases the sector definitions used by the Observatory are much broader than the sectors identified by the IBDSP and assessments against EU clusters are therefore not possible for all sectors.

international outlook and research strengths, by seeking to further promote the Solent as an international cluster location – a concept that is evidenced as lacking for businesses in Europe.

The Photonics21 Multi-annual Strategic Roadmap outlines seven innovation areas which have research challenges that can be addressed by photonics technology. These include innovation areas in which the Solent displays cross sectoral or cross technological strength, including: information & communication; intelligent and autonomous systems; and life sciences (nanotechnology).

The Solent's strength in **advanced materials** lies particularly in the development and application of composite technologies. While composites is recognized as a growth industry for the UK as a whole, the advantage within the Solent is not as apparent as it is for other sectors, both in terms of the research and industry bases. The strength of the Solent when it comes to advanced materials, particularly composites, is in its application as an enabling technology across multiple sectors. Any future innovation strategy should therefore seek to maximise knowledge exchange related to composites across sectors, with a specific view to supporting the marine and maritime sector take a leading role in the application of composites technologies across its various sub-sectors. Recent investments in, for example, the Isle of Wight College's Centre of Excellence, and proposals for a large structure composites centre (which would have cross-sectoral applications) align to this direction for composites. By treating composites as an emerging technology, the region should also remain abreast of growth opportunities that are expected to materialize nationally in the medium and longer term (to 2030).

The Solent region has considerable history and research strength in computer science, a **digital economy** that is growing rapidly, prominent R&D oriented businesses involved in developing autonomous systems, communications systems / satellite applications, big data analytics and cyber-security, across multiple sectors. The Solent is also in close proximity to other LEP areas i.e. EM3 which also has research and industry strength in digital technology and computer science.

The Solent's strengths in digital technology and computer science are viewed by many external stakeholders as under played in a national context. A business briefing held by Solent LEP as part of this evidence gathering exercise brought representatives from EM3, and notable representation from businesses representatives in the sector. The potential for applying the Solent's strengths in digital technology and computer science, particularly in the provision of marine and maritime, and life sciences data services is vast. Furthermore, the evidence regarding sectoral employment and GVA suggests that the digital sector in the Solent is burgeoning in its own right. Any future innovation strategy should seek to make most effective use of the Solent's high quality digital and computer science research base, including internationally recognized Open Data Institute.

Assessed in an international context against European clusters, the digital economy in the Solent has one of the highest location quotients in the UK. Digital Industries are recognized internationally as a particular strength for the British economy relative to other European countries. Only regions in southern Germany and Benelux have comparable strength in digital industry clusters.

The **aerospace and defence** sector has a long-term presence in the Solent. However, in terms of smart specialisms the opportunities are mostly concentrated in space and defence, via companies such as Airbus Space and Defence and Roke Manor. The UK's Strategic Defence and Security Review (SDSR) in 2015 has led to a further £12 billion in funding for defence contracts over a 10-year period, including investment in unmanned air systems and cyber capabilities. A forecast of

employment in aerospace & defence in the Solent estimates notable growth between 2015–2020 of 3%, or 400 jobs. The UK Centre for Maritime Intelligent Systems (CMIS) established in Portsmouth is the first policy step in developing the UK's capability in maritime mission systems.

There is significant growth potential highlighted in national and international studies on **life sciences** sub-sectors such as orthopaedic devices, medical technology and medtech. Solent has a comparative advantage in these sectors, which are emergent in the region, and therefore present future opportunities for growth. Life sciences in the Solent are expected to present substantial employment opportunities, and significant new research infrastructure in the Cancer Immunology Centre present important opportunities for advancing life sciences as a smart specialisation cluster.

German states, Switzerland and Ireland have the highest concentration of economic activity in medical devices in Europe. Germany's share of global exports in medical technology is 14.6%, behind only the USA and ahead of third-placed Japan's share of 5.5%. Assessed in an international context against other European clusters, life sciences in the Solent had fewer employees in 2012 than most other cluster locations (18,100 compared to an average of c.50,000). Growth between 2009 – 2014 was also comparatively modest.

The **Cleantech**, or Greentech sector in the Solent is active and well organized. Future Solent (now Future South) is developing a number of projects that both contribute to the development of a low carbon economy, and allow for the application of a wide range of enabling and emerging technologies. Greentech South is a Technology and Innovation cluster comprising more than 100 members, and is the first Energy and Environment Sector Cluster in the UK to achieve Bronze accreditation under the EU Cluster Excellence Programme. The cluster provides a £4m grant scheme to assist companies in commercializing ideas, and aims to get 200 Greentech apprentices into regional SMEs. The cluster has broad support from local government through PUSH, from the Universities of Southampton and Portsmouth and from the private sector through businesses including IBM and Scottish and Southern Energy.

Assessed in an international context against other European clusters, Cleantech in the Solent compares favourably, with high levels of employment compared to some 3-star European Cluster areas. Annual growth also compared favourably above the majority of 3-star environmental industries clusters at 3.5% between 2009 and 2014.

However, the definition of Cleantech is broad, which presents both opportunities and challenges in relation to any future innovation strategy. In terms of opportunities, the environmental focus for Cleantech businesses provides a common identity, which can, and is already being used to good effect in the Solent by Future South and its Greentech South initiative. Cleantech also provides extensive opportunities to test emerging technologies, including but not limited to low carbon, renewable energy and composites. Networking activity that has this thematic focus also provides more space to identify the 'bigger picture' societal issues that should inspire innovation, in comparison to sector specific industry networks which are more likely to take a narrower / more technological view of innovation.

## 1.4 Innovation strengths and opportunities

The assessment validates the priority attached to the **marine and maritime** for smart specialisation. Solent has an undeniable advantage in the UK, and competes strongly in the international context. The marine and maritime sector also presents opportunities for the region to capitalize on a growing market for composite materials, and should also look to bring together expertise from across the automotive and aerospace industries so that opportunities for composites in the marine and maritime sector can be identified and maximised in light of advancements in these sectors.

Consultation with highly experienced marine and maritime stakeholders in the region has also identified the significance of the value that lies in providing services to the sector by exploiting the region's research strengths in Digital Technology, Open Data and Computer Science. This focus on data analytics for marine and maritime plays to the Solent's sectoral strength, to its current focus on autonomous systems, and the international recognition that the UK has for strength in digital technology and computer science.

The sectoral assessment also identifies **digital industries / computer science** as the second ranked sector, and one which can also be considered to be emerging. The considerable role for digital, open data and computer science technology across existing sectors, the opportunities for collaboration with Enterprise M3, and the strength of the sector in the Solent in its own right serve as justification for the positioning of digital industries.

The current size, and future growth opportunities presented by the **Life Sciences** sector means it also ranks highly. The research base in the Solent has not been as strong historically as it has been in marine, maritime and digital / computer science, however new facilities, notably the Centre for Cancer immunology, suggest that the strength of the research base will increase in future.

The assessment reflects the strong research base in **Photonics** that has long been a strength of the region. International linkages between the University of Southampton and Asian economies means that the sector remains highly relevant, but the size of the sector and consequent scope for economic growth suggest that the primary focus for Photonics should be as enabling and emerging technology across the other sectors noted above. Opportunities for aligning Photonics research capabilities to the emerging opportunities in intelligent infrastructure should be explored as a priority.

There are also wide ranging opportunities for transferring technologies across sectors. Again these opportunities are concentrated within the marine and maritime sector and include low carbon technologies such as application of the Bowman Power ETC system from land-based industry to the marine sector. Knowledge sharing between the automotive, aerospace and marine sectors can advance lightweighting technologies, and applications can be made in the marine and maritime sector, including marine energy where the Solent is seen by national stakeholders as holding comparative strength.

The application of new composite technologies, specifically large structures, are relevant within both the marine and maritime (marine energy) automotive, aerospace and construction sectors. Small scale composite structures also have applications across these sectors, and also in medical technology / life sciences.

Sensor technologies have applications in both marine and aerospace for autonomous vehicles, medical technology and intelligent infrastructure. Innovation in digital technologies, computer science and data analytics have applications for emerging sub-sectors including cyber-security,

forensics, and autonomous systems.

A number of emerging or seed innovation areas were identified through consultation with strategic stakeholders. These included infrastructure as an emerging sector for the Solent, new innovation and seed technology in digital technology / computer science, nanotechnology within the life sciences sector.

*“There has been an upsurge in focus on infrastructure, which has its roots in HMT interest in robust infrastructure for renewal and development – both in terms of businesses, but also research in those areas. The University of Southampton is spending £50m in a new infrastructure campus which is nationally supported. There are opportunities to conduct research and generate business across big ticket items like road, rail, water transport, and sewage. The Solent area actually needs investment, so we could be our own customer. The investment in infrastructure is still fairly nascent but is going to happen quite quickly, and there will be some real contracts available, particularly around intelligent infrastructure, monitoring and sensing.”*

[Strategic Stakeholder – University]

Strategic stakeholders also identified innovative research and business opportunities within the Solent regarding Block Chain, Distributed Ledger Technology and Crypto-currency. An application to EPSRC is currently being developed by key stakeholders in the Solent to deliver a highly-scalable technical solution for flexible Distributed Ledger Technology (DLT) applications by exploiting cutting-edge and emerging cloud computing, in line with the Government’s recommendations for large scale trials and city-wide application trials. In the sector, Digital South is supporting the development of an Internet of Things, which also generated positive debate at the consultative workshop with businesses.

Desk research and strategic stakeholders also pointed to a host of innovative photonics technologies including broadband fibre based access and in-building networks, and optical interconnects within datacenters; fibre lasers to deliver more efficient, high powered lasers for industrial manufacturing and marine industry applications; new materials for photonics such as nanotube and graphene polymer composites, and metamaterials for use as antenna, absorbers, super-lenses, cloaks and sensors<sup>4</sup>; the use of sensors and metamaterials in autonomous vehicles and intelligent mobility and new devices for nanotechnology to improve diagnostic and interventional methods based on improved multi-band (X-ray, Ultraviolet, Visible, Near/Mid/Far IR, Terahertz) photonics, spectroscopic and endoscopic devices.

<sup>4</sup> [http://www-g.eng.cam.ac.uk/nms/publications/pdf/hasan\\_bookchapter.pdf](http://www-g.eng.cam.ac.uk/nms/publications/pdf/hasan_bookchapter.pdf)