



**SOLENT  
LOCAL  
ENTERPRISE  
PARTNERSHIP**

# **TRANSFORMING SOLENT**

## **SOLENT STRATEGIC ECONOMIC PLAN**

**2014-20**

**Final Submission  
31/03/2014**



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## FOREWORD

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Published in December 2012, Solent LEP's A Strategy for Growth set out our vision and strategic priorities. In just a short time we are pleased to have made significant progress in securing investment; developing initiatives and co-ordinating joint stakeholder action towards meeting these priorities.

Government has now set us a new task: to produce a Strategic Economic Plan for Solent, that will set out our future ambitions and make the case for a Local Growth Deal. Indeed, this Strategic Economic Plan comes at a crucial time and the challenge to grow the Solent economy has thus never been more critical. Responding to this challenge demands a transformational approach to our connectivity, to our infrastructure, our workforce and our business base. Moreover, we must become an area of aspiration and innovation. Transforming Solent is our ambitious but deliverable response to this challenge. Business as usual is not an option if the Solent economy is to fulfil its potential. The Solent economy is a successful one and there is much upon which to build. Yet whilst we have made great progress we are not complacent and our task is clear: it is to create the conditions in which our businesses and our people can thrive. Today we are publishing a new strategy, which seeks to build on the success achieved in our transitional years, to deliver the transformational change the Solent economy deserves.

We have some major successes to build on. The LEP has to date secured over £30m worth of business support packages, we have seen the Southampton-Portsmouth City Deal signed off which will bring an investment package of £953m into the sub-region, and we have finalised our European Structural and Investment Fund Strategy for £78m.

Our new Growth Plan contains some ambitious targets, including creation of an additional 15,500 new jobs, start-up of 1000 new businesses and build of 24,000 homes in the Solent by 2020. In order to achieve this, we need transformational change. We are developing an investment plan worth £2.88bn, alongside new freedoms and flexibilities to bring forward additional local investment. We will bring forward a Local Growth Deal proposal with an ambitious plan which if successful will exceed our growth targets.

We have strong expertise to deliver change locally and, whilst it will be no easy task, working together these targets are achievable. Of course, we cannot transform the Solent economy alone, and I am encouraged by the level of engagement that we have seen in recent months, with almost 200 organisations participating in the consultation process on this plan to date.

But none of this is achievable without the active support of our local partners. Transformational change requires us to have all hands on board. Thus we are pleased that the ambitions and priorities for action set out in this plan have the wholehearted support of local partners. They have committed to deliver these ambitions in the years ahead, through combining resources, joint planning arrangements and joint investment strategies. Also key is the work of the Solent Marine Forum, recently established at the behest of the Prime Minister in response to the proposed loss of ship building at Portsmouth. The Marine Supplement which is the outcome of their work forms a critical part of our final strategy.

The following plan shows how we plan to achieve this; through developing business support, enabling infrastructure, investment in skills, developing our strategic sectors, encouraging inward investment and supporting innovation in the Solent. I look forward to working with you in the development and delivery of the final strategy in the coming years.

Gary Jeffries, Chairman, Solent LEP

# SUMMARY

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## Transforming Solent

*Transforming Solent* is our Strategic Economic Plan.

It sets out a plan for growth which will see us build on our strengths and plan towards a more ambitious future. We believe that this plan holds the key to successfully growing the Solent area in the period ahead, and will place us on a new growth trajectory. *Transforming Solent* recognises and builds on our current strengths, harnesses the drivers for growth and addresses the barriers, which if not addressed, could constrain growth.

## Vision

Our vision for the Solent was set out in our initial growth strategy, [A Strategy for Growth](#), in December 2012:

*“Our vision is to create an environment that will bring about sustainable economic growth and private sector investment in the Solent. It will assist this globally-competitive area reach its full potential, enabling existing businesses to grow, become more profitable and to be greener; enabling the creation of new businesses and attracting new businesses to the region.”*

Our vision remains, as does our determination to achieve it, but it is being distilled through ever-strengthening evidence and wide-ranging consultation. We have thus reassessed our approach to achieving that vision, in particular the critical role of the connectivity of the Solent with our wider UK and global markets has moved into sharper focus. We are committed to ensuring that the Solent economy is positioned to compete at the global scale and we will actively pursue this.

Within our broader vision, we have some clear objectives:

- **Maximise the economic impact of our economic assets** in the area and sectors with the potential for growth. Promoting the area as the UK’s leading growth hub for advanced manufacturing, marine and aerospace both at home and, more importantly, in the global marketplace. Developing the advanced engineering and manufacturing sector through a business-led approach and supporting the visitor economy.
- **Unlock critical employment** sites to enable the Solent businesses, particularly the marine, maritime and advanced manufacturing sectors of their economy, to expand.
- **Provide new housing** to support our growing workforce.
- Ensure people have the **right skills** to access employment and support our growing sectors.
- Provide **effective support to our small and medium-sized enterprises (SMEs)** to enable them to grow – including marine and maritime SMEs; and
- Unlock **innovation led growth** to engage more businesses in knowledge exchange and innovation, develop links to wider Higher Education Institutions (HEIs) and demonstrate the benefits of working with knowledge-based partners.

## Strategic Priorities

*Transforming Solent* seeks to focus investment on those parts of the economy that need to develop or change the most to accelerate growth. The challenge is to unlock the potential of our two cities, which are the engines of sustainable growth, and the wider Solent area, by investing in the enablers that businesses require to succeed and grow. Our role is to create a platform for growth through focusing on the key levers. Therefore these ambitious growth targets will be progressed under six strategic priorities:

- Supporting new businesses, **enterprise** and ensuring SME survival and growth.
- Enabling **infrastructure** priorities including land assets, transport and housing, reducing flood risk and improving access to superfast broadband.
- Establishing a single **inward investment** model to encourage companies to open new sites in the region, supported by effective marketing.
- Investing in **skills** to establish a sustainable pattern of growth, ensuring local residents are equipped to take up the jobs that are created and businesses can source local skills and labour to underpin growth.
- Developing **strategic sectors** and clusters (interconnected groups and businesses) of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics businesses, low carbon, digital and creative and the visitor economy – establishing the area as a business gateway, at both local and international levels and developing local supply chains.
- Building on our substantial knowledge assets to support **innovation** and build innovative capacity in the Solent area to stimulate growth in Solent businesses and in new high growth sectors, particularly linked to our HE excellence.

## Growth Targets

Meeting our growth aspirations requires us to create the conditions that support growth in our business base and creates jobs, whilst improving our productivity and making Solent a destination for inward investment. Our *Strategy for Growth* (2012) set clear and aspirational targets. The message from our stakeholders has been overwhelming – we need to be even more ambitious.

Underpinned by a rigorous economic model<sup>1</sup> we have, therefore, set new and even more ambitious targets. Knowing whether we are on track to meet our aspirations is crucial. These targets have been set to stretch Solent partners significantly and they highlight the scale of improvement that is needed if Solent is to realise its ambition.

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<sup>1</sup> A bespoke model has been produced by Oxford Economics, see evidence sources.

## The Solent's Growth Targets

By 2020 we will:

- In addition to current forecasts, create an additional 15,500 new jobs in the Solent LEP area.
- Achieve GVA growth of 3%.
- Increase GVA per job by an additional £6,879 per job.
- Improve productivity (GDP per head) closer to the South East average.
- Increase employment rates to 80% from the current 78% and improve economic activity rates from 80% to 81%.
- Enable the delivery of 24,000 new homes.
- Raise the business birth rate from 3.6% to 4.1% (and create 1000 new businesses).
- Improve the business survival rate<sup>2</sup> from 61.4% to 62.5%
- Raise the proportion of the population with Level 4<sup>3</sup> and above skills to 36% of the working age population from the current 32%
- Support the raising of education attainment rates to above the UK average.
- Increase inward investment into Solent attracting at least 5% of FDI projects entering the UK.

**In doing so, we will also seek to maximise value for money from key public sector investments** focusing on areas that are economically vulnerable, and linking local people to jobs through effective procurement processes whilst leveraging private sector investment in skills and employment.

## Investing in Growth

With the focused support set out in this Plan, we believe we can unlock investment for the Solent area worth **££2.88 bn**<sup>4</sup> over the period (2014-20).

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<sup>2</sup> 3 year business survival rate, equivalent to an extra 1000 businesses

<sup>3</sup> An additional 37,000 people

- Local assets to unlock resources to be re invested in growth, including the Southampton – Portsmouth City Deal - a £953 million investment plan.
- European Union Strategic Investment Funding Proposals of £78.9 million<sup>5</sup> including private and public sector match funding.
- Local Growth Deal - a £1.85 bn proposal, including £102m of local public funding and £1.43 bn private sector leverage, with £305m sought from the Local Growth Fund, of which £103.2m will be sought in 2015/16.

The implementation of our Strategic Economic Plan will focus on those key strategic interventions which, when addressed collectively, will add value to the work underway in individual local authorities and by private sector partners, to support growth of the economy. Our investment decisions in terms of allocating resources, prioritising investments and re-investing the dividends of public sector reforms, will be guided by the extent to which they enable us to reach these targets. Our investments will also support an integrated programme of infrastructure investments to enhance quality of life and our competitiveness.

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<sup>4</sup> Based on City Deal, the EU SIF and the Local Growth Deal

<sup>5</sup> Based on 86 million euro SIF at ECB reference spot rate as of June 18 2013 where 1 euro equals £0.8562.

# 1. INTRODUCTION

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## 1.1 Transforming Solent

*Transforming Solent* is our Strategic Economic Plan. It sets out a plan for growth which will see us build on our strengths, and plan towards a more ambitious future. We believe that this plan holds the key to successfully growing the Solent area in the period ahead, and places us on a new growth trajectory. *Transforming Solent* seeks to harness the drivers for growth and, as importantly, addresses the barriers which will constrain our growth.

Seizing the opportunities presented by the Southampton - Portsmouth City Deal and the European Union Strategic and Investment Funds, combined with the Local Growth Deal, this Plan proposes a set of place-based and strategic investments which, when combined with private and public sector investment will see us transform our local economy. This is localism at work and we see the Local Growth Deal as a window of opportunity to raise our game even further.

## 1.2 The Solent Area

With a population of more than 1.3 million (2011) and more than 50,000 businesses, the Solent Local Enterprise Partnership (LEP) area is an internationally-recognised economic hub anchored around the Isle of Wight, the two cities of Portsmouth and Southampton, the M27 corridor and the Solent waterway. Solent also has immense natural advantages supported by strengths in key economic sectors, world-class universities, a strong base of high quality Further Education (FE) colleges, renowned heritage, countryside and coastline, and excellent transport links by road, rail, air and sea. The Solent is bordered by two national parks and its natural geography comprises three islands and two peninsulas.

The economic and communications inter-dependencies between the cities and the wider Solent area are critical to our continued success. Located 120km to the south west of London, Solent accounts for 17% of the South East's land area and borders three other LEPs: Coast to Capital; Enterprise M3 and Dorset, with whom we have significant strategic links and common interests. We have established common interests with our neighbouring LEPs in relation to connectivity, the marine and maritime sector and the visitor economy.

The Solent economy thus has a significance that extends beyond the locality, making an important contribution to the national economy. It is widely document that the maritime services sector is vital to the UK, with about 95% of the total volume of UK import and export trade arriving by sea and the Solent has an important role to play in this regard. At just 20 nautical miles from the international shipping lanes of the English Channel, the Port of Southampton presents a sheltered haven with unique double tides which allow the world's largest ships easy access. The mass market of mainland Europe is less than 100 nautical miles from Southampton and the UK's motor way network is in close proximity and it has direct links to the national rail network. The Port of Southampton is one of the UK's largest, busiest and most diverse ports providing a wide range of passenger, freight and cargo functions. It provides, directly and indirectly, 15,000 jobs<sup>6</sup> in the Solent, contributes over £1.2bn of output per annum, and it is a global import and export hub for the UK motor industry, exporting more vehicles than any other UK port<sup>7</sup>. It is the busiest cruise port in the UK (home to the UK fleets of P&O Cruises and Cunard Line and home to Carnival, the largest Cruise operator in the world). It is also the largest vehicle handling port in the UK, with more than 750,000 vehicle exports (outnumbering imports by a ratio of more than two to one). Further increases in this activity is expected with Jaguar Landrover who currently export 160,000 vehicles per annum to markets in the Far East looking to export 360,000 vehicles per annum by 2015.

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<sup>6</sup> Across the City of Southampton and surrounding areas including IOW and Districts in South Hampshire

<sup>7</sup> 700,000 vehicles in 2011

Similarly, Portsmouth Naval Base is at the heart of the sub-regional defence cluster providing, directly and indirectly, 20,000 jobs across the sub region and contributing over £1.6bn GVA of output. Currently the Naval Base supports the Royal Navy surface fleet and there is a strong maritime services function offering: integrated ship support; complex software engineering and advanced manufacturing solutions; equipment management; training; and estates and logistics service. It encompasses: the Naval Base; associated Naval establishments; the defence industrial base and other dependent firms (including BAE, Babcock, Lockheed Martin, Northrop Grumman, Qinetiq, Serco Denholm Ltd and Vector Aerospace).

Our maritime and marine research base is also world class, and the Solent is the strongest area in the world for intellectual capability in maritime and marine. We have a robust knowledge infrastructure with strengths in key economic sectors, internationally renowned companies, world-class universities and a strong base of high quality Further Education (FE) colleges.

**Figure 1: Map of the Solent LEP area**



In summary, the Solent is a mixed economy with much strength in knowledge based business sectors; creative industries; advanced technologies; financial and business services and; a visitor economy founded on significant heritage and natural assets. Within the Solent region there is a diverse economic foundation and these form our key economic assets and represent our strengths. We have:

- Global connectivity characterised by the presence of two internationally significant ports and Southampton Airport.
- Excellent natural assets, characterised by our coastal location with the Ports of Southampton and Portsmouth being a product of natural advantages and entrepreneurial ingenuity, this is a maritime location without equal.
- Strong and established partnerships capable of translating innovation and new technologies into commercial success.

- Advanced manufacturing founded upon defence; marine, aerospace and IT.
- Environmental and low carbon technologies and assets, upon which to build a sustainable future.
- Transport, distribution and logistics by road, rail, sea and air.
- Strong and established supply chains of small and medium sized enterprises.
- A skilled workforce.
- A strong visitor economy with many heritage, land and water based assets
- An attractive place to live with good housing stock.
- Land and property ripe for development.
- A leadership platform based on collaborative partnerships which extends across sectors and administrative boundaries.

In short we have the building blocks for success but more is needed if we are to compete in a global economy, build a successful future and address the growth and productivity gaps with the wider South East.

### **1.3 An Evidence-Based Strategy**

*Transforming Solent* is built upon a rigorous evidence base. We have commissioned evidence by independent experts to underpin the development of this Plan. The development of this evidence base has also been guided by expert panels with local and national partners. The Solent Skills Strategy and underpinning evidence base is being overseen by the Solent LEP Employment and Skills Board (ESB), which in turn has appointed a specialist panel; housing is overseen by the Partnership for Urban South Hampshire (PUSH)<sup>8</sup> Joint Committee and its Housing and Planning Panel; whilst transport is overseen by Transport for South Hampshire and Isle of Wight (Solent Transport) and the Solent Local Transport Body (LTB) Board.

However, this evidence has not been developed in silos. We have also established the overarching Solent Local Growth Panel (see Governance section), which has acted as a steering group for the main Solent LEP Board in relation to the development of this Plan and its evidence base.

As well as supporting the wider LEP strategy, the detailed evidence base has also sought to identify key transformational interventions, both current and future, that will need to be funded through the competitive element of the Local Growth Fund. The evidence base includes the following reports and these are published alongside plan.

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<sup>8</sup> PUSH is a partnership of all 12 local authorities in the Solent LEP area including unitary authorities of Portsmouth and Southampton; Hampshire County Council, the Isle of Wight and district authorities of Eastleigh, East Hampshire, Fareham, Gosport, Havant, Test Valley New Forest and Winchester.

**Solent LEP: economic outlook, March 2014**<sup>9</sup> including Technical Annex - Oxford Economics was commissioned to develop a bespoke Solent model which provides baseline and growth scenario forecasts for the Solent economy for the period 2013 to 2036, including implications for population, migration, transport, and skills.

**A Solent Skills Strategy and evidence base** - the Marchmont Observatory at the University of Exeter, has developed an extensive evidence base which identifies current skills gaps, future requirements, and capital investment needs, building on earlier work in producing the EU Structural Investment Fund Strategy. Building on this and following a period of extensive consultation the key findings from the evidence base have supported the development of a Skills Strategy which seeks to strengthen the link between skills provision and the current and future requirements<sup>10</sup>.

**Housing** - the PUSH local planning and housing authorities – which mirror the LEP – annually conduct a housing needs assessment and in October 2012, put in place a Spatial Strategy, *South Hampshire Strategy - A framework to guide sustainable development and change to 2026*<sup>11</sup> which was aligned with the (then) current economic strategy. In the context of coordinating local plan activity across the PUSH area and to meet the requirements of the National Planning Policy Framework (NPPF), PUSH has since commissioned a Strategic Housing Market Assessment (SHMA)<sup>12</sup> for the area (currently unpublished), to define the extent of the relevant housing market areas covering the LEP area and make an objective assessment of demand for housing within them. The report deals only with the demand-side and is one input into the revised South Hampshire Strategy which PUSH has resolved to prepare in 2014/2015.

**Transport** – Connecting Growth<sup>13</sup> produced for Solent Transport<sup>14</sup> and through the Solent Local Transport Board (LTB), we have identified the role of transport in supporting economic growth, for example through unlocking strategic sites, tackling congestion, and improving access to skills and employment. Solent LEP also commissioned work to consider the potential for transformational change through the alleviation of significant connectivity barriers that are impeding our competitiveness and stifling our ability to reach our potential<sup>15</sup>.

**Visit Solent** - a report on the importance of the visitor economy within the Solent and the case for a brand and marketing campaign to support the development of the sector in the Solent (unpublished).

**Southampton - Portsmouth City Deal** - document as agreed with government November 2013<sup>16</sup>.

**The European Union Strategic Investment Funds Strategy** - final version submitted in January 2014<sup>17</sup>.

In addition the Plan will draw on the work of the Solent Marine and Maritime Forum. - In November 2013, BAe Systems announced that it would cease ship building in the Portsmouth Dockyard in 2014. Following this announcement, the Minister for Business, the Rt Hon Michael Fallon, announced the setting up of an industry led Solent Marine and Maritime Forum. The Solent Marine and Maritime Forum<sup>18</sup> was tasked to work with Solent Local Enterprise Partnership (LEP) to produce a Marine Supplement to its Strategic Economic Plan, ensuring a joined up approach to these strategic

<sup>9</sup> This has been produced by Oxford Economics and updates and extends the economic modelling carried out in 2010 for Partnership for Urban South Hampshire (PUSH). [http://solentlep.org.uk/uploads/documents/OE\\_Solent\\_LEP\\_report\\_March\\_2014.pdf](http://solentlep.org.uk/uploads/documents/OE_Solent_LEP_report_March_2014.pdf) and [http://solentlep.org.uk/uploads/documents/Technical\\_annex.pdf](http://solentlep.org.uk/uploads/documents/Technical_annex.pdf)

<sup>10</sup> This has been produced by the Marchmont Observatory at University of Exeter, which also produced the EU SIF and authored this Strategic Economic Plan. [http://solentlep.org.uk/uploads/documents/Solent\\_Skills\\_Plan\\_2014.pdf](http://solentlep.org.uk/uploads/documents/Solent_Skills_Plan_2014.pdf) and [http://solentlep.org.uk/uploads/documents/Solent\\_Skills\\_Strategy\\_Evidence\\_Base.pdf](http://solentlep.org.uk/uploads/documents/Solent_Skills_Strategy_Evidence_Base.pdf)

<sup>11</sup> [http://www.push.gov.uk/south\\_hampshire\\_strategy\\_-\\_updated\\_dec\\_2012.pdf](http://www.push.gov.uk/south_hampshire_strategy_-_updated_dec_2012.pdf)

<sup>12</sup> [http://www.push.gov.uk/south\\_hampshire\\_shma\\_final\\_report\\_16.1.14\\_.pdf](http://www.push.gov.uk/south_hampshire_shma_final_report_16.1.14_.pdf)

<sup>13</sup> [http://solentlep.org.uk/uploads/documents/Connecting\\_Growth\\_FINAL\\_-\\_28.3\\_.14\\_.pdf](http://solentlep.org.uk/uploads/documents/Connecting_Growth_FINAL_-_28.3_.14_.pdf)

<sup>14</sup> Solent Transport is a partnership comprising the four Local Transport Authorities (LTAs) of Hampshire County Council, Isle of Wight Council, Portsmouth City Council and Southampton City Council

<sup>15</sup> Atkins, Transformational Transport Investments in the Solent, Solent Local Enterprise Partnership, November 2013 (unpublished)

<sup>16</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/256460/2013111\\_Southampton\\_and\\_Portsmouth\\_City\\_Deal\\_Document\\_and\\_Implementation\\_Plans](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/256460/2013111_Southampton_and_Portsmouth_City_Deal_Document_and_Implementation_Plans)  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/256460/2013111\\_Southampton\\_and\\_Portsmouth\\_City\\_Deal\\_Document\\_and\\_Implementation\\_Plans](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/256460/2013111_Southampton_and_Portsmouth_City_Deal_Document_and_Implementation_Plans)

<sup>17</sup> [http://solentlep.org.uk/uploads/documents/Solent\\_EU\\_SIF\\_Strategy\\_-\\_FINAL2.pdf](http://solentlep.org.uk/uploads/documents/Solent_EU_SIF_Strategy_-_FINAL2.pdf)

<sup>18</sup> Made up by representatives of industry, local authorities, Government departments, universities, training providers and sector representative bodies.

developments and a coherent set of plans for investment in the sector and its underpinning infrastructure. Since December 2013, the Forum has worked to identify priority actions and investments that need to be made to harness the sector's potential for delivering growth and jobs. Through its eight sub-groups, it has collated evidence, gathered expert opinion and forged consensus on the content of their work. Their work identifies immediate investment priorities for the sector; and, provides a framework for the longer-term development of the marine and maritime sector in the Solent.

## 1.4 A Partnership for Delivery

*Transforming Solent* has been developed in consultation with partners in the private and public sector, is grounded in an understanding of our area's strengths and weaknesses, and articulates a collective ambition for the Solent LEP area and our key priorities for delivery. At the heart of this is strong partnership commitment to deliver the ambitions for growth, a collective understanding of the key barriers, and a commitment to collective action and new ways of working which will underpin the successful delivery of the plan.

One hundred and ninety two organisations, large and small, actively participated in the consultation process (see Annex 1), which was managed by the Marchmont Observatory at the University of Exeter to ensure that it was independent and open. Three major consultation events took place in July, September and November 2013. These were supplemented by in-depth interviews with over 60 key partners and stakeholders, together with an online survey in which interviewees were asked to identify key priorities for their sectors/organisations as well as the wider Solent area.

Allied to the more high profile events, Solent LEP has worked directly with stakeholders and delivery partners on an individual basis to develop evidence, harness expertise, pool funding and identify opportunities for collaboration. This has included the Partnership for Urban South Hampshire (PUSH), Solent Local Transport Board (LTB), the Solent Employment and Skills Board (ESB) and other stakeholder groups such as the Solent FE Colleges, independent training providers, business networks and trade associations and third sector organisations.

In addition, the LEP Chief Executive and the Chairman of the LEP Board undertook a series of bi-lateral meetings with the three universities, with the leader or an elected member and a member of the executive team of each local authority, and with other agencies, including the Environment Agency, Highways Agency, Network Rail and the Skills Funding Agency to discuss this economic plan prior to submission in March 2014.

Consultation and engagement has thus provided us with an excellent opportunity to validate and test emerging evidence and ideas. This extensive consultation is designed to ensure buy-in and commitment from strategic and delivery partners through the co-selection of interventions and programmes of investment. Furthermore, through embracing and utilising existing architecture such as PUSH and Solent Transport, we have drawn key delivery partners into the process, and harness their expertise and delivery capabilities.

The message from our stakeholders is clear:

- Solent needs to look outwards and improve its global positioning.
- Investments must be strategic and significant – with resources supporting a smaller number of transformational projects rather than spread thinly.
- Solent must build on its strengths, focusing on new growth sectors as well as support for the marine and maritime sector, a key area of specialisation for the Solent economy.
- Solent needs to be even more ambitious.

Finally, Solent LEP is in regular contact with local MPs. In addition, we have taken the opportunity to engage with and consult local MPs specifically on our plans. On January 27<sup>th</sup> there was an initial engagement event at Westminster where local MPs were briefed on the initial draft of the Strategic Economic Plan. Subsequently a session took place at

Westminster on 24<sup>th</sup> March attended by Michael Fallon, Minister for Portsmouth and 7 local MPs to enable them to comment on the final plan.

## **1.5 Building on success**

Solent LEP and its partners have a strong track record of delivery. Solent LEP has already succeeded in stimulating local growth, attracting over £18 million through the Growing Places fund, £24 million through the Regional Growth Fund and the Enterprise Zone in the Gosport peninsula.

The Southampton and Portsmouth City Deal, agreed in November 2013, will unlock £953 million of investment into the Southampton and Portsmouth areas, creating more than 17,000 jobs. This will be supplemented by the Local Growth Deal, which if successful will provide the LEP with a role, alongside other partners, in prioritising and funding growth and infrastructure projects from 2015. These interventions, combined with the proposed £78m EU SIF investments, will allow partners in Solent to deliver a long-term growth plan for the area, based on its economic realities and needs. We have sought to maximise the local synergies in developing these plans, and critically have used these valuable public resources to lever in private sector investment commitments. We thus have a strong track record of joint planning, attracting investment and delivering results.

## **1.6 Cross LEP Working**

We have been in active discussion with Enterprise M3 LEP, Dorset LEP and Heart of the South West LEP as well as LEPs associated with the Setsquared group of Universities. Our discussions reveal a number of areas of common interest and we shall continue to pursue these discussions as the Local Growth Deal arrangements roll forward.

Commons issues include:

- Connectivity and in particular Junction 9 of the M3, where we have joint interests with Enterprise M3 LEP.
- Skills provision, where again we are liaising with EM3 LEP
- Marine and maritime sector interests with Dorset LEP and Heart of the South West LEP
- The Visitor Economy with Dorset LEP and Heart of the South West LEP

## 2. SOLENT'S VISION AND GROWTH AMBITIONS

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*Transforming Solent* requires an ambitious vision, underpinned by ambitious targets which reflect the scale and nature of the growth challenge. As an economy we depend on complex supply chains and on research and innovation to be globally competitive. The key to the success of the Solent economy will primarily hinge on its ability to grow, evolve and adapt to changing trends in global trade, new commercial and regulatory priorities (e.g. in renewables), changes in defence policy and shipping. In the period to 2030 the Port of Southampton forecasts an increase of 5000 jobs and an additional £0.5bn GVA output per annum. Going forward the vision is also that the surface fleet will be managed from a Portsmouth hub and there will be an increase in tonnage from 90,000 in 2012 to 240,000 by 2020. Ships will be at least 150% larger, needing 300% more power with an overall increase in sailors (base ported in Portsmouth) of 2000. This will shape the Solent in the period ahead and, whilst the outlook for the Solent is positive, delivering transformation requires us to galvanize decision-making and investment, ensure the availability of timely land capacity, produce the right knowledge and skills, and address congestion.

With the focused support set out in this Plan, we believe we can unlock investment for the Solent area worth £2.88 bn<sup>19</sup> over the period (2014-20).

### 2.1 The Vision

The vision of the Solent LEP for locally-driven economic growth was set out in our initial growth strategy, [A Strategy for Growth](#), in December 2012:

*“Our vision is to create an environment that will bring about sustainable economic growth and private sector investment in the Solent. It will assist this globally-competitive area reach its full potential, enabling existing businesses to grow, become more profitable and to be greener; enabling the creation of new businesses and attracting new businesses to the region.”*

Our vision remains, as does our determination to achieve it, but it is being distilled through ever-strengthening evidence and wide-ranging consultation. We have thus reassessed our approach to achieving that vision, as we understand the functioning of each cog of the Solent economic engine, the competitive margins - big and small - that our people and business can gain, and how those forces that our economy are subject to, can be influenced to enable organic business growth. Through this process, the critical role of the connectivity of the Solent with our wider UK and global markets has moved into sharper focus.

We are committed to ensuring that the Solent economy is positioned to compete at the global scale and we will actively pursue this. So, whilst our vision holds, our ambition, determination, and the understanding of how we can achieve this vision are burgeoning.

Within our broader vision, we have some clear objectives:

- **Maximise the economic impact of our economic assets** in the area and sectors with the potential for growth. Promoting the area as the UK's leading growth hub for advanced manufacturing, marine and aerospace both at home and, more importantly, in the global marketplace. Developing the advanced engineering and manufacturing sector through a business-led approach and supporting the visitor economy.

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<sup>19</sup> Based on City Deal, the EU SIF and the Local Growth Deal

- **Unlock critical employment** sites to enable the Solent businesses, particularly the marine, maritime and advanced manufacturing sectors of their economy, to expand.
- **Provide new housing** to support our growing workforce.
- Ensure people have the **right skills** to access employment and support our growing sectors.
- Provide **effective support to our small and medium-sized enterprises (SMEs)** to enable them to grow – including marine and maritime SMEs; and
- Unlock **innovation led growth** to engage more businesses in knowledge transfer and innovation, develop links to wider Higher Education Institutions (HEIs) and demonstrate the benefits of working with knowledge-based partners.

Whilst the Solent boasts a mixed economy, it is our coastal location that sets us apart. The clustering of businesses and educational strengths places the Solent at the heart of the UK's marine and maritime economy. This sector, defined broadly, accounts for 20.5% of our GVA and provides 40,000 jobs locally; it supports more than 3,000 businesses. Over the period to 2025, these sectors are projected to grow by 5% in the Solent region. Ensuring that our economic strategy facilitates the growth of these sectors is therefore critically important, as is support for new and emerging sectors.

At the heart of our economy are the two cities of Portsmouth and Southampton and their associated ports. Together these two cities provide over 37% of high-skilled jobs in the Solent and contribute 37% of our total economic output. Therefore we remain committed to realising the potential of our cities, where there is significant potential to develop the knowledge economy, and support areas that are economically vulnerable, reducing the high levels of welfare dependency and securing additional job opportunities for those not in work. The Southampton - Portsmouth City Deal will see an investment of £953m will help us to realise those ambitions and we are seeking further support in the Growth deal to build on this.

We are also acutely aware that our Plan must support and contribute to national and European aspirations for growth. This Plan therefore articulates and proposes interventions and investments which meet those local needs, but which also support the ambitions set out in the National Industrial Strategy. The National Industrial Strategy aims include:

- Skills – to ensure we deliver the skills that employers' need.
- Technologies – where the Solent has the research expertise and business capability to become a world leader (e.g. in autonomous systems, life sciences and advanced materials).
- Access to finance – helping small businesses grow.
- Government procurement – to let businesses know in advance what the Government is planning to buy so that they can invest in the right skills to meet these opportunities.
- Sector partnerships – helping increase global competitiveness, supporting innovation and maximising export potential.

In November 2013, the European Union (EU) announced the reform of its Cohesion Policy to maximise impact on jobs and growth. Key elements include:

- Targeting resources at key growth sectors: innovation and research, the digital agenda, support for SMEs and the low-carbon economy.
- Fixing clear, transparent, measurable aims and targets for accountability and results.
- More effective channelling of investment – 'smart specialisation' strategies to identify particular strengths.

- Enhancing the urban dimension of the policy.
- Encouraging the increased use of financial instruments to give SMEs more support and access to credit.

The growth targets and strategic priorities set out in this Plan align closely with these aims. *Transforming Solent* will therefore contribute to both the UK Government and EU Cohesion priorities. Our Plan is an expression of localism at work, with a conscious shift away from public funding silos, towards place-based investments which recognise the distinct nature of the settlements which comprise the Solent.

## 2.2 Solent's Growth Targets

Meeting our growth aspirations requires us to create the conditions that support growth in our business base and creates jobs, whilst improving our productivity and making Solent a destination for inward investment. Our *Strategy for Growth* (2012) set clear and aspirational targets. The message from our stakeholders has been overwhelming – we need to be even more ambitious. Underpinned by a rigorous economic model<sup>20</sup>, we have, therefore, set new and even more ambitious targets. Knowing whether we are on track to meet our aspirations is crucial. These have been set to stretch Solent partners significantly and they highlight the scale of improvement that is needed if Solent is to realise its ambition.

By 2020 we will:

- In addition to current forecasts, create an additional 15,500 new jobs in the Solent LEP area.
- Achieve GVA growth of 3%.
- Increase GVA per job by an additional £6,879 per job.
- Improve productivity (GDP per head) closer to the South East average.
- Increase employment rates to 80% from the current 78% and improve economic activity rates from 80% to 81%.
- Enable the delivery of 24,000 new homes.
- Raise the business birth rate from 3.6% to 4.1% (and create 1000 new businesses).
- Improve the business survival rate<sup>21</sup> from 61.4% to 62.5%
- Raise the proportion of the population with Level 4<sup>22</sup> and above skills to 36% of the working age population from the current 32%
- Support the raising of education attainment rates to above the UK average.
- Increase inward investment into Solent attracting at least 5% of FDI projects entering the UK.

<sup>20</sup> A bespoke model has been commissioned from Oxford Economics and will be available in full January 2014, allowing the targets to be revised. The baseline statistics which appear in this Strategy have also been produced by Oxford Economics.

<sup>21</sup> 3 year business survival rate, equivalent to 1000 businesses

<sup>22</sup> An additional 37,000 qualified to level 4 or equivalent

**In doing so, we will also seek to maximise value for money from key public sector investments** focusing on areas that are economically vulnerable, and linking local people to jobs through effective procurement processes whilst leveraging private sector investment in skills and employment.

## 2.3 Strategic Priorities

*Transforming Solent* seeks to focus investment on those parts of the economy that need to develop or change the most to accelerate growth. Therefore these ambitious growth targets will be progressed under six strategic priorities:

- Supporting new businesses, **enterprise** and ensuring SME survival and growth.
- Enabling **infrastructure** priorities including land assets, transport and housing, reducing flood risk and improving access to superfast broadband.
- Establishing a single **inward investment** model to encourage companies to open new sites in the region, supported by effective marketing.
- Investing in **skills** to establish a sustainable pattern of growth, ensuring local residents are equipped to take up the jobs that are created and businesses can source local skills and labour to underpin growth.
- Developing **strategic sectors** and clusters (interconnected groups and businesses) of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics businesses, low carbon and the visitor economy – establishing the area as a business gateway, at both local and international levels and developing local supply chains .
- Building on our substantial knowledge assets to support **innovation** and build innovative capacity in the Solent area to stimulate growth in Solent businesses and in new high growth sectors, particularly linked to our HE excellence.

Underpinning these strategic priorities is Solent’s commitment to generating economic and business growth together with new jobs by developing a Low Carbon Green Economy. The Solent area aims to become the national leader and internationally recognised for its Low Carbon Green Economy. Sustainability will be at the heart of Solent’s success in generating economic growth, prosperity and improving quality of life. As well as being a tool for driving growth and generating jobs, *Transforming Solent* must also be a vehicle for driving greater social inclusion, greater social investment, greater equalities and supporting a more sustainable economy. The Solent LEP therefore addresses the social and environmental as well as the economic imperatives and this commitment is integral to the delivery of the Plan. Solent LEP commits itself within this Strategy to promoting:

- Sustainable development which is in line with UK and European policies.
- Equality and combating discrimination in line with domestic legislation and European Regulations.

Sections 4 to 9 describe these strategic priorities in more detail setting out our rationale and evidence for these priorities and our approach and proposed interventions to bring about growth and address barriers.

## 2.4 Why we need this Plan

Our growth targets are underpinned by an economic model which sets out our baseline and our preferred growth scenarios. The baseline scenario forecasts what is likely to happen in terms of growth, productivity and jobs in the period to 2030 without any intervention.

Solent is forecast to grow at an average rate of 2.8% per annum and will continue to lag the average annual growth rate of 2.9% per annum and 3.0% per annum for the South East. Without the investment proposed in this plan we will not meet our preferred growth target of 3.0% bringing us into line with the South East average.

Without additional focused and strategic interventions, the Solent will continue to be dependent on public sector employment and larger employers making it vulnerable to business failure and public sector cuts. Our proposed interventions focus on reducing the vulnerability of our local economy.

The Solent economy is heavily reliant on its manufacturing base. Our baseline forecasts show that this is forecast to decline and by 2030, manufacturing is expected to contract by 20.6% with the shedding of 9,900. Without this Plan we will not be able to support the modernisation and development of our manufacturing sector to take advantage of new knowledge intensive markets, which we need to build and secure if we are to prevent this forecast decline.

The Solent is forecast to experience increasing levels of congestion, unless urgent action is taken. Our detailed research suggest that this congestion will restrict future job creation, equivalent to around 1.7% of future output and there is a potential loss of GVA of 1.3% per annum by 2025. Without improved accessibility to the Gosport Peninsula, capacity issues and congestion will continue to have a negative impact upon investment which will not be attracted into the area, and retention of existing employment will continue to decline.

As well as impacts on jobs and growth, failure to invest in sustainable, integrated transport and network resilience interventions is also critical. Continued congestion also has an adverse impact on public health given the significant health benefits, which result from even moderate levels of walking and / or cycling. Increased congestion also leads to poorer air quality and the Solent area contains a number of Air Quality Management Areas (AQMAS) and the majority of these are due to traffic movements.

The already difficult economic conditions prevailing on the Isle of Wight will be further inhibited if the links to between the mainland and the Island (Southampton to East Cowes) are not improved. Damaging the visitor economy of the Isle of Wight, jeopardising jobs and acting as a barrier to business growth and investment.

A lack of space for expansion and development will continue to impede the growth of our businesses and the provision of new homes. Strategic sites at Welborne, and North Whiteley will not be able to be developed, preventing the delivery of 9,500 new homes, accompanying employment space and other community facilities. Local authorities are also inhibited from accelerating the delivery of planned housing and constructing additional housing to strengthen existing housing stock. Failure to deliver these developments and additional flexibilities will undermine the Solent LEP/PUSH housing strategy and leave a shortfall of housing delivery to be made up elsewhere in the Solent.

Significant areas of land including existing houses and businesses are at very real risk of flood damage. Flood risk is also inhibiting the opening up of new sites for development and regeneration, inhibiting new private sector investment, employment land and homes. Without this Plan, these sites will not be available for development.

Significant tracts of prime development land in the Solent, including much sought after waterside access are owned by the Ministry of Defence and will not be put to productive use. This is currently providing a significant constraint on growth of Southampton Port and the marine and maritime sector.

Projected demographic changes and replacement demand will place significant pressures on the labour market and will act as a major barrier to growth.

Poor educational attainment at Key stage 4 and lack of STEM skills in particular will impact on our key growth sectors, including our manufacturing and the marine and maritime sectors going forward. These need to be addressed with some urgency, but without the growth deal investment we will not be in a position to invest in new capacity and capability to support these skills.

### 3. SOLENT'S GROWTH PROSPECTS

#### 3.1 Strengths, Weaknesses, Opportunities and Threats

The Solent LEP has undertaken a detailed review of the area's strengths and weaknesses and this can be found in Annex 2.

<b>Strengths</b>	<b>Weaknesses</b>
Major urban growth centres	Relatively weak productivity
Strategic accessibility	Underperforming cities
Sector specialism in maritime and marine	Declining business stock, low business birth rate
Relatively high economic activity	Slow employment recovery
Strong intermediate level skills	Lack of resilience to public spending cuts
Strong knowledge assets	Comparatively high proportion of low-skilled employment
Strong HE and FE provision	Skills shortages
Transport hub with global links	Lack of higher level skills amongst resident population
Great natural environment	Low resident participation in higher education
Natural assets with ports with double tides and excellent linkages to international shipping channels	Youth and long-term unemployment
	Pockets of social deprivation
<b>Opportunities</b>	<b>Threats</b>
Strong growth potential	Further economic shocks
Marine and maritime specialism	Strategic Defence Review
Strong research base	Challenges to the shipping industry
Global connections	Demographic change
Attractive place to live	Skills shortages
Attracts inward migration	Lack of employer investment in training
Solent Enterprise Zone	International competition
Connecting research and innovation to support the local business base	Low educational attainment in parts of the Solent
Supply of land for development	Low skills amongst resident population
Potential for regeneration	Low business density
Housing affordability	Reliance on public sector employment
Strong record of partnership working	Reliance on large employers
Improving competitiveness	Failure to link local people to local jobs
	Development pressures
	Environmental impact
	Congestion

## 3.2 The Solent Economy Growth Potential

In late 2013 Solent LEP commissioned Oxford Economics to provide economic analysis and an economic model to support the development of the Strategic Economic Plan<sup>23</sup>. This has provided the Solent with a robust understanding of economic performance in the Solent LEP; a baseline outlook and local forecast estimates; estimates of a faster preferred growth scenario for the LEP; and, implications of this faster growth. Table 1 below compares the performance of the Solent economy with the UK, against a range of the key economic indicators.

**Table 1: Solent Economy Overview**

	Solent	UK
<b>GVA Per Head</b>	18,820	21,030
<b>GVA Per Job</b>	38,000	39,000
<b>Employment Rate</b>	78%	75%
<b>Activity Rates</b>	80%	77%
<b>Business Birth Rates (per 1000 per head population)</b>	3.6	4.1
<b>% working age population qualified to Level 4+</b>	32%	34%
<b>Foreign Direct Investment</b>	Solent attracting 2% of FDI projects entering UK	

Source: Oxford Economics, Annual Population Survey (2013 apart from NVQ 4+ which is 2012)

### Opportunities

**The Solent is an economy with many underlying strengths and a host of assets....** we benefit from the presence of two major urban centres that act as hubs for knowledge-intensive growth. The Centre for Cities identified that “the two cities are well placed to drive growth in the private knowledge-intensive industries, due to the benefits that high value businesses derive from being located in close proximity to each other and their workers”<sup>24</sup>. Together, the two cities account for 37% of all highly-skilled jobs in the Solent LEP area<sup>25</sup>.

**The Solent is very well placed in terms of strategic accessibility and is important to the national economy....**

Just 20 nautical miles from the international shipping lanes of the English Channel and less than 100 nautical miles from the mass markets of mainland Europe it provides a strategic a transport hub and gateway to global markets. We have three international gateways: the Port of Southampton, the Port of Portsmouth (Commercial and Naval Dockyard) and Southampton International Airport. These represent key assets that play a significant and anchoring role within the local economy, attract significant volumes of freight and passenger trips from elsewhere in the UK, and place the Solent economy within a global context that requires excellent connectivity to global markets.

<sup>23</sup> Oxford Economics, **Solent LEP: economic outlook** March 2014, Solent LEP

<sup>24</sup> P 13, *Anchoring Growth, An economic assessment of the Solent area*, Centre for Cities, May 2013

<sup>25</sup> *Anchoring Growth, An economic assessment of the Solent area*, Centre for Cities, May 2013

The Solent benefits from good road links to London and the ports play a vital role in access to global markets. The Solent enjoys relatively close proximity to London and this proximity to London has many advantages, supporting commuting and benefiting local businesses within the area. The attractiveness of the Solent means that the economy benefits from the higher wages of highly-skilled commuters into London who reside locally, enjoying the area's quality of life.

**The three universities based in the Solent are places of transformation....** they are major employers and major economic assets, generating new businesses, supporting existing businesses and bringing significant revenues to the local economy. Innovation and the exploitation of new knowledge by the private sector are fundamental to future growth and the Solent is fortunate that three of its HEIs have strengths in strategic sectors that, if harnessed, can anchor knowledge-intensive economic activity and employment in the area. Education is a targeted strategic sector, the 5<sup>th</sup> largest export services sector. The Solent has a major concentration of Universities. Solent's three Universities are rapidly growing, expecting to increase their income by 35% over the next six years, building on a recent record of high growth. Growth in the Universities has a multiplier effect on the rest of the economy.

**The Solent has real potential to deliver growth for the UK economy....** strategies to support a sustained economic recovery in the Solent will be based on the area's real assets and strengths. These include the area's global connections through the ports and the airport, and the three universities. The Solent's maritime sector is both nationally and internationally significant and has been identified as a key growth sector in the sub-region. With the move towards a more knowledge-intensive economy, the future growth prospects for the Solent are dependent on the ability of the cities to attract businesses by offering access to suppliers, customers, and skilled workers in the wider Solent area, and to drive growth. The Solent LEP is thus committed to making the most of the opportunities offered by Portsmouth and Southampton, whilst also helping those cities tackle a range of challenging issues. The Solent region has an important part to play in the wider agenda of growing the national economy. The Solent is home to two of the key sectors which feature in the Government's national industrial strategy – the marine sector and the aerospace sector. Thus our economic development approach aligns strongly to support this national agenda.

**But what sets us apart is our marine and maritime sector...** Solent's coastal location, clustering of businesses, natural assets with sheltered havens and double tides and educational strengths place it at the heart of the UK's marine and maritime economy. The maritime sector makes an important economic contribution to the Solent economy and its underlying assets are of national significance. In terms of output, the sector contributes 20.5% to the Solent's GVA. It accounts for 40,000 direct jobs or 5% of total private sector jobs in the sub-region. Supply chains serving the maritime sector include component manufacturing, logistics, financial services and catering. Taking account of these indirect jobs, this figure rises to 48,300 jobs. Over the period to 2025, the marine and maritime sector is projected to grow by 5% in the Solent region. Therefore, ensuring that the economic Strategy facilitates the growth of this sector is critically important. The Solent sub-region also plays a significant role in Advanced Manufacturing with significant clusters linked to our key economic assets. Employment rates in this sector are significantly higher when compared with the UK average, particularly in: Computing; electronic & optical products; and Electrical equipment. Indeed, from 2009-11, despite the ongoing challenges facing the Manufacturing sector (contracting by 1.2% across England) locally, it grew by almost 8%, creating 4,600 new jobs (to 58,800).

Our marine research assets are second to none. The Southampton Marine and Maritime Institute (SMMI), part of the University of Southampton launched in March 2012, is a collaboration between Lloyd's Register and the University of Southampton. It is a unique internationally recognised centre of excellence, with strengths from naval architecture to supply chain logistics to deep sea mining. It brings together a research, innovation and education community from universities, research institutes, industry and governments. With its major commercial partners, including Lloyds Register, Shell and Rolls Royce combined with SME partners, it is a key economic asset. In 2014, Lloyd's Register's marine headquarters will move into a brand new Global Technology Centre at the University of Southampton's, chosen because it is at the heart of world-class marine engineering and naval architecture. The Warsash Maritime Academy at Southampton Solent is globally recognised for training professional ships' officers. The Institute of Marine Sciences at Portsmouth University has expertise in marine and coastal management and marine biology. Combined these make Solent a research superpower in terms of this sector.

**Whilst the marine and maritime sector is important we have many other sector strengths ...** indeed one of the key drivers for economic growth is the industrial structure of our economy, which is well balanced with a broad mix of sector specialisms underpinning growth. We have a world leading advanced manufacturing sector with significant clusters including marine and aerospace activities linked to our key economic assets. This has the opportunity to support high levels of GVA growth and diversify into environmental technologies. The environmental technologies sector is growing rapidly and presents very real opportunities linked to our existing expertise in aerospace, marine and advanced manufacturing. The opportunities for growth lie across a range of activities including energy generation and increasing energy, water and waste efficiency. Our Universities have developed real expertise in environmental technologies and this will be an asset supporting further growth.

The Port of Southampton is one of the largest, busiest and most diverse ports in the UK, providing a wide range of passenger, freight and cargo functions. In 2010, it was the UK's 4th biggest port in terms of cargo handled, with some 39 million tonnes, or 7.7% of total UK cargo<sup>26</sup>. It is the UK's second largest container port, handling 40% to 45% of deep-sea trade with the fast-growing economies of the Far East and China, and a global gateway for the UK motor industry, accounting for a quarter of all UK car exports. With vehicle exports rising from 650,000 in 2012 to 745,000 in 2013 and further increases, to 800,000 in 2014 and above 1m expected by 2017, Southampton has a key role to play in the UK's strategy for export-led recovery. The port has completed a major investment programme which has seen non-port related business removed from the Port area. Since 2002, it has invested in 5 multi-storey car storage facilities which have added in the region of 50 acres of storage space to the estate.

Southampton is also a leading hub for the flourishing cruise industry, accounting for 81% of all UK passenger traffic in 2011. As a base for Carnival, Cunard, P&O, and Royal Caribbean, it handled 1.68 million passengers in 2013, 434 cruise calls and contributed c. £1bn to the local economy<sup>27</sup>. Securing the future of this industry, which has shown 7% growth on 2012, 200% growth over ten years and is predicted to grow by a further 6% p.a. in future, is a key goal of this Strategic Plan.

Similarly Portsmouth Naval Base is at the heart of the sub-regional defence cluster providing, directly and indirectly, 20,000 jobs across the sub region and contributing over £1.6bn GVA of output. Currently the Naval Base supports the Royal Navy surface fleet and there is a strong maritime services function offering: integrated ship support; complex software engineering and advanced manufacturing solutions; equipment management; training; and estates and logistics service. It encompasses: the Naval Base; associated Naval establishments; the defence industrial base and other dependent firms (including BAE, Babcock, Lockheed Martin, Northrop Grumman, Qinetiq, Serco Denholm Ltd and Vector Aerospace).

This is a pivotal moment for the Portsmouth Naval Base. In 2013 BAE announced that their ship-building operations in Portsmouth would cease in October 2014 and from 2017 the country's two new aircraft carriers (the biggest ships the city has ever seen) will be based at the port. Total naval ship tonnage in Portsmouth will rise, from 90,000 tonnes today to 230,000 tonnes by 2020. BAE's focus will shift, from ship-building to delivering the engineering support required by this expanding fleet. Initial investment of around £400 million to get the base ready for the carriers is already underway and further changes in land-use can be expected, as areas previously used for ship-building are released. The skills, traditions, topography and infrastructure of Portsmouth provide a basis for diversification into leisure marine and commercial ship building. While the end to BAe ship-building presents us with challenges, it also creates an opportunity, through potentially freeing up a site which can be used for commercial development.

The Solent has a significant aeronautical and aerospace sector. Based in Portsmouth, Airbus Defence and Space, has played a major role in the development of the UK's space capabilities since the 1960s. GKN has manufacturing sites at East Cowes, making parts for virtually every aircraft flying around the world today. Turbomeca, based in Fareham are the UK 's leading engine repair and overhaul facility and also manufacture and repair complex systems for gas turbines, air starter motors for military jets and aircraft engine components for major companies. This together with the presence of leading edge aerospace companies such as GE Aviation, Vector Aerospace and Eaton Aerospace brings forward further opportunities to build on this aviation cluster.

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<sup>26</sup> UK Office for National Statistics

<sup>27</sup> On average, each docking is worth £2.5 million to the local economy

The diverse range of creative, cultural and digital industries (CCDI) already contributes considerably to the economic health of the Solent region. The creative-digital industries generate £1.3 bn for the Solent economy in 2011. Some 5,000 creative-digital businesses in the Solent employ 20,000 people and is one of the fastest growing industries in the UK. 56% of creative-digital entrepreneurs engage with universities. A further circa 20,000 jobs are 'embedded' in creative economies not classed as creative industries, for example, those in design for engineering, marine, aerospace and construction, those in advertising, marketing and communications for business, and those in software and innovation strategy for the public/private sectors. In spite of recession, the Solent creative economy has continued to grow, with an additional 4000 CCDI jobs developed between 2008-11<sup>28</sup>. Key to the long-term health of an economic and social region is its ability to both attract and retain talent. University of Portsmouth and the other HEIs of the region support growth in the creative economy through high levels of retention of graduates in the Solent LEP area. Many new businesses in this sectors are formed by graduates of the universities in the region, many transferring to larger accommodation and more complex staffing structures once established securely. This highly skilled and creative work force is young, diverse and energetic, and attracts to itself more of the same, thus perpetuating growth in all business sectors (including housing, retail, etc).

The visitor economy in the Solent LEP area is worth £3 billion, with assets including internationally recognised visitor attractions and supporting nearly 63,000 jobs. The main visitor destinations in the Solent LEP area are Southampton, Portsmouth, the Isle of Wight, New Forest and Winchester. The past few years there have been some significant investments in the visitor economy infrastructure including the new Mary Rose Museum, as a new centre piece at Portsmouth Historic Dockyard. Southampton is the Cruise Capital of the UK with planned investments in the visitor experience. Events such as the Boat Show, Cowes Week and Round the Island Race all add flavour to the Solent's visitor offer.

**We are also becoming increasingly competitive...** we want our growth strategy to support improved competitiveness and here, the Solent has made some progress, moving up three places in the LEP rankings between 2010 and 2013, with all but two local authority areas within the sub-region improving their competitiveness over the period. Fareham is the most dramatic 'climber' improving its 2013 ranking by 99 places. However, Gosport, in particular, fell 94 places in the rankings and Eastleigh, 57 places. Gosport's poor and deteriorating competitive position is a cause of concern and it reinforces the need to ensure that the Enterprise Zone delivers on its promise<sup>29</sup>.

**Table 2: UK Competitiveness Index, 2010 and 2013**

Area	Index		Rank		Change 2010-2013	
	2010	2013	2010	2013	Index	Rank
Winchester	115.2	115.5	29	26	+0.3	+3
Test Valley	109.7	113.0	53	35	+3.3	+18
East Hampshire	105.7	110.9	76	42	+5.2	+34
Fareham	97.2	105.6	174	75	+8.4	+99
New Forest	97.2	100.4	175	117	+3.2	+58
Eastleigh	104.9	98.2	85	142	-6.7	-57
Portsmouth	95.2	97.1	205	158	+1.9	+47
Havant	95.1	96.2	206	167	+1.1	+39
Southampton	92.6	94.7	249	195	+2.1	+54
Isle of Wight	88.6	86.3	303	317	-2.3	+14

<sup>28</sup> Centre for Cities

<sup>29</sup> The *Good growth for cities* (November 2013), PWC/DEMOS's<sup>29</sup> report on economic wellbeing in UK urban areas, places Southampton fourth in a ranking of cities for good growth and was the most improved City (in terms of ranking) since last year. The main reasons for the change in ranking includes declines in: unemployment ((6.4% to 5.3%), long-term sick (20% to 17%) and commuting times (26.4 – 24.8 minutes). At the same time Portsmouth was ranked 15<sup>th</sup> above the UK average and 16<sup>th</sup> in terms of most improved. The Solent LEP as a whole ranks 5<sup>th</sup> in terms of the LEP Good Growth Index.

Gosport	90.0	80.6	281	375	-9.4	-94
Solent LEP	98.4	99.5	16	13	+1.1	+3

Source: UK Competitiveness Index, 2010-2013, Cardiff University

**We have a skilled workforce to support further growth...** with a higher proportion qualified to Level 3 (22%) and Level 2 (23%) than is the case nationally and in the South East, we have much to build on. We also have a lower than average proportion of people in the Solent (7%) with no qualifications, compared with the national average (9%).

**Robust employment growth is forecast for Solent LEP in the years ahead...** over the period 2013-2020, an additional 31,000 jobs are forecast, however, the average growth rate of 0.72% per year still lags the South East which grows at 0.97%, though it does match that of the UK economy. Relative to the UK and South East Solent LEP has taken longer to recover from the recession, with Solent LEP estimated to have surpassed pre-crisis employment peaks in 2013 a year later than the UK and SE. Whilst relatively healthy at 78% compared to the UK employment rate of 75%, the global financial crisis and resulting downturn in the UK had a limited immediate impact on resident employment rates in Solent LEP. There has however been a steep increase in employment rates from 2011 to 2013 founded not just on stronger employment growth, but also a series of longer term structural shifts, which include greater female participation, the staged increase in the state retirement age for women, older workers delaying their retirement and pensioners returning to part-time work. These longer term shifts continue to push employment rates up over the forecast period. Forecasts predict that claimant unemployment will fall in Solent LEP to 1.8% by 2020.

**We also aspire to be an innovative economy**<sup>30</sup>... but there is much to do. R&D expenditure by businesses represented 3% of Solent's GVA in 2009<sup>31</sup>, half that of some of the best performers (Cheshire 6.5% of GVA) and East Anglia (5.9% of GVA), but better EU-27, average of 2% of GDP<sup>32,33</sup>. The Solent LEP area has the 9<sup>th</sup> highest rate of patenting per 100,000 residents of all the LEP areas (The LEP Network, 2012) in 2007. Although residents of the Solent LEP area register more patents per 100,000 people (18.9 in 2009) than the national average (13.0), the level of patent registration locally is considerably lower than in leading LEPs, many of which are nearby, such as Enterprise M3 (46.3), Oxfordshire (46.2), Swindon and Wiltshire (38.1), Thames Valley Berkshire (35.3) and Coast to Capital (29.3). Given our industrial base and strategic assets, there is scope and a strong case for improving our performance. The Solent has great research and development assets on which to build. The Witty Review found that in terms of the UK's key industrial sectors, that at least one of the Solent's Universities was in the top 20 for research strengths in all but one of these sectors. In terms of the nine great technologies such as advanced materials and nanotechnology; robotics and autonomous systems and synthetic biology, the Solent's Universities has expertise in all these technologies.

**We aspire to compete globally...** with a global brand and able to compete on the global stage. Our international competitors are other globally important ports. To measure our progress in this respect, we intend to develop a set of benchmarks which allow us to assess our performance in relation to competitor areas internationally. A key question for the Solent, with its focus on marine and maritime, is about the ability of Solent's Ports to compete. The maritime services sector is vital to the UK, with about 95% of the total volume of UK import and export trade arriving by sea. Therefore the ports market is highly competitive and the Solent ports are competing both within the UK and with other ports in Europe for long-distance traffic. We need to improve our global rankings in terms of the total volumes of cargo in Europe and the world's leading ports. Southampton needs to compete at the European level. Whilst the continental ports have advantages in providing access to the European mainland market, the advantageous location of Southampton at the entry to the eastern part of the Channel is evident. Therefore the Solent is focusing more strongly on the connectivity of our international gateways has placed an increasing emphasis on transport infrastructure as an "engine for growth".

<sup>30</sup> Very little information is gathered about levels of business investment locally although EUROSTAT publishes data on 'intramural' research expenditure – essentially research and development – which, along with 'intangibles' more generally, is an "increasingly important" form of business investment (Roger Tym & Associates, 2010).

<sup>31</sup> Eurostat data for the NUTS 2 region of Hampshire and the Isle of Wight.

<sup>32</sup> <http://epp.eurostat.ec.europa.eu/tgm/table.do?pcode=tgs00042&language=en>

<sup>33</sup> See also <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-283184>

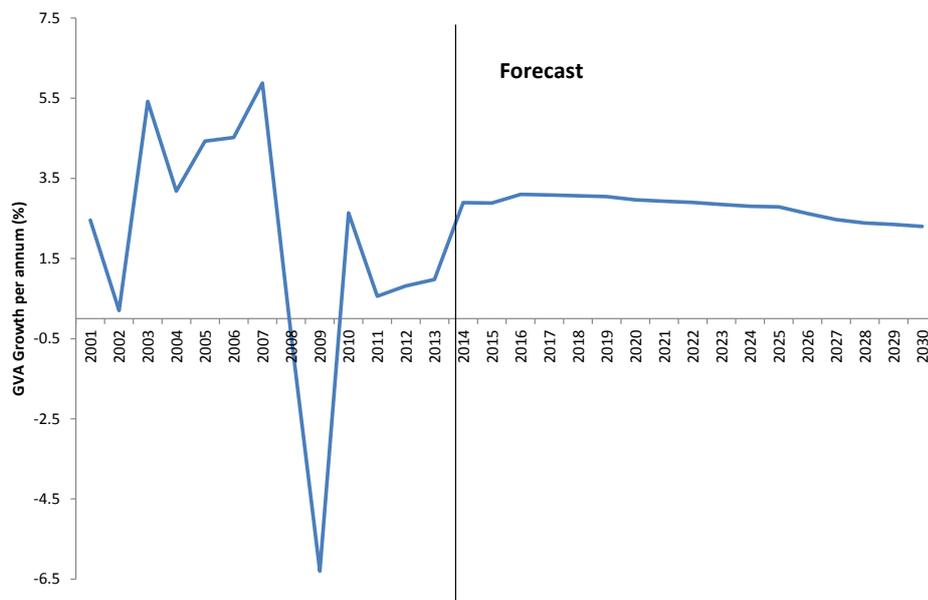
**We have an excellent natural environment ....** The Solent is an area of great ecological and landscape importance, particularly because of the coastal and estuarine habitats along the edge of the Solent. Much of its coastline is designated as a Special Area of Conservation. It is bordered by and forms a part of the character of a number of nationally important protected landscapes. The Solent LEP area actually encompasses two National Parks – New Forest to the west and South Downs to the east – whilst the Isle of Wight has over half of its landscape designated as Area of Outstanding Natural Beauty.

## Challenges

**However the Solent also faces many challenges...** whilst economic activity is concentrated in Portsmouth and Southampton, on a range of indicators, these two cities punch below their economic weight. At the same time, the Isle of Wight, with a population of 138,253, has GDP well below the average for the Solent as a whole<sup>34</sup>. Recognising this, significant area of the Isle of Wight has been provisionally designated as an Assisted Area within the current review.

**Whilst growth is forecast, the growth and productivity gap remains....** after two successive years of GVA decline in 2008 and 2009, Solent LEP has posted positive GVA growth. GVA growth is forecast to rise from its estimate of 1.0% in 2013 to 3.0% in 2030, with the short-run with GVA growth in 2016 forecast to be 3.1%, but at a diminishing rate until 2020, with this trend continuing towards 2030. GVA growth in Solent LEP is forecast to grow at an average rate of 2.8% per annum in the period to 2030. This rate of growth means Solent LEP lags the average annual UK GVA growth rate of 2.9% per annum and 3.0% per annum for the South East.

**Figure 2: Solent GVA Growth (2000-30)**

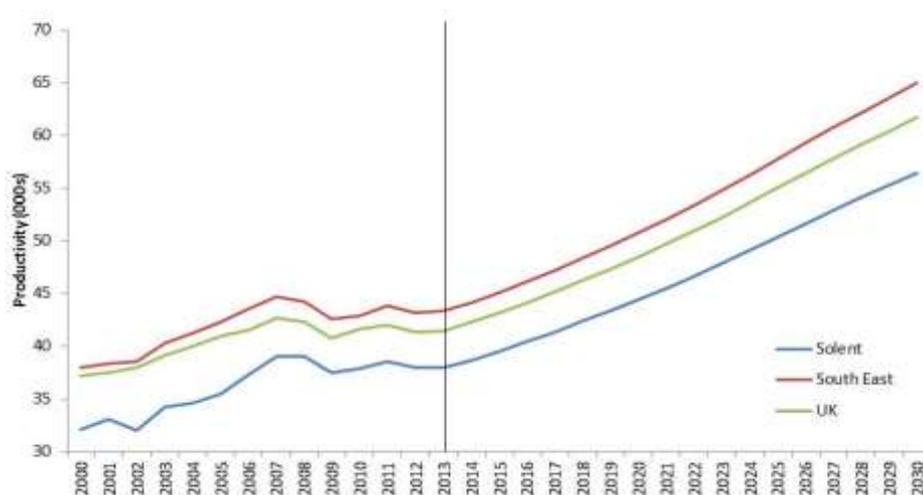


Source: Oxford Economics

**And we also have a productivity gap...** the average level of productivity in the Solent LEP is expected to grow by 17% in the years 2013-2020 and by another 27% by 2030, equating to an average growth rate of 2.4% per annum. Though Solent LEP experiences strong growth in productivity, this is mirrored by the South East which also grows at an average annual rate of 2.4%. The equitable growth rate in each area results in a very marginal widening of the productivity Gap between Solent LEP and the South East.

<sup>34</sup> In addition, it has to contend with geographic isolation. In recognition of these challenges, a case is currently being made for Assisted Area status for the Isle of Wight.

**Figure 3: Solent productivity (2000-30)**



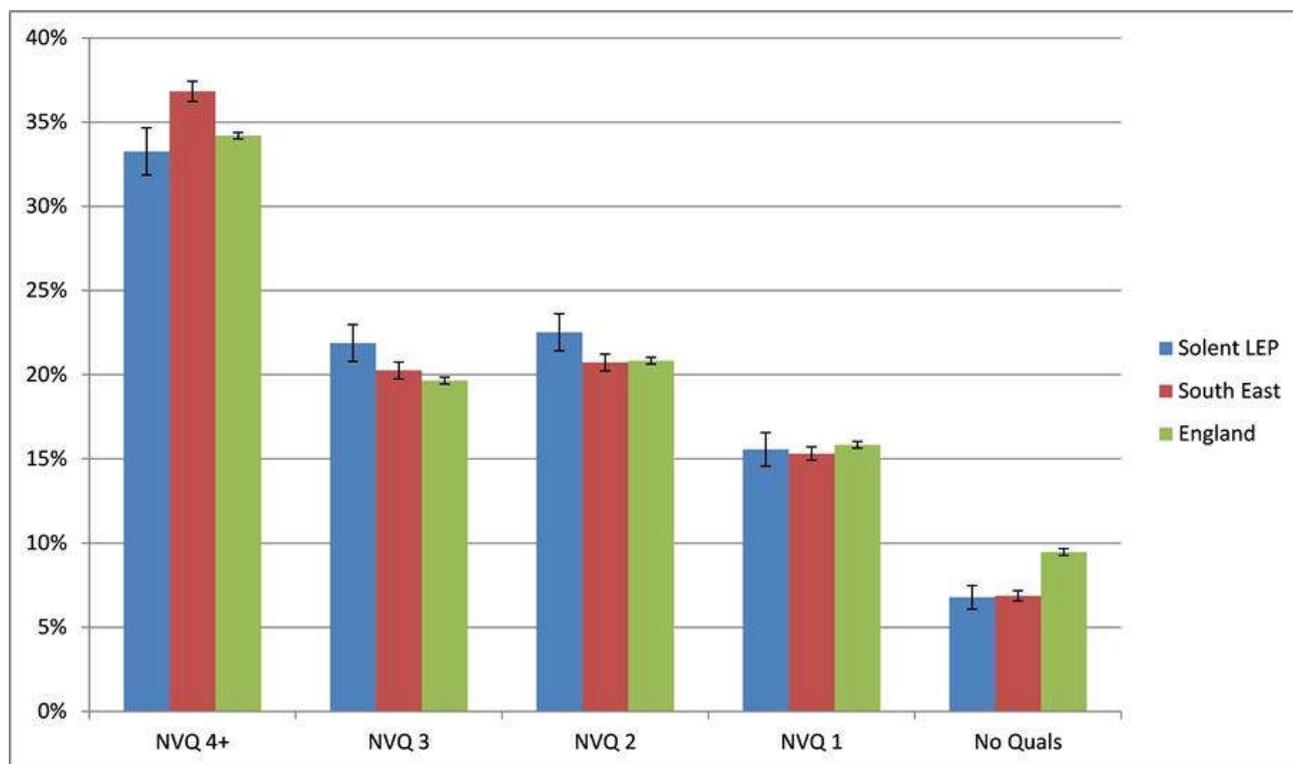
Source: Oxford Economics

**Dependence on the public sector...** economic output has grown relatively quickly in Solent, but this growth in economic output has not been accompanied by any large increases in private sector employment and our GVA lags the national average. The area remains more dependent on large employers and the public sector than the wider South East, making it vulnerable to business failure and public sector cuts. In addition, whilst the employment rate is high compared with the UK average, this is due in part to rising levels of part-time working. Whilst this is evidenced as a national trend, it is more pronounced in the Solent area.

**Economic shocks have also been a feature of the Solent economy ...** the Solent economy has been affected by the prolonged recession, yet while the loss of Ford was a big blow, the Solent weathered the downturn better than most. Still, it is characterised by areas of high public sector dependency and a decline in business stock, particularly in the SME sector. More recently, it has had to absorb the economic shocks caused by the closure of the Ford manufacturing plant in Swaythling, the contraction in defence-related activity following the Strategic Defence and Security Review (SDSR), and the recent announcement by BAe that they intend to cease shipbuilding operations at Portsmouth Naval Dockyard with the loss of 950 jobs at BAe Systems. The cities of Portsmouth and Southampton, and their ports, lie at the heart of the Solent economy, providing nearly 37% of high-skilled jobs. It is critical that the Solent rebalances its local economy in favour of the private sector and revitalises its economic base, focusing on knowledge-based industries and high value-added manufacturing as a catalyst for regeneration.

**And we have a deficit of higher level skills which will present a challenge in meeting the higher skills needs of business now and in the future...** the Solent LEP has a lower proportion of its workforce qualified to Level 4 and above (32%) against 34% nationally. Whilst the trend is upwards, it is below the national average and there is a significant gap when compared with performance in the wider South East (that gap is projected to widen). We want to close that gap, but the pipeline of skills coming through gives us cause for concern and parts of the Solent area face significant educational attainment gaps. Our key stage 3 and GCSE results are below the national averages and, in parts of Southampton and Portsmouth, the gap is significant. Combined with low resident participation in Higher Education (HE), this presents us with a challenge in terms of the skills of our future workforce given a predicted requirement for future skills at Level 4 and above. It also accounts for the productivity skills gap with the South East must be addressed if the productivity gap is to be narrowed. In this context, meeting our replacement demand requirements will be challenging.

**Figure 4: Qualifications of the working age population (%), Solent LEP vs South East and England, Jan-Dec 2011**

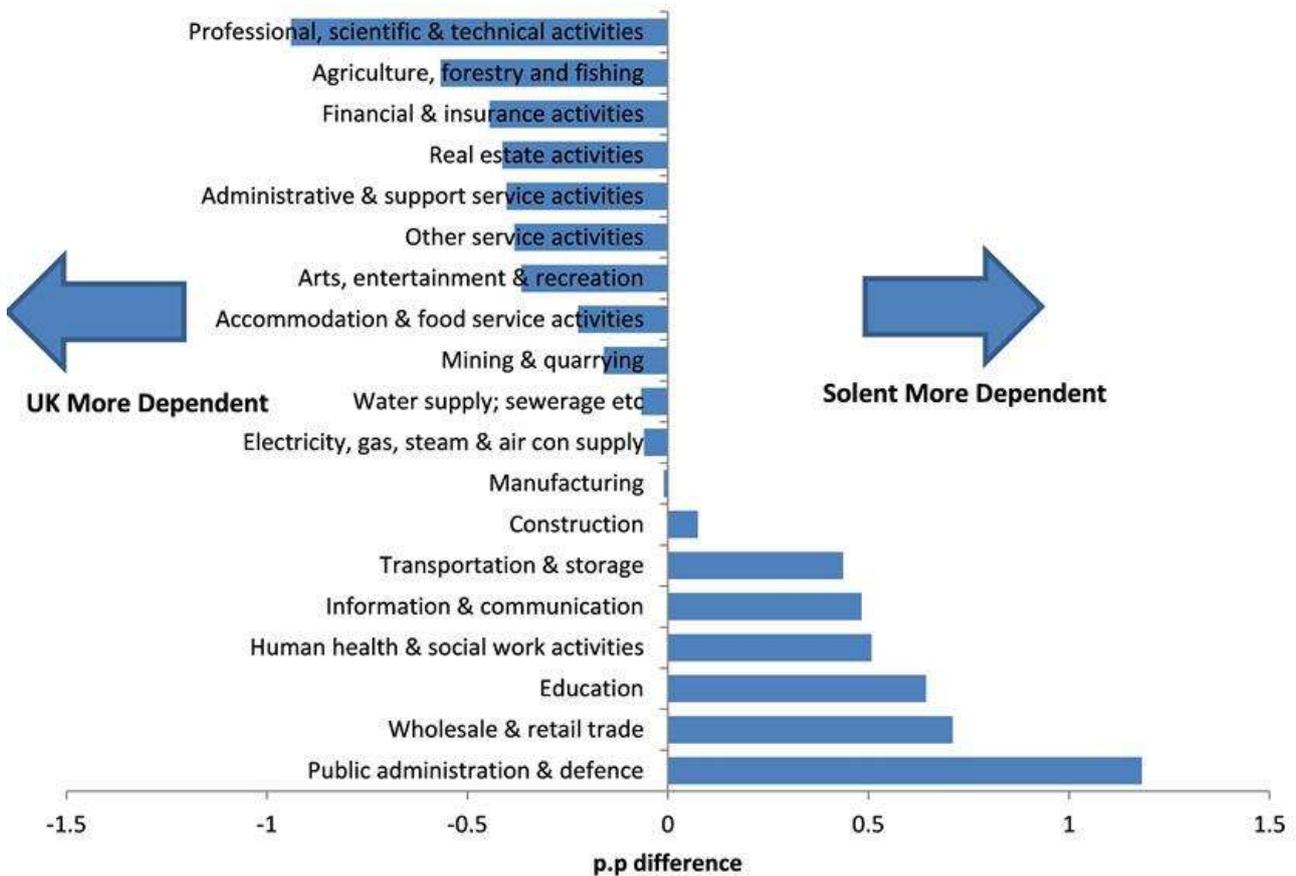


Source: Solent Skills Strategy Evidence Base, 2013

**Solent will have a growing population...** the population of the Solent LEP area is set to rise by 53,000 by 2020 and a further 55,000 by 2030, marginally trailing the annual growth rate in the South East. Most notably the working age population is forecast to grow in the short-term, rising by 12,000 in the four years to 2017, after which it is expected to remain relatively stable before tailing off post 2026. Migration is expected to be the key driver of population growth and net inward migration is expected to remain positive over the forecast period. In the period to 2020, the arrival of 33,000 net migrants will account for 62% of the rise in population in Solent LEP. This will put further pressure on the housing stock and the Solent's infrastructure.

**High value added services to drive growth ....** compared to the UK public services constitute a significantly larger proportion of employment in Solent LEP. Public services have a 2.3 pp higher relative concentration in Solent LEP – with Public administration 1.2pp, Education 0.6pp and Health & social 0.5pp higher. Key growth sectors for the UK economy for the future are the professional, scientific & technical, admin & support and information & communication sectors. Though Solent LEP trails the average UK employment concentration in the professional, scientific & technical (0.9pp) and admin & support (0.4pp) sectors it has a higher concentration in the information & communication sector (0.5pp). The strongest growth in the years to 2020 is forecast to be experienced in the admin & support and professional, scientific & technical sectors which are expected to grow by 7,500 and 6,800 jobs respectively. Looking into the decade 2020-30 the admin & support and professional, scientific & technical sectors still perform well but grow more slowly with the creation of 4,200 and 3,700 jobs respectively. The fact that the admin & support sector is forecast to create the greatest number of jobs is significant as the sector lost 3,100 jobs in the five years from 2008-2013.

**Figure 5: Relative Concentration Bar Chart Solent vs UK, 2013**



**Manufacturing on which the Solent economy relies is forecast to decline....** whilst in recent times, the Solent has bucked national trends in the growth of the manufacturing sector, manufacturing is set to continue to decline. It is expected to lose 2,900 jobs by 2020 and another 6,900 jobs by 2030. In the period to 2030, manufacturing is expected to contract by 20.6% with the shedding of 9,900 jobs. The contraction of employment is set to continue into the future as the industry shifts from a higher labour to a more capital intensive, productive form of manufacture. There is certainly still a role for manufacturing in the Solent LEP, but it will need to compete on quality of output rather than cost and it will require highly skilled individuals. By 2030 manufacturing will account for only 5.9% of total employment in the Solent LEP, less than half the contribution it constituted in 2000 (12.8%).

**And the public sector, chiefly public administration, is also forecast to suffer heavy job losses.....** in the years leading up to 2020 as government cuts to expenditure hit jobs. Across the public sector 5,800 jobs are expected to be lost – a loss of 3,900 jobs (10.9%) in Public admin, 1,400 (2.5%) in Education and 500 (0.6%) in Health & social care.

**Meanwhile, lack of available space for expansion and development as well as lack of business infrastructure is an area of relative weakness for the Solent area...** overcoming physical constraints to growth through the assembly of public (especially MOD) and private land, which will support the development of housing and employment sites and continued growth of the marine, maritime and advanced manufacturing sectors is also a pressing requirement. It is also essential that we protect our infrastructure from the threat of flooding and ensure that we protect our valuable natural environment whilst supporting necessary development. Providing an appropriate housing offer is an important factor in attracting and retaining a skilled workforce. Provision of sufficient housing of a range of different types and tenures is an

issue facing all the UK's cities and the Solent is no exception. We need to open up land for private housing development and enable local authorities to build new homes and improve the housing stock.

**And, increasing levels of congestion in the Solent area will also constrain future job creation...** with forecasts<sup>35</sup> suggesting that the impact of congestion in eroding productivity potential will be greater in the Solent than the South East average, indicating that the 'loss' of potential GVA would be at least 1.3% by 2025. Analysis undertaken for Solent Transport<sup>36</sup> forecasts that total road trips will increase by 13% between 2010 and 2026, with the greatest increases being concentrated on the M27, M3 and A3(M), but also on radial routes into Southampton, Gosport and Portsmouth. Increasing levels of congestion in the Solent area will also constrain future job creation, equivalent to around 1.7% of future output.

**Relatively poor business start up and survival....** together with over reliance on large companies makes the Solent vulnerable to closures. The Solent business base has been hit hard by the recession and, for many businesses, 2013 was the 'year to survive', particularly in the urban core. We urgently need to address the fact that the number of business births<sup>37</sup> in the Solent LEP area (especially in the Isle of Wight, Portsmouth and Southampton) at 10.0% is lower than the national average of 11.4% and significantly below the rate found in other successful economies.

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<sup>35</sup> Transformational Transport Investments in the Solent, Solent Local Enterprise Partnership, October 2013 (unpublished)

<sup>36</sup> Transport for South Hampshire Evidence Base Case and Options for Intervention, Report R6, MVA Consultancy, October 2012

<sup>37</sup> as a percentage of the business stock

## 4. ENTERPRISE

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*“Supporting new businesses, enterprise and ensure SME survival and growth”.*

Enterprise is a key driver of productivity and economic growth. The health of the business base has important implications for the number of jobs that a city economy can provide.

The Solent business base has been hit hard by the recession and, for many businesses, 2013 was the ‘year to survive’. Although business survival rates were broadly in line with the national average, between 2008 and 2011, the number of active businesses in the Solent area fell by 2.3%, due to a decline in the number of business start-ups, from 6,800 in 2007 to 5,800 in 2011<sup>38</sup>, and by 6% in the urban core, compared with a 2% fall across England and the South East. We therefore need to address the fact that the number of business births<sup>39</sup> in the Solent LEP area (especially in the Isle of Wight, Portsmouth and Southampton) at 10.0% is lower than the national average of 11.4% and significantly below the rate found in successful economies, such as London, which are characterised by high rates of business start-ups.

The Solent’s industry sectors contain a wide diversity of businesses ranging in scale from large multinationals to small and medium enterprises. The region has in recent times had an over reliance on large businesses and the public sector with a high predominance of large employers in the two cities. The average business in the Solent employed 10.4 workers in 2011, higher than the South East average of 9.4 employees but in line with average firm size across the UK. In Portsmouth, there were 15.4 employees per firm in 2011 and in Southampton, 14.9<sup>40</sup>. The relatively high proportion of firms in the defence, aerospace and manufacturing sectors in the two cities, all of which tend to employ many staff at a single site, is likely to contribute to this. Over reliance on large firms makes the two cities, and the Solent, vulnerable to business failure in turn creating economic shocks. The closure of one of these firms is likely to result in direct job losses and have negative implications for firms in the supply chain. Job losses at Ford are a good example of this. The Solent therefore has to ensure that it has a strong SME base that is aware of, and receives the support that is available to it in order to grow and compete nationally and internationally.

Business density is also low, with 593 businesses per 10,000 population, compared with 693 in the South East. Business density is particularly low in urban areas; in Southampton, the number of businesses per 10,000 population in 2010 was almost 40% below the Solent average. According to research conducted in 2010<sup>41</sup>, Gosport ranks 284th and Portsmouth 290th out of 324 local authorities nationally in terms of their resilience to public spending cuts, due in part to the presence of the defence sector.

Business support is currently delivered by multiple local and national organisations. Local firms have expressed difficulty in navigating this fragmented business support landscape which is fragmented, or even are unaware of what support is available to them. Local businesses wish to see these facilities and services that businesses need to grow brought together and made more accessible. There is therefore a strong argument for pooling local investment from partners bringing together the resources of the Solent LEP Inward Investment Board, funding from the Local Authorities and Solent LEP, together with the expertise of local partners including the Chamber of Commerce, FSB, the Knowledge Transfer partnerships within the three Universities and the resources from sector specialist organisations such as SMMI, BMF and Marine South East.

In 2009, NESTA research, *The Vital 6 Per Cent*, highlighted the importance of the small number of fast-growing businesses that between 2002 and 2008 generated the lion’s share of employment growth in the UK. High growth

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<sup>38</sup> ONS Business Demography.

<sup>39</sup> as a percentage of the business stock

<sup>40</sup> *Anchoring Growth, An economic assessment of the Solent area*, Centre for Cities, May 2013.

<sup>41</sup> Experien / BBC Local Authority Resilience Rankings, 2010. See <http://www.bbc.co.uk/news/business-11233799>

businesses come from all sectors, include start-ups and established firms and include small and businesses. It is essential to create the conditions which support these high growth businesses.

Leadership and management skills also play a significant role in influencing business performance and enhancing business competitiveness. Evidence<sup>42</sup> shows that investment in leadership and management and improvements in management structures, resource planning and staff training and development can have a positive impact on 'bottom line' business performance. Leadership and management skills are strongly correlated to business growth and success. Business planning skills are important in accessing finance, both from banks and public sources such as the Regional Growth Fund.

There is scope to improve these skills in the Solent, especially in SMEs with growth potential. Many of the businesses that need to develop these skills may, however, not recognise that, so incentives and peer support businesses are likely to be important. There are valuable assets in the Solent including the Universities that can be better utilised in this regard. There is also scope to focus on skills for boosting overseas trade, including developing better awareness for market opportunities, overseas contacts and export strategy.

Entrepreneurship is also important for future economic growth. Entrepreneurs make a considerable contribution to the UK economy and society. New and existing SMEs help drive economic growth by raising competition and stimulating innovation. Those that grow make a disproportionately large contribution to job creation<sup>43</sup>.

The contribution of entrepreneurship to the European Union's economy has been acknowledged in the Lisbon Strategy (2000-2010) as well as in the recent Europe 2020 Strategy. A recent evaluation of entrepreneurship education<sup>44</sup> found that, while the proportion of the working age population involved in starting or running a business in the UK compares favourably with many of our international competitors, levels of enterprise ambition compare less favourably. It concludes that addressing the ambition gap requires early intervention to provide young people with hands-on enterprise experience.

Engaging young people in activities which help increase awareness of entrepreneurship and the realities of running a business are vital to increasing the proportion of those actively starting a business. Yet while enterprise and entrepreneurship education appears to be strengthening, it is not yet widely embedded in the full range of vocational learning where students are likely to be working in SMEs or self-employed, since there are many such courses which do not appear to have any embedded enterprise and entrepreneurship education.

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<sup>42</sup> *West Midlands Regional Skills Partnership Cross Cutting Issues 2006: Leadership and Management*, West Midlands Observatory, 2006.

<sup>43</sup> Anyadike-Danes and Hart (2011) *Job Creation and Destruction in the UK: 1998 – 2010*, October 2011

<sup>44</sup> *Enterprise Education Impact in Higher Education and Further Education*, Department of Business, Innovation and Skills.

## Objectives

We aim to reverse these trends and broaden the business base of the area by fostering start-ups and the growth of existing SMEs. We are also committed to safeguarding SMEs within supply chains, helping them to diversify, to reduce their dependency on the public sector and to strengthen their international trade links. SMEs hold the key to a successful, private sector-led, economic recovery in the Solent area. In relation to business enterprise, our key objectives are therefore:

- To support continued growth of the Solent Enterprise Zone with view to delivering a world class advanced manufacturing (marine, aviation and aerospace) industrial hub delivering 3700 jobs by 2026.
- To create a sustainable Business Hub<sup>45</sup> to make it simpler for businesses to access the support they need, creating a differentiated business environment in the Solent that is driven by the needs of local, national and international employers; assisting businesses, establishing effective knowledge economy support networks, focusing on private sector professional support around key themes such as raising finance, export markets, supply chain development, skills and recruitment support, and accessing expertise from universities in the area.
- To support high growth business start-ups with exporting potential and encouraging growth in existing businesses through innovation – supporting the development of peer-to-peer self-help networks, business-to-business mentoring and more efficient networking opportunities for business.
- Expanding an enterprise culture and support for young people including enterprise programmes for young people in partnership with the voluntary and community sector working with organisations such as The Prince's Trust and Education Business Partnerships to reengage young people aged 16-25.
- To help businesses create and apply new knowledge by supporting the work of regional trade associations, industry and sector groups (e.g. the FSB, the Chamber of Commerce, Hampshire Alliance), and working with employers in priority sectors such as advanced manufacturing and marine and supporting the development of new growth clusters e.g. low carbon economy and creative Industries.
- To encourage business start-ups and social enterprise in difficult to reach and economically inactive communities, working with business leaders, social entrepreneurs, universities and civil society organisations.
- To enhance business growth through enhanced leadership and management skills in the Solent business base.

## Priorities for action

We aim to reverse these trends in business formation and survival and broaden the business base of the Solent area by fostering start-ups and the growth of existing SMEs. We are also committed to safeguarding SMEs within supply chains, helping them to diversify, to reduce their dependency on the public sector and to strengthen their international trade links. SMEs hold the key to a successful, private sector-led, economic recovery in the Solent area. In relation to business enterprise, our priorities for action are therefore:

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<sup>45</sup> To build on the city based business hub supported by RGF Round 4 and City Deal

- To support continued growth of the **Solent Enterprise Zone** with view to delivering a world class advanced manufacturing (marine, aviation and aerospace) industrial hub supporting the advanced manufacturing cluster through a range of business support solutions and delivering 3700 jobs by 2026.
- To create a sustainable **Solent Business Hub**<sup>46</sup> making it simpler for businesses to access the support they need, creating a differentiated business environment in the Solent that is driven by the needs of local, national and international employers. It will do so by improving the coordination of local and national business support, making it easier for businesses to find the help they need and introducing a range of enterprise and innovation schemes tailored to the needs of local businesses. This will be supported by the Southampton – Portsmouth City Deal and EU Funding. The hub will have a virtual interface bringing together local services with the national offer from UKTI, MAS and the Growth Accelerator.
- To develop a **Solent Growth Fund (SGF)** through our Local Growth Deal, focused on supporting strategic supply chains in the Solent. A number of large companies in the Solent sit at the head of well established supply chains – development of supply chain programmes particularly in defence. This will extend the current programme of Solent LEP Regional Growth Fund activities. The new Solent Growth Fund will also support start up grants, support for young entrepreneurs and expansion funds for existing businesses.
- To support **access to finance for SMEs and start ups**. Through ERDF funding we will build on Bridging the Gap which provides Regional Growth Funding in the form of grants to: new business start-ups we will extend this grants programme to new start-ups and SMEs with a particular focus on the start-ups in the Marine and Maritime sector, while recognising the importance of assisting all enterprises that show high levels of growth and employment potential,
- To expand an enterprise culture and support for young people including **enterprise programmes for young people** in partnership with the voluntary and community sector working with organisations such as The Prince's Trust and Education Business Partnerships to reengage young people aged 16-25.
- To **encourage business start-ups and social enterprise** in difficult to reach and economically inactive communities, working with business leaders, social entrepreneurs, universities and civil society organisations.
- To enhance business growth through enhanced **leadership and management** skills in the Solent business base which will form part of our Local Growth Deal. We will investment in leadership and management capabilities in local businesses making full use of existing business networks and through the Employer ownership programme.
- To support the role that universities play in driving local growth plans and supporting entrepreneurship and innovation and in line with the government announcement in this regard we will be seeking to develop a proposition to develop a virtual University Enterprise Zone (vUEZ) to support enterprise and growth within our region from smaller University spin out companies who need to collaborate to compete for contract work, need access to short term skills (e.g. through schemes like Solent Creatives) or would benefit from placement students and collaborative R&D.
- To **utilise the skills of our graduates** - Each year, large numbers of highly-qualified graduates, with skills important for our strategic sectors, leave Solent's four universities. All too often, they also leave the region, taking with them skills that could support the growth of local strategic sectors. Through the ERDF we will support Graduate Placements to help SMEs across the Solent to gain access to graduate skills and knowledge, supplemented by support from the knowledge base.

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<sup>46</sup> To build on the city based business hub supported by RGF Round 4 and City Deal.

- To **fund new and developing micro and small rural businesses**. Solent LEP recognises the important role that LEADER has played in providing funding for new and developing micro and small businesses. On the Isle of Wight, the current LEADER programme has directly supported more than 70 businesses, creating 140 FTE jobs through investments in support of diversification, the uptake of new and improved business practice and technologies. Solent LEP will, therefore, allocate EAFRD to providing funding to new and developing micros and SMEs across all sectors.
  
- To **build knowledge and skills in rural areas**. Through EAFRD Solent LEP will ensure that business support and advice available through the Solent Business Hub (Activity 2) is available across the LEP and in rural areas. Programmes to support rural enterprises in gaining skills and building knowledge must be tailored to respond to their specific needs and preferred modes of learning and business support, e.g. through collaborative learning.

## 5. INFRASTRUCTURE

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*“Planning for growth by focusing on **infrastructure priorities** including land assets, transport and housing - reducing flood risk and improving access to superfast broadband”.*

Place-based factors – housing, transport, employment space, digital infrastructure, planning and environmental protection – can facilitate or impede the growth of the local economy. Planning for growth through infrastructure development, is a cross-cutting priority that reflects the spatial dimension running across a number of the strategic priorities and programmes set out in this Plan. Together these have significant impact on the potential for growth and development across the Solent LEP area. Critically our research shows that failure to address the infrastructure requirement in this Plan will have a significant impact on our growth potential.

With the two major cities of Portsmouth and Southampton, the Isle of Wight, together with distinctive urban settlements and the presence of two national parks<sup>47</sup> the Solent LEP recognises the importance of high quality, vibrant and distinctive places which are attractive to live in. Supporting the distinctiveness and character of the Solent economy is essential and also underpins our strategy.

### **Unlocking key sites for employment and housing**

To be successful Solent needs to be an exciting and rewarding place to live and work, with the availability of good facilities and people able to live in pleasant, well-designed environments. Providing suitable employment sites for our growing marine, maritime and advanced manufacturing sectors that are in close proximity to our key economic assets (Port of Southampton, Portsmouth Naval Base and the Solent Marine Cluster) as well as meeting growing housing demand are also key economic challenges for the sub-region.

The Solent LEP has deployed its Growing Places Fund to unlock key sites for development, particularly in areas of economic vulnerability. This includes investing £11m of loan funding to leverage an additional £17m of investment to support a £28 m infrastructure package for the Solent Enterprise Zone, delivering upgrade to offsite road access and onsite utilities, delivering serviced plots for new businesses and a Centre of Excellence for Advanced Manufacturing. This will create 700 new jobs by 2015. In addition an advance of £3m has been agreed to support the first phase of the Red Funnel site preparation in East Cowes (see below). The Solent has an ongoing commitment to recycling this fund to support further enabling work across the area. This creates greater certainty for potential investors and developers.

Critically, new development must also be accompanied by investment in transport and other infrastructure. Given our coastal location, and the threat of flood risk, potential development land must be free of the risk of flooding. Solent therefore seeks development which is sustainable – in social, environmental and economic terms.

### ***Housing and employment site need***

PUSH conducts an annual housing needs assessment and in October 2012, put in place a Spatial Strategy, *South Hampshire Strategy - A framework to guide sustainable development and change to 2026* which was aligned with the then current economic strategy. The South Hampshire Strategy states that there will be a net addition of 55,600 dwellings by 2026, with 38 per cent of this to be located in Portsmouth and Southampton. This provided for annual delivery of 3,700 new homes; this framework is still current. While the number of completions in 2010/11 was up on the

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<sup>47</sup> South Downs national park and New Forest national park

previous year, net completions were still below target.<sup>48</sup> The majority of net completions were flats (59 per cent) and 66 per cent were one or two bedroom properties. Attaining the right mix of housing is also a target and, as a result, there is a desire to provide more family homes (three bedrooms or more). There is also a need for more executive housing in the Solent to attract highly skilled workers. However, to reflect the National Planning Policy Framework, PUSH has commissioned a Strategic Housing Market Assessment (SHMA) to review the extent of the relevant housing market areas (HMAs) and covering the LEP area and potential demands. Within the Isle of Wight, the Isle of Wight Council Core Strategy provides for 8,320 dwellings in the period 2011-2027 which is an average of 520 dwellings per year.

Providing an appropriate housing offer is an important factor in attracting and retaining a skilled workforce. Provision of sufficient housing of a range of different types and tenures is an issue facing all the UK's cities and the Solent is no exception<sup>49</sup>. On average, house prices are cheaper in the Solent compared with the South East<sup>50</sup>, making it an attractive offer to potential buyers; yet this masks variation across the Solent's local authorities. These differences reflect the variation in types of housing across these places which in turn has clear implications for the economic roles that different places in the Solent play. Areas within the Solent complement each other, providing different residential offers for workers within the sub-region. Yet this masks the large variation in house prices across the Solent's local authorities. The two areas with the highest house prices in 2011 were Winchester (£357,300) and East Hampshire (£319,600), while the lowest were found in Gosport (£159,300), Portsmouth (£162,200) and Southampton (£174,000).

Solent's rental market has been growing, with rents for a two-bed property increasing by 9 per cent across the Solent (excluding the Isle of Wight) from 2010 to 2011, whilst in Portsmouth and Southampton rents fell marginally. These differences reflect the variation in types of housing across these places. Winchester and East Hampshire, for instance, are relatively more rural and a larger proportion of the housing stock is made up of bigger houses<sup>51</sup>.

On the Isle of Wight, there is considerable demand for housing on the Island. House prices are relatively high as the ratio of house prices to income is high. This is demonstrated by average house prices currently being more than seven times the average wage on the Island. Commuting, retirement and the high level of second home ownership all contribute to this, which has the impact of increasing the demand for affordable housing for people on low incomes and first time buyers. This, coupled with a shortage in the supply of affordable housing, presents a particular challenge for the Island, which is accentuated by physical severance from the mainland housing markets<sup>52</sup>.

This has clear implications for the economic roles that different places in the Solent play. For instance, highly skilled jobs, which are concentrated in the two cities, are likely to be taken by people living in the more rural areas where larger more valuable housing is found with lower skilled workers housed in the urban core.

In common with other areas in the South however, there are affordability issues in relation to market housing for purchase, although these are less severe than elsewhere in the South East reflecting some relatively low priced areas around the Solent. The study also reported a strong demand for affordable rented housing. It indicated a changing mix in the demand for housing towards smaller units in the affordable sector and 2-3 beds in the market sector. The consultants concluded that this is driven by an ageing population although previous PUSH studies have also shown a need for more executive provision.

The various constituent parts of the two PUSH HMAs play a somewhat complimentary relationship to one another in respect of housing mix. In the two cores of Portsmouth and Southampton (and to a lesser extent Gosport), the housing offer is focused towards smaller properties, serving professional, small family and student markets. The more suburban and rural areas provide the "family" offer within the Solent LEP area, in particular parts of East Hampshire, Test Valley and Winchester, all of which have high representations of properties with three or more bedrooms.

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<sup>48</sup> Analysis for Anchoring Growth has shown that in the decade between 2001 to 2011, 43,530 houses were completed in the Solent area with 19 per cent located in Portsmouth and Southampton and 53 per cent located in urban areas (Department for Communities and Local Government)

<sup>49</sup> Centre for Cities (2013) *Cities Outlook 2013* London: Centre for Cities Centre for Cities (2013) *Cities Outlook 2013* London: Centre for Cities

<sup>50</sup> An average dwelling in the Solent area cost £236,800 in 2011, compared to £276,900 in the South East

<sup>51</sup> More specifically, 86 per cent of housing in Southampton was in Council Tax Bands A to C in 2011 – the bands which lower value housing falls into. In contrast, only 41 per cent of housing in Winchester falls into these bands while 12 per cent fell into bands G and H – the bands which the highest value housing falls into (Figure 20).

<sup>52</sup> *Isle of Wight Core Strategy (including Waste and Minerals) and Development Management Development Plan Document*, March 2012

The SHMA indicates that around a quarter of affordable housing need within the Solent LEP area could be met through provision of intermediate housing, with three-quarters of the need for social or affordable rented homes. Within the rented element, the assessment favours social rented provision; however, this will clearly need to be balanced against viability and the realities of funding for affordable housing. The projections for housing mix are driven by long-term demographic factors, namely ageing population. Over the last decade the analysis points towards a modest shift in the housing mix towards smaller properties, but also a growth in private renting in particular. In Portsmouth and Southampton owner-occupation has fallen; and there is potentially some case for seeking to diversify the housing mix to offer a greater supply of family homes.

The three Universities in the Solent Region have the potential to regenerate whole areas and address housing stock issues. Large scale student accommodation, combined with retail and leisure facilities, have made a significant difference to our cities. New accommodation contributes to LEPs' housing plans by freeing up housing stock in the cities. This is a cheaper and faster way to generate housing stock than new build. A University presence also enhances land values and brings life and spending power to areas. Finally, they act as an anchor tenants enabling space for and attracting tenants to offices and small scale manufacturing. The Solent LEP will seek to support University acquisition of land where appropriate; support enabling works on potential sites such as development of transport infrastructure, power supplies and flood defences. Therefore the Solent LEP would welcome inclusion of a University scheme in the Itchen Waterside master plan currently under development.

The South Hampshire Strategy (referenced above) also sets out plans for the delivery of net additional office floorspace and 550,000m<sup>2</sup> of net additional manufacturing and distribution floorspace between 2011 and 2026, across the mainland area of the Solent.

The South Hampshire Strategy (2012) states that:

- Portsmouth and Southampton will be dual focuses for investment and development, as employment, business, retail, entertainment, higher education and cultural centres for the sub-region. The other towns will play a complementary role serving their more local areas. Portsmouth and Southampton will also be a major focus for residential growth, alongside these other areas.
- Until around 2015, development should be concentrated on sites within urban areas and existing greenfield allocations. Therefore, from 2015, development should be concentrated on urban sites, such as Welborne and in urban extensions.
- The timing and phasing of major development in greenfield locations should not detract from/compromise development in the cities and other existing urban areas, subject to this not resulting in major economic development being lost from South Hampshire.

Portsmouth and Southampton have latent potential and ambition for regeneration and growth, tempered by recognition of the need to address transport issues, improve the public realm, and further raise the profile of the two cities in the eyes of national/international visitors and investors. Both cities have achieved significant regeneration successes in recent years and there is an outstanding portfolio of major projects in the pipeline. This dual city-focus will be complemented by regeneration and development within the other urban areas where there are also exciting regeneration opportunities. In many locations this will involve mixed use development at high density, which must nonetheless be to a high standard of design and enhance the "quality of place". Regeneration in some areas will need to be accompanied by improved flood defences, but new development can help provide funding towards the necessary improvements.

Enhanced retailing, cultural and entertainment facilities have an important role in urban regeneration while traffic management, public realm improvements and green infrastructure will be critical to achieving enhanced urban environmental quality. Research has demonstrated the benefits of green infrastructure within urban areas. On the ground, Solent has a wide range of commercial property, including business and sciences parks, high end office space, warehousing, incubation and start-up space.

Despite recent investment<sup>53</sup>, the future growth of the Port of Southampton is jeopardised by a lack of space for expansion and an insufficient road infrastructure which is creating congestion and delays, reducing productivity and discouraging inward investment. These constraints need to be removed, to enable the port to grow, from contributing £1.75bn to national GDP to a potential £2.9 billion by 2030<sup>54</sup>.

The Solent has the opportunity to take advantage of the rapid global growth in port-centric logistics, driven by companies seeking to shorten supply chains, reduce fuel costs, environmental impacts and delays caused by congestion. There is a lack of logistics port-centric facilities around southern UK Ports<sup>55</sup>. Studies commissioned by PUSH in 2008<sup>56</sup> and 2010<sup>57</sup> identified: a potential shortfall of 4,000,000 sq. ft. of warehouse and distribution space in South Hampshire during the period to 2026; and that the provision of suitable port-centric logistics sites could unlock up to 3,000 new jobs in the Solent and add approximately £150m p.a. in GVA. To compete with other ports, particularly the new DP World facility at Thames Gateway, the Solent needs to radically improve the supply of distribution and logistics space in the area.

A Strategic Flood Risk Assessment was commissioned by PUSH in 2007. It is vital that flood risk is minimised and that flood prevention infrastructure is provided and maintained. If possible, it is best to locate development outside of flood risk areas. However given the “cities first” approach (see above) to promote sustainable regeneration, substantial new development will be necessary within some flood risk zones. In these cases development should be sited and designed to minimise the risk of flooding, and contribute to strategic coastal flood defences where appropriate.

### Key sites for housing and employment in the Solent

The sites identified in Table 3 below require immediate support and will form detailed proposals within the Local Growth Deal Proposal.

**Table 3: Key Sites 2015-17 (see Annex 3 for more detail)**

Site	Description
Welborne	Welborne is a planned 6000 home development North of Fareham which will include 112,000sqm of employment floor space. It is being designed with a garden city theme and will include employment sites, schools and other amenities. Unlocking the site will require key infrastructure developments, unlocking both the housing and commercial development and triggering further private sector investment. The proposed infrastructure package will deliver new and improved strategic transport infrastructure (an all moves M27 Jct 10) which is essential to kick start development at Welborne as well as to enhance capacity and network resilience over a wider area.
North Whiteley	The North Whiteley Strategic Development is included in the Winchester City Council Local Plan Part 1. It is a strategic growth area which will provide 3,500 new homes and associated infrastructure. Support is required for a major new transport link serving both the proposed growth area and the existing community of Whiteley which at present has only one main highway access onto the M27. Deliver this important piece of infrastructure which will help to unlock this key growth area.
Marchwood military	The release of some of the 300-acre MOD owned Marchwood Sea Mounting Centre in Hampshire, with excellent rail connections and wharfs, has the potential to unlock some

<sup>53</sup> Such as a new five-storey flat deck car storage facilities for export vehicles

<sup>54</sup> Economic Impact of the Port of Southampton, Atkins, 2011.

<sup>55</sup> Latest trends in global trade and the business case for Port Centric Logistics – MDS Transmodal (2011)

<sup>56</sup> Partnership for Urban South Hampshire – Property Requirements for Logistics and Distribution, Roger Tym & partners, Lambert Smith Hampton and MDS Transmodal (2008)

<sup>57</sup> PUSH Employment Sites & Premises Demand and Supply Analyses, DTZ, (2010)

port	maritime growth across Southampton's waterways. It is recognised that the MOD are looking at the dependency of the military in relation to a continued presence at the site alongside possible space for commercial use. The conversion of commercial space at Marchwood may come forward as part of any disposal proposition.
Dunsbury Hill Farm	Adjacent to Junction 3 of the A3(M) is a 13 hectare development area identified to develop a large employment scheme. The proposal is to develop a 'state of the art' employment scheme which will enhance further, the economic prosperity of South Hampshire. The development, formerly known as Dunsbury Hill Farm will create a high quality business and technology park of regional significance. A new access road through proposed to unlock strategic employment site.
Solent Enterprise Zone	A first phase of development of the Solent Enterprise Zone is underway . Further phases of development are now being planned and will generate further momentum. A significant new initiative is to plan a comprehensive master planned development of the Gosport Waterfront likely to be launched in 2014 but delivered from 2015/16 onwards, designed to exploit the maritime setting of the Zone. Off-site road improvements are being made to deliver better linkage between the M27 and the EZ, however, transformational action is required which will provide a new alternative route to the Gosport Peninsula to relieve the extreme congestion of the existing main road link from the motorway, the A32, including: the Stubbington Bypass and improvements to the southern section of Newgate Lane.
Locally designated Enterprise Zone on the Isle of Wight	A significant area of the Isle of Wight has been provisionally designated as an Assisted Area within the current review and hopes to have that confirmed later this year. A supply of ready sites, preferably with suitable incentives, are vital for an area to make best use of the status. We propose to designate a portfolio of sites for a local Enterprise Zone within Cowes and East Cowes and establish an Isle of Wight Infrastructure expansion fund to assist companies coming forward with suitable investment which will create badly needed jobs on the Isle of Wight. The scheme will combine with other schemes to provide a comprehensive package to support the growth of the key strategic Solent industries of marine, aerospace, renewable energy and advanced manufacturing on the Isle of Wight.
Itchen Riverside	In order for Southampton to remain a viable and prospering City, the increasing risk of tidal flooding must be managed and reduced in a strategic, co-ordinated and sustainable manner. There are currently 848 residential properties and 509 commercial properties at threat from a 1:200 year (0.5% AEP) event. One of the priority schemes within the Southampton Coastal Strategy (2012) is implementation of an interim height floodwall from Mount Pleasant Industrial Estate to Ocean Village to provide protection up to 2060, combined with land raising on those areas available for redevelopment (Former Meridian Studios and Town Depot).

In addition, the following sites set out in Table 4 below are sites that are strategically important to the delivery of this Plan over the period to 2020. These sites are unlikely to come forward before 2017 as preliminary work is being undertaken to unlock their potential and is being supported by the Solent Local Growth Fund.

**Table 4: Future Pipeline of Sites in brief (see Annex 3 for more detail)**

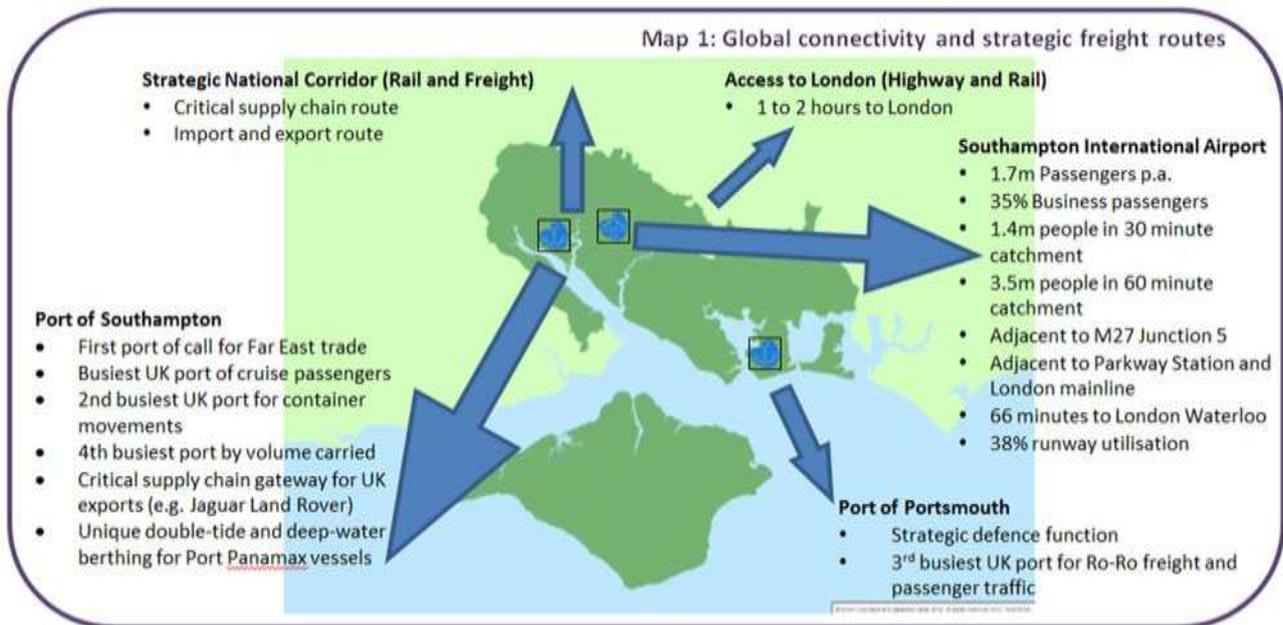
Site	Description
Ford Site , Eastleigh Riverside and Southampton Airport	The former Ford site together with the entire Eastleigh Riverside, including Southampton Airport is an important area for future employment growth. The redeveloped site will provide a prestigious and attractive new gateway to the city of Southampton and provides a rare opportunity to attract a major new employer to the city with the aim to provide for a new development that provides high quality employment accommodation.
Royal pier	Southampton's Royal Pier project is a major mixed use waterfront regeneration scheme. The provision of an infrastructure forward funding package, land reclamation will unlock an enlarged site which will provide a multi phased development. This releases the existing vehicle ferry site for higher value uses as the first construction phase of the development and provides a catalyst for the wider schemes.
Gosport Waterfront	The Gosport Waterfront overlooking Portsmouth Harbour is identified as a priority site in the Solent Strategic Economic Plan as it includes a number of areas where there is an opportunity to intensify employment generating uses, particularly marine –related employment due to the opportunities to access deep water.
Itchen Riverside	Southampton's Itchen Riverside Regeneration project covers an area of 105 ha and nearly 9 km of river frontage on both sides of the River Itchen, from Centenary Quay northwards to the former Meridian Studios site at Northam Bridge. A draft Master Plan is currently being prepared that will underpin an integrated whole place approach to the regeneration and economic growth of the Itchen Riverside.
Trafalgar Wharf	There are currently around 400 dwellings at risk of tidal flooding within this flood cell. The existing defences between Port Solent and Portchester Castle provide some protection to these properties, but only to a relatively low level (1 in 10, or 10%). Portsmouth City Council has identified potential for marine employment and manufacturing development as well as new homes on the Trafalgar Wharf site within this flood cell. In order to comply with planning policy, development of this site would require the improvement of flood defences across the entire flood cell to prevent outflanking, and to a higher standard (1 in 200 or 0.5%) than that which could be justified to protect existing properties.

### Connectivity and enabling economic growth

The mainland Solent LEP area is the most urbanised area in the South of England outside London and sits at the foot of the strategic rail and highway freight networks. It has a complex geography which, whilst giving the area its unique character, provides both opportunities and challenges with regard to the economy. Unlike many areas which tend to have a single key centre, to which most trips gravitate, the Solent has two large cities – Portsmouth and Southampton – and a constellation of large towns, which make for complex transport movements. Constraining these transport movements is the coastal and riverine geography of the area, which effectively divides the area into three islands (Portsea Island, Isle of Wight, and Hayling Island) and two peninsulas (Gosport / Fareham and Waterside).

Overlaid on to this complex geography are the three International Gateways of the area: The Port of Southampton and Port of Portsmouth (including the Commercial Port and Naval Dockyard) provide the anchor points for our globally leading marine and maritime sector and defence cluster, whilst Southampton International Airport specialises in provision

for business passengers. Together, these International Gateways play a crucial economic role in providing global connectivity to markets for businesses (as shown in the map below) in the Solent and the wider regional and UK economies, and so generate significant volumes of both local and strategic movements. Indeed, within this densely populated area, over 3.2m person trips start and/or finish each day, with just under 2.8 million of these contained within the Solent. The majority of trips (70%) are made by car.



This high level of urbanisation, the presence of two large cities, the role of the three International Gateways in connecting the UK with global markets, and the challenges imposed by the unique geography make for complex and exceptional demands from the transport networks.

The M27 connects Portsmouth with Southampton, yet operates near or at capacity at certain sections at peak times. This relates to the roles it performs as a local distributor road in this highly urbanised area, the close proximity of junctions, as well as its strategic role (particularly for the time sensitive and growing Port-related traffic). This results in unreliable journey times and is impacting on the competitiveness and productivity of the Solent economy. The M27 should be an asset, but is acting as a constraint on economic growth.

Congestion on the M27 has been identified by businesses as a key constraint on their competitiveness and productivity, and businesses in Portsmouth have reported difficulties in recruiting skilled labour from the western part of the Solent area as a direct result of poor connectivity.

The Ports have identified congestion on the M27 and M3 as key constraints on their operations. Portsmouth Commercial Port is the third busiest Ro-Ro passenger port in the UK, with 1.88m passengers per annum. The adjacent Naval dockyard will see significant change over the next few years with the arrival of two QE Class aircraft carriers, their crews and the myriad private sector supply chain requirements. Excellent and reliable motorway access will be essential to support the access demands required for the servicing of these ships.

The Port of Southampton has specific geographic advantages. These include its proximity to the key Shanghai to Rotterdam sea freight route. Southampton is the closest UK Port to this route and is the first Port of call on this route. The Port benefits from a deep-water channel and a unique double tide, providing longer berthing windows and is currently investing £150m to future-proof container handling infrastructure. It is seeing massive growth across its key sectors: Container handling is forecast to increase 95% between 2005-20 and the cruise sector through the Port of Southampton has seen year on year growth since 2000. Southampton is, by far, the UK's leading hub for cruise

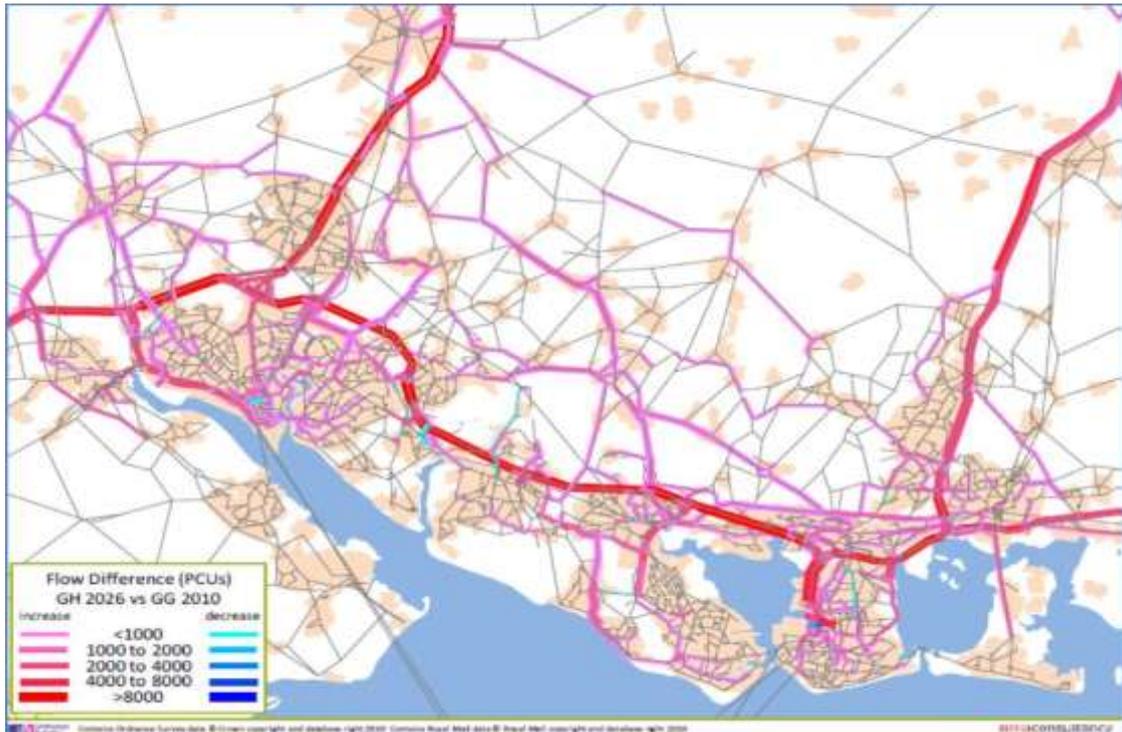
passengers, with almost 1.5m passengers per annum (81% of total cruise passengers in the UK). Each docking is worth £1.25 million to the local economy. In addition, it is recognised that the Port is not only a major economic asset for the Solent, but is also a national asset supporting the growth of other economic sectors in the UK, such as UK car manufacturing. Indeed, the Port is the export hub for UK car manufacturing, with the number of automobiles handled at Southampton rising by 72% between 2009 and 2012, when the port handled 31% of UK car exports, more than any other port in the UK. The Port is forecasting a 30% rise in car traffic over the next three years, with volumes rising to 1,000,000 units by 2017, much of which flows through the congestion hot-spot at Junction 9 of the M3.

Junction 9 of the M3 is located just outside the Solent LEP area, within the Enterprise M3 LEP area. It is a strategic junction connecting two key routes on the Strategic Road Network (SRN), the M3 and A34, and is a key junction on the strategic freight route connecting the UK manufacturing heartland and distribution network in the Midlands with the global marketplace, through the Port of Southampton.

The Junction is demonstrably of strategic importance, with both local evidence and Highways Agency evidence confirming this, and plays a specific role in supporting UK exports. *The House of Commons Transport Committee published its finding on Access to Ports in November 2013 and found that there should be a presumption that significant improvements to access to ports - particularly improvements to strategic networks - will be publicly funded, because of the wider economic benefits of doing so.* Therefore, there is a requirement to provide significant improvements to reduce delays between A34 and M3 to improve access between the Solent area and Port of Southampton and other parts of the UK.

The significance of the Ports and their reliance on the strategic transport networks cannot be underestimated. Portsmouth Naval Base and commercial Port of Portsmouth create employment for 20,000 people and contributes £1.6bn of GVA, whilst the Port of Southampton creates employment for 15,000 people and contributes £1.26bn at the Solent level and £1.75bn at the UK level to GDP. To safeguard and grow these metrics, the strategic transport networks must be better utilised.

These strategic demands that will be placed on the strategic networks along with the demands brought about by planned housing and employment growth, if unaddressed, will strangle the Solent economy. The impact of forecast growth on the highway network in the Solent is evidenced in the map below, which shows the change in highway flows between 2010 and 2026 in the Solent area in the AM peak. All main roads see increases in traffic, with the motorway network showing significant increases in use.



Like the M27, the railway infrastructure is an asset, yet is acting as an impediment to economic growth. Rail must play a greater role in Portsmouth to Southampton connectivity, and in connecting Southampton International Airport with the east. However, rail is presently under-utilised as a consequence of its comparative speed to highway journeys and the low frequency of services. There is no direct connection between Portsmouth and Southampton via Southampton International Airport, which is restricting market penetration for the airport and the absurd situation whereby the journey times from Portsmouth to Southampton International Airport and Gatwick are comparable.

Southampton International Airport has 1.4m people within a 30 minute catchment and 3.5m people within 60 minutes and has the capacity within its existing footprint to play a far greater role in UK aviation requirements, given that the current runway utilisation is at around 38% capacity (based on current taxiway configuration) and it is just 66 minutes (via rail) to central London from the adjacent Southampton Parkway Station. The airport is now seeing sustained growth (1.7% in 2013), but the potential to build on this (particularly through market capture from the east) is severely constrained by the existing rail infrastructure deficit.

The overriding connectivity constraint within the area exists between Portsmouth and Southampton, which have underperforming economies, when compared to the South East average.

The geography and demography of the area, coupled with a dysfunctional transport network, results in significant barriers on Portsmouth to Southampton movements, which is reducing economic interaction between the cities, their businesses and the skills that businesses can recruit from within the area. This inflates the costs of businesses operating within the Solent and, on the demand side, restricts access to a skilled labour pool, and on the supply side, restricts employment opportunities.

Despite being just 20 miles apart, the journey by road between Portsmouth and Southampton takes over 45 minutes in the peaks (double the off-peak journey time), whilst journey times by rail take between 45 and 65 minutes, with only two to three direct connections per hour and two services requiring a transfer in Fareham. Likewise, it takes between 49 and 68 minutes to get to Southampton International Airport from Portsmouth (including one change). To place this in perspective, Nottingham and Derby are 16 miles apart but rail journey times between the two cities range between 23 minutes and 37 minutes, Newcastle and Sunderland are 15 miles apart, yet rail journeys between the two cities take between 18 minutes and 30 minutes. As a consequence economic interaction and labour mobility is far greater in these areas, providing evidence of the impact of under-performing rail and motorway infrastructure on the Solent economy.

The Solent has already recently witnessed devastating economic shocks and associated redundancies, with the closure of ship-building at BAE in Portsmouth (1,110 jobs) and of the Ford Transit plant in Southampton (500 jobs), as well as the loss of 300 jobs at the Polimeri plant in Hythe, to Scotland. The under-performance of the motorway and rail networks represents a real and immediate threat to more widespread losses, from which the economy may take decades to recover.

A study by Atkins<sup>58</sup> estimated a total cost of congestion of up to £0.4 billion per annum in Hampshire and £0.1 billion per annum in each of Portsmouth and Southampton. These forecasts suggest that the impact of congestion in eroding productivity potential will be greater in the Solent than the South East average, indicating that the 'loss' of potential GVA would be at least 1.3% by 2025.

Furthermore, the role of the Solent as an international gateway, providing connections between the UK and international suppliers and markets, means that the impacts of congestion in the Solent area have much greater significance. In addition to the 'direct' impacts of congestion on driver time and fuel costs, there will be wider impacts on logistics scheduling, business costs and overall competitiveness of the UK economy.

Increasing levels of congestion in the Solent area will also constrain future job creation. Previous work for Solent Transport<sup>59</sup> demonstrated that, if there were no worsening of travel conditions, there would be growth of around 44,000 jobs between 2006 and 2026, from a base of 435,000 jobs in the defined study area. However, if there were no investment in the transport network (i.e. travel conditions worsen from existing) only 36,000 jobs would be created. This shortfall in future job creation would be equivalent to around 1.7% of future output.

Whilst improvements to the M27, at Junction 9 of the M3 and on the rail network will undoubtedly have a transformational impact on the Solent economy, it is imperative that all transport networks work together in an integrated way. In the Solent context this includes ferry services, in particular, between the mainland and the Isle of Wight. Strong connectivity of the Island with the mainland and onward via the strategic road and rail networks is imperative to support economic growth on the Island. This is critical to safeguarding and supporting the growth of the Island's visitor economy and marine and maritime sector. With regard to the latter, improved access to the world class marine research facilities on the mainland and improved agglomeration through improved connectivity will be essential.

It is our ambition to have an integrated transport network that enables forecast growth at our three International Gateways as well as at key housing and employment sites. Therefore, better utilisation of the M27 and the rail network, as well as investment at Junction 9 of the M3, will undoubtedly have a transformational impact on our local economy, as well as having wider benefits for exporting businesses across the UK.

### **Developing a Pipeline of Transport Capital Infrastructure Projects**

In accordance with the Local Growth Deal Guidance and our determination to realise early economic growth through the Local Growth Deal, our proposals focus on unlocking and accelerating, in the early years of the Plan period, those key development opportunities that are ready to go (Welborne and North Whiteley) and that are in train (Solent Enterprise Zone).

However, as set out elsewhere in this Plan, we have a pipeline of strategic development sites that will require capital investment in transport infrastructure to realise their potential and unlock private sector leverage, new jobs, new housing and new employment floorspace. There will be an on-going requirement to support our three International Gateways at the Port of Southampton, Port of Portsmouth (including the Commercial Port and Naval Dockyard), and Southampton International Airport and its adjacent strategic development sites at Ford and Eastleigh Riverside. These three International Gateways and the two large cities will experience significant change going forward. This could be driven by growth opportunities linked to potential land release at Marchwood Military Port, the ambition to unlock further

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<sup>58</sup> Economic Costs of Congestion in the Regions, Atkins, April 2008, available at [http://www.ied.co.uk/images/uploads/Economic\\_costs\\_of\\_congestion\\_-\\_final\\_for\\_issue\\_tcm9-35329.pdf](http://www.ied.co.uk/images/uploads/Economic_costs_of_congestion_-_final_for_issue_tcm9-35329.pdf)

<sup>59</sup> Solent Transport (2013) Transport delivery Plan. Available online at: <http://www3.hants.gov.uk/tfsh/tfsh-what-tfsh-does.htm>

development around Royal Pier, the Ford / Southampton International Airport / Eastleigh Riverside South Hub, and the arrival of the new QE Class Aircraft Carriers in Portsmouth from 2017.

Alongside this, there is the continuing need to support infrastructure on the Isle of Wight, particularly in key areas of economic activity such as in Newport.

On this basis, we have outlined an indicative pipeline of projects in Annex 4 and a forecast of funding requirements. Through our annual business processes we will bring forward advanced business cases to support these funding asks as part of the Local Growth Deal process, commencing later this year.

## Valuing our natural resources

Climate change, rising energy prices, the fragility of food supplies, and the need to reduce carbon emissions are global issues, but in addition Solent faces a unique combination of specific environmental constraints and challenges. With some 270 kilometres of coastline, Solent contains some of the most vulnerable communities in England in terms of flood risk. Predicted sea level rise will increase these risks. In addition, there are river floodplains with a risk of surface water flooding and areas that are susceptible to groundwater flooding. Solent is officially designated as an “area of serious water stress” where current and future household demand for water is a high proportion of the available freshwater resources and thus there is a need for water efficiency measures. Water metering has been proven to reduce water consumption.

It is vital to ensure that development in the Solent does not have an adverse impact on the internationally important rivers and coastal waters. There is little or no “environmental capacity” left in the receiving waters to accommodate additional loadings of pollutants. Thus all potential sources of pollution from the urban development planned need to be managed to minimise their impact on the environment.

Partners in Solent are thus committed to:

- reduce the level of flood risk to existing properties by providing and maintaining flood defences, and ensure that new development is located and designed to minimise the risk of flooding;
- manage demand and reduce over-abstraction of water from South Hampshire’s rivers and aquifers through measures to secure more careful consumption of water, with the target of reducing consumption to under 130 litres per person per day by 2030;
- ensuring that impacts on the Solent’s protected coastal sites are mitigated.

It is important to value and protect our natural assets and where necessary invest to improve them. Examples include: Investing to improve the ecological status of our rivers; protecting the quality of our water from sewerage capacity constraints; protecting our precious groundwater aquifers ( that supply drinking water to the communities in and around the Solent ) from groundwater pollution and water resource pressures; investing to protect infrastructure and businesses from the impact of climate change e.g. flood risk and increased water stress; considering the business opportunities presented by our woodlands e.g. the prevention of tree disease, green infrastructure, renewable resources, commercial recreation and helping improve flood risk management and water quality; and, considering the marine environment on any port related investment.

**Shoreline Management Plan (SMP)** - A Shoreline Management Plan (SMP) provides a large-scale assessment of the risks associated with shoreline evolution, coastal flooding and erosion and presents a policy framework to address these risks to people and the developed, historic and natural environment in a sustainable manner. Based on the figures taken from the North Solent Shoreline Management Plan it is estimated that somewhere in the region of over £400,000,000 will have to be spent on coastal flood defences across the Solent ensuring they continue to protect our communities.

***Flood and Coastal Erosion Strategies*** - The coastline of the Solent has been subject to almost contiguous ribbon development. The main urban centres on the coast are at Portsmouth, Gosport Waterfront and Southampton Itchen riverside. All will need significant flood risk infrastructure investment. Future management of the entire stretch of coast in the Solent including the IOW is informed by recommendations from Flood & Coastal Erosion Strategies.

**Key Regeneration Sites, 2014-2021** - The Solent coastline is vulnerable to flooding. The risk of flooding will increase over time as a result of climate change and sea level rise.

The Solent area is one of high environmental importance. It borders on two National Parks – the New Forest and South Downs - and contains internationally important wetlands and chalk stream habitats. The environment – and especially the coastline - is one of Solent's unique selling points and its protection is critical to the quality of life of residents and to the visitor economy. It is a priority area for Natural England which typically requires development to create offsetting open space to mitigate pressure on environmentally sensitive areas. It is also seeking better management of such areas in order to reduce environmental impact. Solent LEP authorities have consequently planned collectively for sustainable development and have put in place a Green Infrastructure Strategy. This Plan proposes a strategic solution to the Natural England's concerns and contribution of £1.5 million to secure the permitted development of 13,500 without delay.

One of the key considerations for local authorities in planning for future development is the impact on international ecological designations. The development proposed in South Hampshire up to 2026 is taking place close to three Special Protection Areas (SPAs): Solent and Southampton Water; Portsmouth Harbour; and Chichester and Langstone Harbour. Planning authorities have a duty under the Habitats Directive to assess the impact of development on these sites. Where there is likely to be an adverse impact, mitigation will need to be achieved for that development to go ahead.

To address this issue, the planning authorities within the Solent LEP area have been working closely with Natural England (NE) to develop a strategic solution: the Solent Disturbance Mitigation Project (SDMP). Work has now been completed, comprising a desk based review of the available literature, surveys of the area and a report on the scope of the potential mitigation measures. Natural England (NE), having reviewed the research, advised that the likelihood of a significant 'in combination' effect arising from the new housing development around the Solent could not be ruled out. The key issue identified was the impact on over-wintering wildfowl arising from the recreational use of the Solent.

Figure 6: Map of Strategic Development Sites

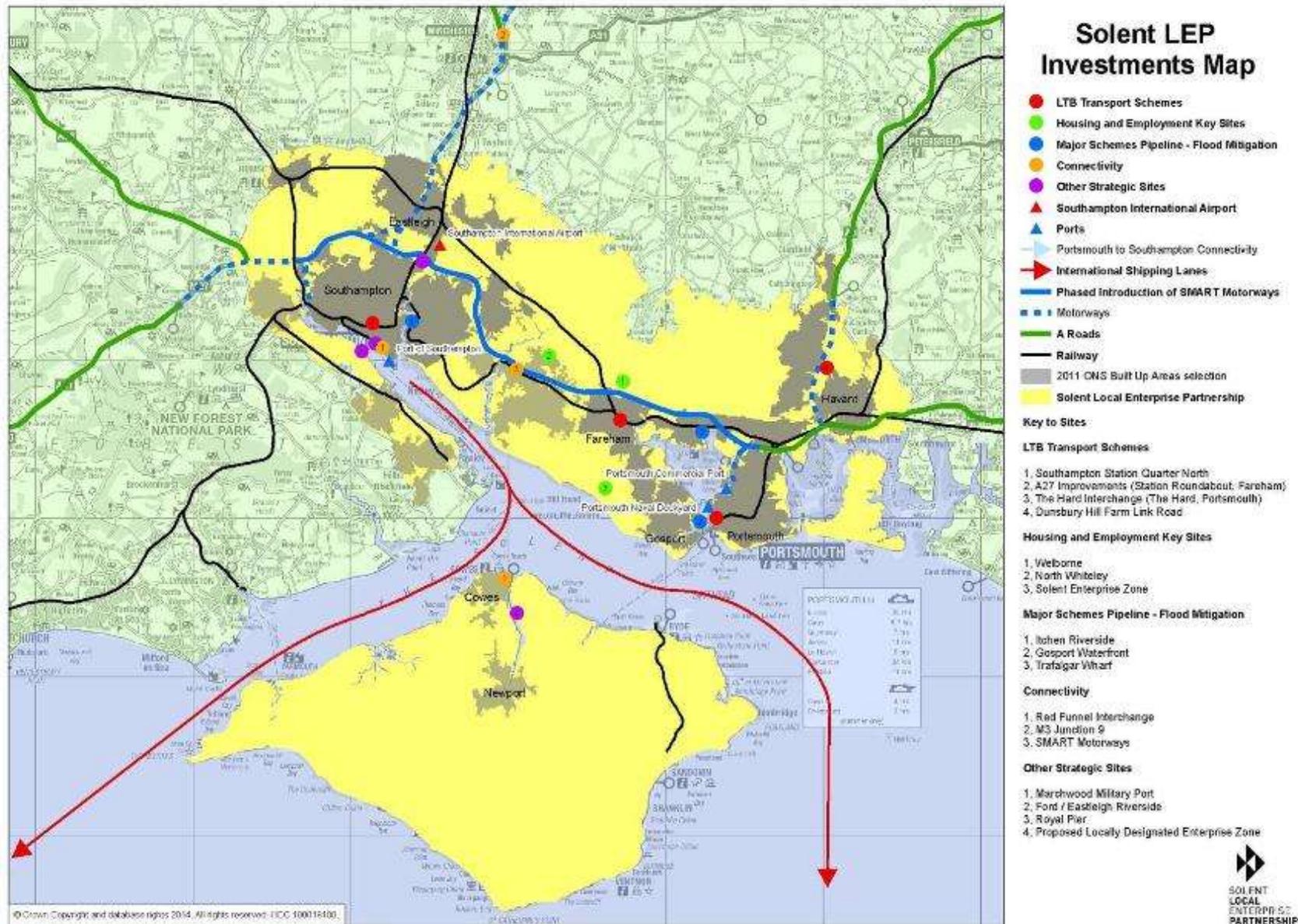
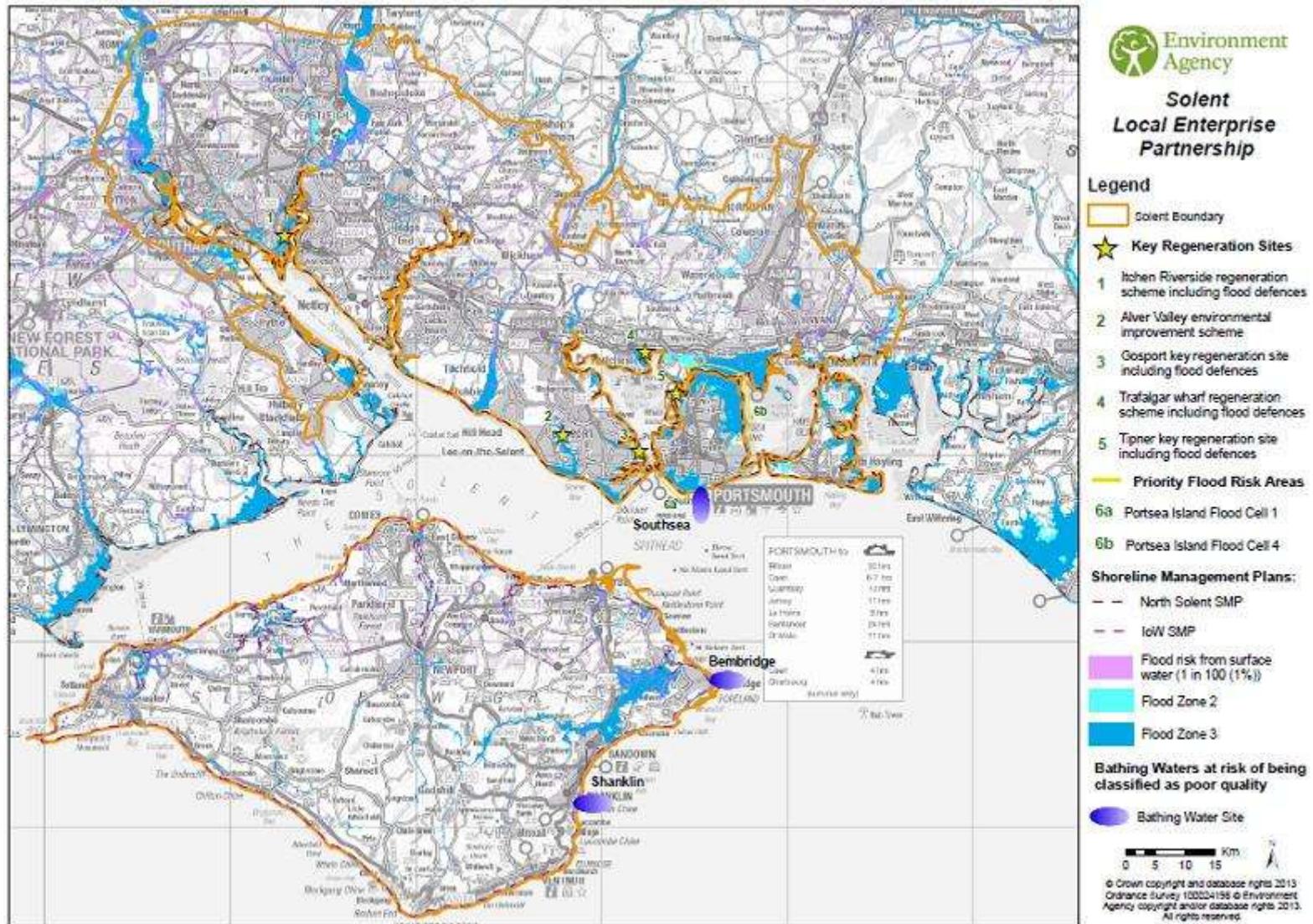


Figure 7 Map of Regeneration Sites and Flood Risk



## Objectives

A key priority for the Solent is investment in infrastructure including transport, housing, flood risk mitigation and high speed broadband, which are required to unlock development sites in the area in order to deliver growth in employment supported by an appropriate level of housing. The Solent LEP is also output-driven and is dedicated to delivering improved coordination of private and public investment in transport, housing, skills, regeneration and other areas of sustainable economic development. Our key objectives are therefore to:

- working with PUSH, plan for sustainable development across the Solent area, deliver sufficient housing to meet needs, and deliver commercial development opportunities in order to underpin the sub-region's economic growth;
- use housing and commercial development to support the cities of Portsmouth and Southampton and the wider area to help deliver their economic potential;
- align the provision of housing with housing needs as far as possible and seek to deliver commercial floorspace which helps meet market demand;
- improve strategic connectivity as well as connectivity to open up access to strategic sites;
- maximise and protect our natural assets and opportunities, including marine/maritime strengths;
- valuing our natural resources work is a critical component to the delivery of our Plan and we will work cooperatively across the LEP area to address development constraints and mitigate environmental concerns.
- open up land for private sector development in order to rebalance the local economy away from dependence on the public sector.

Our immediate aim is to deliver infrastructure improvements that will secure delivery of tangible outputs in the short term and which will align with other funding streams to create a larger impact. In the longer term, our objective is to prioritise investment and create a portfolio of potential projects in order to secure a planned approach to unlocking sites for future housing and employment in the Solent area.

## Priorities for Action

A key priority for the Solent is investment in infrastructure including connectivity, transport, housing, flood risk mitigation which are required to unlock development sites in the area in order to deliver growth in employment supported by an appropriate level of housing. We will continue to plan for infrastructure development in a concerted manner across the Solent LEP area:

- **Through the Local Growth Deal in the period commencing 2015 -17 we will bring forward a pipeline of sites** which will unlock space for housing and employment floorspace. Two flagship projects have been prioritised: the first at **Welborne**, and the second flagship project will be the development at **North Whiteley** (part of the Winchester City Council Local Plan). We will provide funding for a major new transport link

serving both the proposed growth area and the existing community of Whiteley. We will seek to improve access to the **Solent Enterprise Zone** and the Gosport Peninsula. Through the Local Growth Deal and the Marine Supplement we will also seek resolve the leasehold of the **Marchwood** site by the end of the year, to the economic advantage of the area (see Table 3 above).

- We will also seek the powers to take greater control of available land for development, through the establishment of local asset management arrangements and we will seek to establish a **Solent Land and Property Panel**, including local and Governmental representation. The aim will be to provide a vehicle to develop a more joined up and strategic approach to the management of all public sector property assets in the Solent.
- We will enable future development at key sites from 2017-2020, including: **the Ford Site; Eastleigh Riverside; Southampton Airport; the Royal Pier and the Isle of Wight self designated Enterprise Zone** (see Table 4), with the support of the Local Growing Places Fund (see below).
- Through **flood mitigation** activity we will release sites for development employment and housing, and protect existing development and homes at **Trafalgar Wharf, Itchen Riverside and Gosport Waterfront**. In order to secure delivery of projects in the pipeline, the Plan will need to provide for environmental mitigation through the implementation of additional green infrastructure and the **Solent Disturbance Mitigation Project**.
- We will accelerate the pace of local authority housing development, adding to their housing stock by seeking a relaxation under the **Housing Revenue Account (HRA) borrowing cap** over the period 2015/16 and 2016/17.
- Through the Local Growth Deal we will deliver **Local Transport Board Majors**, supporting prioritised investment in Dunsbury Hill Farm<sup>60</sup>, the Hard Interchange at Portsmouth, Southampton City Station Quarter and the A27 corridor improvement at Fareham,<sup>61</sup>.
- Through the Local Growth Deal we will seek to secure the **Red funnel Scheme** which will remove the capacity constraints of the ferry operation between East Cowes and Southampton, enabling developments of a significant size on both sides of the Solent. We will seek to **improve Portsmouth- Southampton (East-West) connectivity** in the Solent area to reduce journey times, increase capacity and frequency, relieve pressure on highway network and provide direct access from the East to Southampton International Airport. We shall seek the acceleration of the M27 Managed motorways valued in the region of £50-£70m to improve capacity and journey time reliability on Solent motorway network and seek major improvement to **M3 Junction 9** that enables the free-flow of traffic south-bound from the A34 to south-bound on the M3.
- We will support the delivery of sites under the **Southampton and Portsmouth City Deal** providing suitable employment sites for Southampton and Portsmouth's growing marine, maritime and advanced manufacturing sectors by unlocking two sites in the Solent - **Tipner-Horsea Island** in Portsmouth and **Watermark West Quay** in Southampton.
- A **Solent Growing Places Fund** is stimulating growth by investing in infrastructure and development to support the area's economic and investment priorities and aims to build on this to unlock private sector development and investment stalled as a consequence of the economic downturn and market failure.
- Establish a **Solent transport resilience fund** (through pooled LTA funding and the Local Growth Deal) to maintain programmes of highway and rail networks and to ensure that their capacity, operation or safety is not compromised.

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<sup>60</sup> Key employment site adjacent to the A3 (M), in close proximity to the City of Portsmouth

<sup>61</sup> A report undertaken by Atkins November 2013 has identified the need to prioritise improvements in rail connectivity between the two cities and the importance of looking at managed motorways to facilitate traffic flows on the M27.

## 6. INWARD INVESTMENT

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*“Establishing a single inward investment model, to encourage companies to open new sites in the region supported by effective marketing”.*

There is a strong relationship between foreign direct investment (FDI) and economic growth. Larger inflows of both UK and foreign investments will be needed if the Solent is to achieve a sustainable high trajectory of economic growth. There are many conditions that have to be put in place to attract inward investment, not least of which is an attractive investment climate.

FDI brings with it the advantages of advanced technology, management practices and assured markets, and, in due course, there is a technology transfer as the local workforce gains knowledge of the manufacturing processes and management practices. FDI contributes to foreign exchange earnings, employment creation and increases in incomes, especially of skilled and semi-skilled workers in these industries.

The economic downturn has led to fierce competition for ‘mobile’ investment between locations. Recent estimates indicate circa 10,000 Investment Promotion Agencies (IPAs) are competing for a declining pool of projects. Global project numbers are close to falling below 10,000 for the first time since the middle of the last decade and the economic uncertainty since the credit crunch five years ago continues to cast a shadow over FDI numbers. At the same time Solent’s competitors are getting their message out there in a more proactive manner.

Research undertaken for the Solent LEP found that the number of projects fluctuates annually, but the Solent is attracting about 2% of all FDI projects entering the UK (Apr 2012 to March 2013) and only 1% in terms of jobs created and safeguarded due to inward investment in England (excl. London). Based on working population these figures should be proportionately nearer 3%. There are recognised sectoral strengths in Software and IT Services and Advanced Engineering and as the UK FDI pot is projected to increase, this will open up possibilities for the Solent to benefit but the prize could be greater. In summary, our research shows that Solent is ‘punching below its weight’ in terms of FDI performance. Thus, capturing a greater proportion of FDI coming into the UK has to be the goal.

Currently, Southampton is ranked 21st, and Portsmouth, 66th in the list of areas attracting inward investment. If we look at performance across the LEP network Solent is performing well below average amongst all LEPs based on two measures of success for inward investment: the proportion of projects; and, the proportion of jobs.

In terms of jobs created and safeguarded due to inward investment per 100,000 *economically active* in working age population (aged 16 to 64), Solent is performing well below the average, ranked 26 out of 38 with a figure of 0.07 jobs per 100,000 people from FDI compared to an average for all LEPs of 0.20.

In terms of projects due to inward investment Solent performance is little better. Here Solent is ranked 18th out of 38 with a figure of 22.2 compared to an average for all LEPs of 26.7. To contextualise Solent’s performance further, comparison has been made against similar LEPs. Similar LEPs are considered to be those with a mix of cities/towns and a significant rural mix in their geographies. In terms of jobs created and safeguarded due to inward investment per 100,000 working age population (aged 16 to 64). Solent is ranked 13 out of 16 with a figure of 0.07; average for a "Cities-Rural" LEP is 0.24. In terms of projects due to inward investment Solent performance is better and is ranked 8 out of 16 with a figure of 17; average for a "Cities-Rural" LEP is 19.

The Solent has many compelling selling points but our competitors are making the same case and investing in supporting that. The fact that key competitors appear to be attracting more investment indicates that their strategies

may be leading to that success. This assessment points towards a required step change in delivering FDI in Solent. With competitor regions enhancing their proactive investment attraction efforts, Solent risks being left behind by continuing to deliver on a predominantly reactive basis.

A wide range of 'players' currently operate in the economic development/investment promotion space in the Solent sub-region. As the local landscape has been changing in recent years with the abolition of SEEDA and the emergence of Solent LEP, collaborations have emerged, some formal and some less formal, between stakeholder organisations, operating somewhat organically with channel-to-market linkages being established as an overlay on prior circumstances. There are some advantages to this approach: it is very flexible and can be re-shaped to deliver different outcomes quickly and respond to changing circumstances; and, there are few barriers to establishing necessary interactions.

However, the lack of structure in these arrangements can lead to confusion and gaps in strategic delivery and confusion in the marketplace. The boundaries of individual and collective responsibility also lack clarity and this means that accountability can be too dispersed, relying instead on diligence and commitment. At the same time core operational resource requirements may be overlooked or not addressed and the current arrangements depend heavily on effective networked IT systems. Our advice, based on experience of success in other regions is that the current operating model is sub-optimal.

The proposed solution is one where all the good work that is ongoing in the region is coordinated into one organisation with an enhanced remit to proactively attract FDI.

## Objectives

Our aim is to raise our profile as a destination for inward investment and to increase our ranking for inward investment. We believe that this is best achieved by:

- Establishing a single inward investment model to encourage companies to open new sites in the region and to support them with effective marketing.
- The development of campaign-based marketing around the Solent's key priority sectors. The supply-side "offer" from the Solent is hinged around high value adding sectors... Our priority sectors are clear – advanced engineering including aerospace and marine & maritime, extending to environmental technologies. Sectors such as aerospace and environmental technologies commonly represent greater opportunities in terms of expansion projects from existing investors and job creation and so generate significantly more long-term value for local economies.
- Building a strong local reputation that will allow the service to source leads locally, develop partnerships and funding for campaigns and ensure quality service provision for investors when referred.
- Effective account management of existing investors. UKTI data indicates that LEPs across England derive the majority of their projects and jobs from existing investors. Effective account management of these is recognised to be critical for the integration of companies into the local community and we are committed to supporting that approach.

## Priorities for Action

Our aim is to raise our profile as a destination for inward investment and to increase our ranking for inward investment and our priority for action is:

- The Solent LEP has signed a Memorandum of Understanding (MoU) with the Government's UK Trade & Investment service. This makes us the official local coordinator of inward investment opportunities and we have access, through our relationship with UKTI, to a host of national opportunities and we can help ensure businesses finds a suitable home somewhere in the UK.
- In September 2011, the inward Investment Board supporting the Solent LEP agreed a two-stage approach to the development of the inward investment service. During Stage 1, the emphasis has been on maintaining the gateway service and putting in place assets that will form the basis of Stage 2. The second stage, in close collaboration with UKTI, will involve the creation of an integrated public/private sector vehicle for attracting additional inward investment enquiries based upon improving world economic conditions. Achieving a step change for the Solent region, and to be seen externally as truly competitive on a global stage, will require us to have a far greater profile and reach, only possible with a delivery model with greater critical mass and impact.

- It is now appropriate and timely to take tangible action in moving towards Stage 2 and establish a single inward investment model to encourage companies to open new sites in the region and to support them with effective marketing. The Single Gateway platform is established and, while further development work is needed, is working effectively as a platform for consideration of future arrangements. In addition, the Solent LEP will require the Inward Investment structures to support the delivery of private sector-led growth and the emerging City Deal developments and the Local Growth Deal.
- The development of campaign-based marketing around the Solent's key priority sectors. The supply-side "offer" from the Solent is hinged around high value adding sectors... Our priority sectors are clear – advanced engineering including aerospace and marine & maritime, extending to environmental technologies. Sectors such as aerospace and environmental technologies commonly represent greater opportunities in terms of expansion projects from existing investors and job creation and so generate significantly more long-term value for local economies.
- Building a strong local reputation that will allow the service to source leads locally, develop partnerships and funding for campaigns and ensure quality service provision for investors when referred.
- Effective account management of existing investors. UKTI data indicates that LEPs across England derive the majority of their projects and jobs from existing investors. Effective account management of these is recognised to be critical for the integration of companies into the local community and we are committed to supporting that approach.

## 7. SKILLS

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*“Investing in **skills** to establish a sustainable pattern of growth, ensuring local residents are equipped to take up the jobs that are created and businesses can source the skills and labour locally to support economic growth”.*

Skilled people are essential to securing growth. Therefore it is vital that we create the best environment in which businesses can develop and train their workforces. We are investing in skills to establish a sustainable pattern of growth, ensuring local residents are equipped to take up the new jobs that are created and reducing the proportion of people with low or no skills is below the national average. We want Solent to be defined by aspiration and achievement, both of which are critical to our economic success both now and in the future. *Transforming Solent*, require a knowledge-rich and creative economy, one which will requires the highest levels of education in the entire workforce.

In March 2013, Greg Clark, Minister of State for the Cabinet Office, launched the Solent Skills Strategy which aims to support the development of a world-class workforce to drive our future economic success. Supported by a detailed evidence base, *Solent Skills Strategy Evidence Base Report*, (Marchmont Observatory (2013)), and backed by extensive consultation, it aims to ensure that Solent’s growth ambitions are supported by an employment and skills system which meets the needs of employers and individuals. The development of the strategy has been overseen by the Solent Employment and Skills Board and by a public/private steering group, both of which will now be responsible for overseeing the delivery of the Strategy.

The Solent area is very fortunate to have excellent education and skills assets, with three universities based in Solent, together with a network of excellent Further Education colleges, private learning providers and schools. They represent a major economic asset, providing a source of growing and highly-skilled employment, generating new businesses, supporting existing businesses and bringing significant revenues to the local economy. They also provide excellent capacity to deliver skills for the local economy. The Skills Strategy is also underpinned by new ways of working and new processes for collaboration between the key actors in the Solent LEP area.

### **Current skills deficits**

In 2011, around 2,300 local employers (5%) had at least one vacancy that was hard to fill, with a higher than average proportion of Skills Shortage Vacancies (SSVs) in Professional occupations (26%) compared with the national average (18%). 20% of Solent LEP employers (8,500 employers) currently report having a skills gap, with around 35,000 employees assessed as not being fully proficient in their jobs. This accounts for 5.3% of total employment and this has an impact in terms of business performance, with 16% of employers reporting a major impact.

Our skills strategy has identified a numbers of areas of skills mismatch, where skills supply does not reflect skills demand. Engineering and Manufacturing accounts for 9% of employment across the Solent LEP area and the supply of apprentices and HE students in this subject area is broadly balanced; however, given replacement demand in this sector, reductions in learners in this area is potentially problematic. Transport & logistics is a small but significant employment sector locally. Few learners are studying subjects allied to this sector. Retail, wholesale & customer services is the largest sector in the Solent LEP area, providing 15% of total employment in the sub-region. The sector is also closely aligned to the Transport & logistics sector which accounts for a further 4% of employment<sup>62</sup>. Uniquely, among large sectors, it accounts for very few FE and HE starts. Finally, Hotels and Restaurants (an approximation to the Hospitality & catering sector) accounts for 7% of employment locally but is not a particularly

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<sup>62</sup> A further 2% of employment is in the Wholesale, retail and repair of motor vehicles.

popular subject choice among young people or adults on FE courses or Apprenticeships and there may be an undersupply here.

### ***Higher level skills deficit***

45.8% of employment in the Solent LEP area is highly skilled, higher than the England average (44.1%), but below the average for the South East as a whole (48.3%). Higher-skilled occupations are forecast to add 56,500 jobs over between 2010 and 2020 and will comprise 48.5% of total employment in 2020. This shift towards higher-level occupations will generate rising demand for higher levels of skills and qualifications with an additional 35,000 jobs requiring a degree-level qualification by 2020. However, taking into account replacement demand due to retirement, it is estimated that 347,000 people will need to be recruited between 2010 and 2020 to meet expansion and replacement demand. Net requirements are therefore positive across all occupations, highlighting the continuing need for relevant skills provision even in occupations where overall employment levels may be falling. Even here, growth is skewed towards higher-level occupations.

But the Solent has a higher skills deficit. Whilst Solent has a higher proportion of its workforce qualified to Level 3 (22%) and Level 2 (23%) than is the case nationally, the Solent has a lower proportion of its workforce qualified to Level 4 and above (32%) compared to a national average of 34%. And whilst the trend is upwards, it is below the national average and there is a significant gap when compared with performance in the wider South East (that gap is projected to widen). The share of residents qualified to graduate level has increased in the Solent but at a slower rate than in the wider South East. As a result, the gap is widening. With forecast demand for higher-level skills set to rise, this could act as a brake on Solent's economic growth aspirations and accounts for the productivity gap with the wider South East<sup>63</sup>.

### ***Meeting future demand - the pipeline of future skills***

Whilst the total population will rise the working age population is predicted to remain almost static. At the same time, there will be a drop in the number of 16-24 year olds, limiting the pool from which employers can recruit and will have implications for the ability of the local economy to grow. The pipeline of skills coming through gives us cause for concern and parts of the Solent area face significant educational attainment gaps. Solent has an attainment gap in terms of performance at Key Stage 3 and GCSE, which raises concerns about the area's ability to meet the future skills demands. Whilst the level of education attainment at Key Stage 3 in Hampshire is roughly in line with the national averages for English, Maths and Science, all other areas within the Solent area lag behind the national average and in some areas the gap is pronounced. In 2012/13, 57.2% of pupils in Solent LEP schools achieved five or more GCSEs at grades A\*-C including Maths and English, slightly below the regional and national averages of 62.0% and 58.6% respectively. Attainment in the Isle of Wight (48.5%) and Portsmouth (47.1%) was substantially lower.

Analysis of the needs of the Solent's key growth sectors shows that Science, Technology, Engineering and Maths skills will be critical. At the same time levels of achievement in STEM subjects at GCSE level are of concern, and levels of engagement in optional subjects.

In 2012/13, 69.8% of young people in the Solent LEP area who were at the end of Key Stage 4 gained a GCSE in Mathematics at grade C or above. This is slightly below the England average of 71.2%, but in Portsmouth this was as low as 60%. The proportion of young people entered for sciences at English Baccalaureate level also varies enormously, from 45.1% on the Isle of Wight to 74.1% in Hampshire. Unsurprisingly, the proportion of young people gaining the science component of the English Baccalaureate shows a similar degree of variation, from as little as 29.6% on the Isle of Wight to 54% in Hampshire. Our ability to meet the needs of our key sectors will be seriously hampered by our poor STEM performance at this level.

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<sup>63</sup> Oxford Economics, **Solent LEP: economic outlook for the LEP and Local Authorities**, February 2014, Solent LEP

The proportion of the Solent LEP's 19 year olds achieving a Level 2 qualification has however increased significantly, and is just above the national average (83.0%). Yet again, there are considerable differences in attainment. The proportion of 19 year olds achieving a Level 3 qualification has also risen consistently over the last five years, but there is variation within the LEP area.

In 2011/12, 54,865 people from Hampshire, the Isle of Wight, Southampton and Portsmouth were participating in HE<sup>64</sup>, a number 8% higher than in 2007/08. The proportion of young people from the Solent area who progress into HE is lower than the national average. The proportion of young people from Portsmouth and Southampton participating in HE is particularly low. Just 31% of young people who entered an A level or another Level 3 qualification in 2009/10 in these areas progressed to a UK HEI, significantly below the UK average of 48%. The Solent as a whole (41%) also lagged behind the national average.

### ***The FE Estate in Solent***

The primary Governmental driver has been to help the FE college sector achieve the position where all colleges operate with estate which is in at least 'Good' condition, which is fit for purpose, and is versatile enough to efficiently accommodate changes in curriculum, social and economic needs and/ or educational delivery. Between 2001 and the present day, Solent FE colleges have received a significant ongoing investment in skills capital amounting to in excess of £86m.

According to data from the SFA, verified with Solent colleges, currently 28% of the Solent LEP FE buildings//infrastructure are in category's C&D<sup>65</sup>, some 51,000 square metres (m<sup>2</sup>), in line with the national average. Two colleges have a proportion of category C and D buildings/infrastructure above 50%. Two have 30% or more category C and D whereas one college has none. It is essential that this estate is maintained as FE colleges play a critical role in supporting those who have underachieved at GCSE – in the Solent, as we have highlighted - this problem is significant.

### ***Worklessness is relatively low but remains significant***

In March 2013, the claimant count unemployment rate for the Solent LEP was 2.7% (26,600 claimants), higher than the rate for the South East (2.5%), but well below the national average of 3.8%. Unemployment is much higher when measured by the ILO rate compared with the claimant count at 6.0% (45,500 unemployed) and remains significantly higher than its pre-recession level. Long-term unemployment is hardening and in May 2013, 6,000 people across the LEP had been claiming Jobseeker's Allowance (JSA) for over a year, a rise of around 250% on 2007. This potentially leaves a lasting legacy for the economy and the individuals concerned. The recession has also had a particularly sharp impact on youth unemployment. The unemployment rate for 18-24 year olds in the Solent increased by double the rises for people aged 25-49, prompting fears of a generation becoming permanently detached from the labour market. Across the wider Solent LEP area<sup>66</sup>, 4.7% of 16-18 year olds were Not in Education, Employment or Training (NEET) (2,695 young people), although this reached 7.7% in Portsmouth and 6.1% in Southampton. The area also had a higher rate of young people in jobs without training (6.2% as opposed to 4.9% in England as whole). There are also pockets of deprivation where significant numbers of working age residents were disengaged from the labour market. There were 34 Wards where the unemployment rate was 5.0% or over (Census 2011), 16 located on the Isle of Wight, five in both Gosport and Southampton and four in both Portsmouth and Havant. Four wards had an unemployment rate of over 7%, which is far above the England average of 4.4%.

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<sup>64</sup> It should be noted that this data only covers HEIs, and does not include any students taking HE courses at FE Colleges.

<sup>65</sup> The Skills Funding Agency defines this and Category C – Operational – Major repair or replacement needed in the short to medium term (within 3 to 5 years), and Category D – Inoperable – space at serious risk of major failure or breakdown, requiring immediate upgrade to continue service.

<sup>66</sup> Data is only available at the upper tier authority level. Therefore the whole of the Hampshire County Council area has been included as being within the Solent LEP area.

## Objectives

We aim to:

- Make best use of the assets that the area already possesses: skilled people, world-class businesses, outstanding FE and HE, and the resident labour market to support growth in the local economy. Ensure we deploy our skills and our knowledge assets to improve our capacity as an area to innovate and support new and high growth businesses and ensure that our skills infrastructure is well developed, maintained and fit to support the creation of a world-class workforce.
- Ensure that our residents can benefit from, and contribute to the economic growth of the Solent.
- The Solent ESB is now very well established and is leading work on skills for growth, prioritising initiatives and activities that support the retention and development of local talent to support the needs of our key businesses.
- Use the power of government/public sector procurement to increase skills/employment outcomes and responsiveness whilst rebalancing the economy towards the private sector.
- Support the development of a skills escalator to raise HE attendance in the region by more closely linking FE and HE institutions to support transition into higher level study.
- Through the Skills Strategy we aim to:
  - **Develop a world-class skills** - Solent's growth ambitions require a world-class workforce. Through the combined efforts of employers together with Solent's schools, colleges, universities and other educational institutions, we will drive up GCSE attainment in core and STEM subjects, improve provision and take-up of Apprenticeships, and raise participation in higher-level skills. We will do this by:
    - Addressing underachievement at Key Stage 3 and GCSE against the national average and particularly in STEM subjects, working with schools and local authorities to better understand the issue and develop joint solutions.
    - Increase take-up of Apprenticeships, particularly in technical/STEM subjects and at Advanced and Higher levels.
    - Raise the level of STEM skills in the economy to create a world-class skilled labour pool. We will seek investment in new infrastructure to support and underpin new delivery led by the private sector in collaboration with FE colleges.
    - Raise higher-level skills in the economy by: raising resident participation rates in HE, improving vocational pathways to higher-levels skills such as through Higher Apprenticeships, and improving graduate retention.
      - Address sector-specific skills requirements of employers, support new emerging high-growth sectors and service industries. Linking employer and learner need to local provision to meet skills gaps and shortages.

- **Support Transitions to Employment** – by increasing the employability of young people and the unemployed by providing better advice, guidance and opportunities, exposing young people to the world of work and providing support for unemployed people to enter work. We will do this by:
  - Improving employability skills – placing increased focus on the work-readiness of school, college and university leavers. We will develop an Employability Strategy and Chartermark.
  - Improve the scale and quality of impartial IAG provision for young people and adults. Increase youth employment options to combat high levels of unemployment amongst 16-24 year olds and support better recruitment processes with employers.
  - Promote talent retention and job mobility for those unemployed and faced with redundancy. Improve the opportunities and skills of the unemployed, helping the long term and young unemployed into work will be supported by a range of measures.
  
- **Raising employer investment in skills** - raising the productivity of Solent's workforce requires a range of interlinked approaches and activities in support of business development, skills utilisation, creativity and innovation. Brought together, these will stimulate employer investment in the skills (including higher-level skills) of their staff, address prominent skills gaps and plan towards future skills requirements
  - Support greater business engagement and skills brokerage to increase the pool of employers engaging with schools, colleges, universities and other learning providers, and providing work placements. Skills brokerage will be offered through the Solent Business Hub (see Enterprise Section 4).
  - Improve leadership and management skills to promote better employer investment in skills (see Enterprise Section 4).
  - Promote entrepreneurship skills.
  - Support innovation linked to skills.
  
- **Responsive Skills and Employment System** - Create a skills delivery system which is increasingly flexible, co-ordinated and better able to respond to the changing needs of individuals and employers. Realise the full potential of Solent's FE and HE system and improve the alignment between the needs of business and skills delivery.
  - Provide better access to business and labour market intelligence.
  - Support joint planning arrangements. The joint **FE/LEP group** has already been established and is working towards a range of joint activities in support of a more responsive system. As this rolls out and demonstrates value for the Solent area and its providers, consider extending the arrangements to the wider provider network.
  - Invest in skills assets to provide affordable investment capital for colleges.

## Priorities for action

In line with the key themes and priorities for action set out in the Solent Skills Strategy, we will:

- Through the Local Growth Deal, establish a programme to support capital requirements for the FE estate based on an assessment of need and in order to maintain it. A **Skills Capital Investment Plan** and Fund will form part of the Local Growth Deal. The amount should be sufficient to at least ensure that the LEP can provide a reasonable resource to cover the upgrading of the current category D buildings plus the category C buildings where requested. **Flagship capital projects** will be supported through the Local growth Deal and which will support the development of STEM skills in support of our key sectors, see Annex 5 for the pipeline of projects.
- Provide **support for Pre-Apprenticeships** through the ESF, enabling Traineeship providers to reach out and engage greater numbers of employers, creating Enhanced Traineeships opportunities for young people in the Solent and increasing the flexibility of the Traineeship offer.
- Provide **Apprenticeship Grants for Employers** using ESF to manage the supply of Apprenticeships, prioritising technical and higher-level frameworks (at Levels 3 and 4) and areas where there are identified skills shortages, through grants to employers.
- The **Solent Skills for Growth Fund** funded through the colleges, City Deal, and EU EIF will support the new tripartite skills investment vehicle, with funds used to lever private sector investment from employers, individually and collectively, and to align skills provision across the eight major colleges in the Solent LEP area. The City Deal will also establish a Solent-wide **Employer Ownership of Skills programme** that identifies immediate skills needs in small and medium enterprises (in the advanced manufacturing sector) and funds the provision of relevant courses through local skills providers.
- We will use **EU SIF investment to improve IAG provision** to: improve young people's understanding of the local labour market and the variety of job opportunities it offers, particularly in the Solent's priority sectors, and provide more intensive IAG to support young people.
- **Skills support for redundancy** – EU funding will be used to enable a coordinated response to redundancies and downsizing, to support development activities within the pre-redundancy or closure period, and tailored to meet the needs of individuals. Interventions should be focused on up-skilling or re-skilling individuals to improve their employment opportunities, in line with the needs of employers offering recruitment opportunities. We also propose to adopt a socially innovative approach to the delivery of much of its ESF activity through aligning the work to the Solent Talent Bank, which will use the leverage available through procurement to secure best economic value for partners across the Solent. This will create opportunities for work experience, Traineeships, Apprenticeships and supported employment under the Solent Jobs Pilot via public authority tendering and contracting procedures.
- The **Solent Jobs Pilot** (linked to public sector procurement), which will link long term unemployed people with private sector job creation. Those facing redundancy will be supported by a programme of activities supported through ESF and the City Deal.
- **The Solent Young Entrepreneur Fund** - will support young people wanting to set up new businesses. Existing initiatives if successful with a recognised brand provide an ideal platform to further develop the skills and aspirations of new entrepreneurs through mentoring and other support arrangements. In addition Solent LEP will develop a Task Group to look at the provision of entrepreneurship skills.
- The joint **FE/LEP group** has already been established and is working towards a range of joint activities in support of a more responsive system. As this rolls out and demonstrates value for the Solent area and its providers, consider extending the arrangements to the wider provider network.
- We will also seek flexibilities to the use of the innovation code to provide a clear and transparent way of funding adult provision, with a minimum of bureaucracy secure agreement to a de minimus limit for approval of SFA funded provision through the adult skills budget amounting to £2m per annum. We also wish to align this to

incentivise the skills system to be more responsive, rewarding providers who deliver employer led provision at level 3 and 4 in key sector areas, working through the SFA Funding External Technical Advisory Group (FETAG) to explore the introduction of a LEP programme weighting factor.

## 8. STRATEGIC SECTORS

*“Developing **strategic sectors** and clusters (interconnected groups and businesses) of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics, low carbon and visitor economy businesses – establishing the area as a business gateway, both at local and international levels”.*

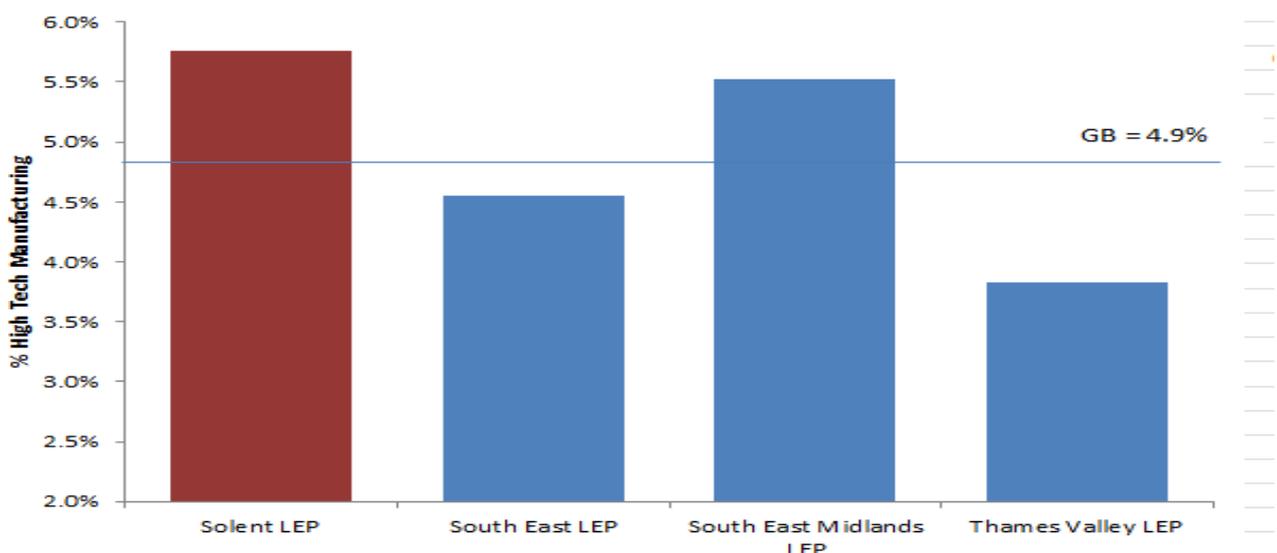
The development of growth hubs and strategic sector-based clusters which can deliver export-led growth in high value employment remains important to the success of the Solent economy. The area has unique sectoral strengths and there is a need to ensure that it builds on its recognised position as the leading location and growth hub for advanced manufacturing and engineering (marine, aerospace, renewable energy, environmental technologies and composites) together with supporting transport and logistics. Given the importance of our strategic sectors, we are ensuring that our other strategic priorities and their delivery are targeted towards meeting the needs of these sectors.

### *Advanced manufacturing and marine cluster*

The Solent area and is home to 1,750 marine related businesses. The Isle of Wight is a centre for renewable energy activities and a technology hub for composite materials and their application in marine technology, renewable energy and aerospace.

The advanced manufacturing sector in the Solent is the defence industry and the Solent is home to a cluster of defence businesses. Figure 8 shows that Solent has a higher proportion of the high tech manufacturing workforce than the national and South East average.

**Figure 8: High-Tech Manufacturing % comparisons**



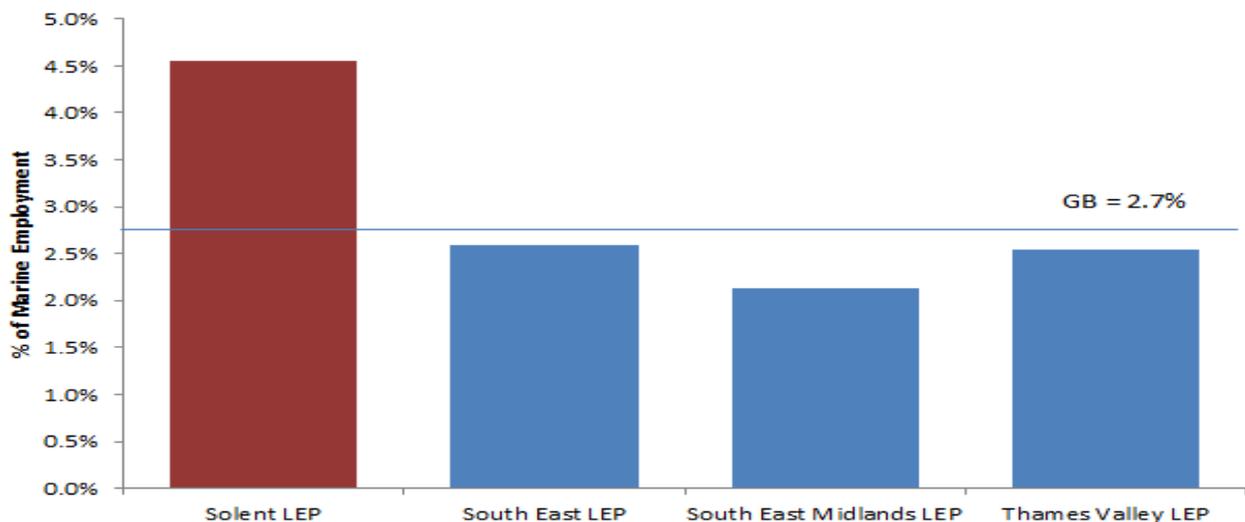
Source: Oxford Economics 2013

Recognising the importance of this work, the University of Portsmouth was commissioned in March 2012 to produce a socio-economic impact assessment of the Dockyard in Portsmouth on the wider Solent economy. Overall, the study showed that the Portsmouth Naval Base generates output of £1.68billion and supports both directly 11,900 FTE jobs

and, including indirect jobs, this figure rises to 19,775 FTE jobs. These figures equate to 3.5% of LEP output and 4.1% of all FTE jobs. The base is particularly important to manufacturing where it supports nearly 7% of all jobs in the Solent LEP area. It is even more important to specific sectors such as shipbuilding (70% of all FTE jobs); property and facilities management (27%); metal goods (22%) and public administration and defence (14%). In addition, every £1m directly generated by the base stimulates another £750,000 of spending elsewhere in other sectors in the LEP economy. In the case of employment, for every 100 FTE jobs at the naval base, the resultant downstream spending creates an additional 66 jobs elsewhere in the LEP economy.

It is widely recognised that the level of activity at Portsmouth naval base is likely to change following the announcement that shipbuilding activity will cease. What is not yet known is whether a contraction will release capacity for alternative activity. Therefore, the defence sector and wider supply chain need to prepare for a transition as the emphasis moves away from shipbuilding towards ships repairs and maritime support. Figure 9 shows that the Solent has a higher proportion of the marine workforce than the national and South East average and it is recognised that we need to build on this industrial base, supporting our supply chain to look at new commercial opportunities in global markets.

**Figure 9: Marine Industry % comparisons**



Source: Oxford Economics 2013

#### Visitor economy

The visitor economy in the Solent area is worth over £3 billion and supports over 60,000 jobs. The leisure marine sector in the south east is the second largest in the UK worth £800 million and supporting 8,500 jobs with most of it concentrated in the Solent area.

A November 2013 report by Deloitte's highlighted that the tourism economy is set to grow at 3.8% per annum – faster than manufacturing, construction and retail and that

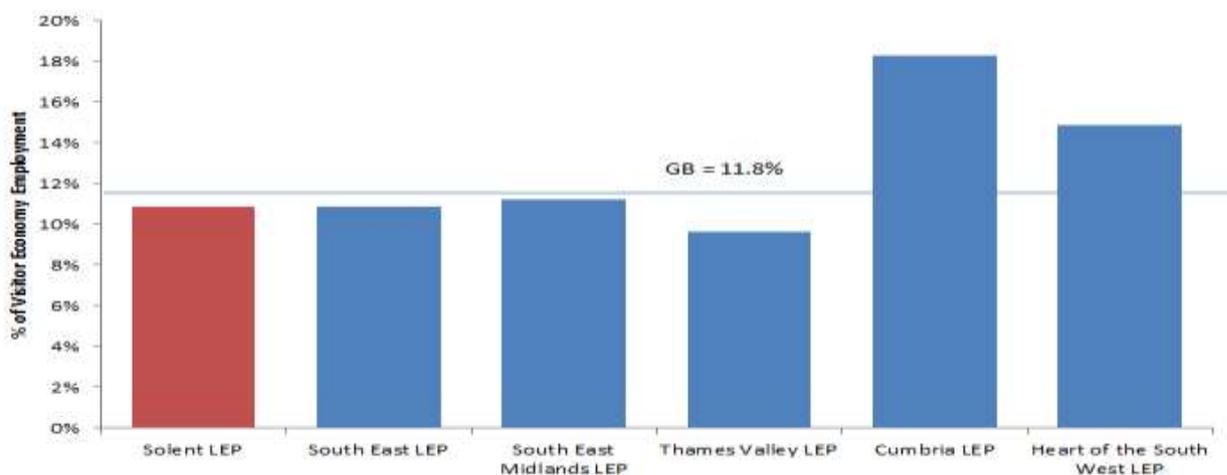
- it is currently worth £127bn and growing to £257bn by 2025 - 10% of UK GDP
- it is supporting 3 million jobs throughout the UK in 2013 (9.6% of UK employment)
- it accounted for one third of net increase in UK jobs between 2010 and 2012 (175,000 additional jobs) - and forecast to grow to 3.7 million jobs by 2025

- inbound tourism is the driving force of growth

Since 2010 tourism has been one of the fastest growing sectors in the UK in employment terms, responsible for one-third of the net increase in UK jobs between 2010 and 2012. Figure 10 shows that the Solent has a lower proportion of the visitor economy workforce than the national average, which given the presence of the Isle of Wight, other visitor attractions<sup>67</sup>, the marine heritage assets and proximity to London, indicates that the sector may be underperforming in this respect that there is scope for significant growth in this sector.

Tourism is also vital to the Solent's rural economy. On the Isle of Wight, it supports more than 20% of employment and generates £500m of direct and indirect expenditure. Solent LEP is committed to building on the natural assets and the heritage offer of the area to attract new visitors, encourage visitors to stay longer and to visit the wider Solent area.

**Figure 10: Visitor Economy % comparisons**



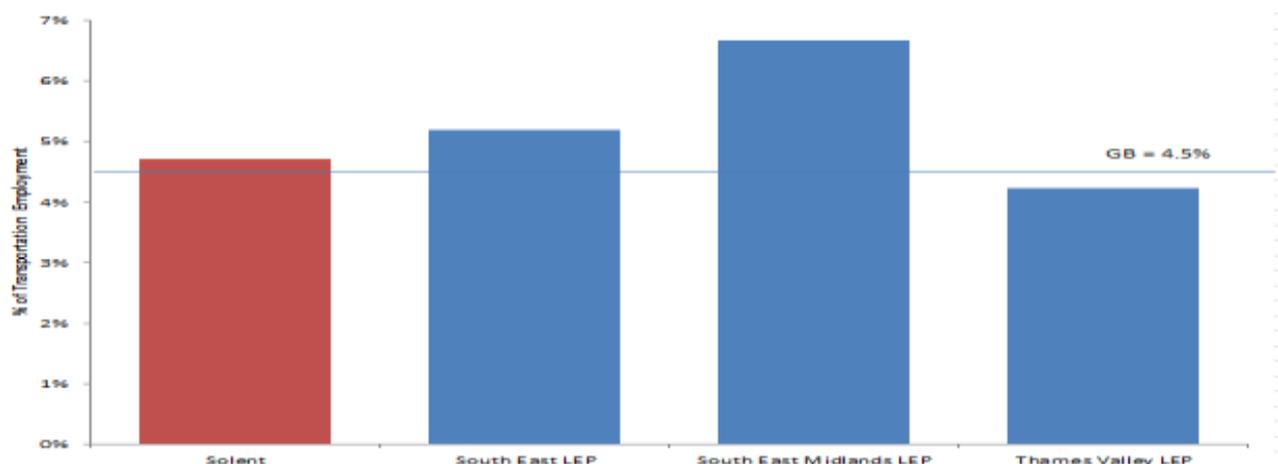
Source: Oxford Economics 2013

#### Transport and logistics

The **Port of Southampton** is one of the UK's largest, busiest and most diverse ports providing a wide range of passenger, freight and cargo functions. It provides, directly and indirectly, 15,000 jobs<sup>1</sup> in the Solent and contributes over £1.2bn of output per annum. The Port is the busiest cruise port in the UK (home to the UK fleets of P&O Cruises and Cunard Line and home to Carnival – the largest Cruise operator in the world). The Port of Southampton is also the largest vehicle handling port in the UK, with more than 750,000 vehicle exports. The container terminal is also the second largest in the UK, handling almost 50% of UK trade with the Far East. Finally, Southampton is one of the leading hubs for the import and export of liquid bulk cargoes, primarily crude oil. Port Logistics is, therefore, of critical importance to the Solent going forward. Figure 11 shows that the Solent has a higher proportion of transport and warehousing than the national average, but is underrepresented in this sector by comparison with the wider South East. Given the nature of the Solent Economy, again there is scope for significant growth in this sector.

<sup>67</sup> This includes the South Downs National Park and New Forest National Park and other attractions such as Sea City, island based attractions, the Historic Dockyard and the Spinaker Tower.

**Figure 11: Transport and warehousing % comparisons**



Source: Oxford Economics 2013

Recent events have stressed how important it is that the Solent builds on its strengths but is not over reliant on any one sector. We therefore wish to support other sectors with potential for growth as well as supporting innovation and research and development.

### *Low carbon economy*

The Future Solent Strategy, has prioritised: new Low Carbon and Green Technology, capitalising on the world-class research in the sub-region into green technologies and turning these into business opportunities, growth and jobs as well as manufacturing; resource Efficiency in Homes and Businesses, ensuring our homes and businesses minimise waste; and generation of secure, renewable and low carbon energy in the Solent, including tidal and offshore wind.

The marine renewables sector includes a range of sub-sectors at various stages of development. Fixed offshore wind is operating on a commercial basis, some tidal energy solutions are at the demonstration stage, while different wave energy solutions are still emerging, moving from concept development to proof of concept and prototyping. Investment in most marine renewables remains risky, with significant risk capital required even to get as far as a trial device. If Solent is to remain at the forefront of these technologies, investment will be required, potentially at all stages of the development process. New legislation and a rapid rise in the cost of marine fuels have placed energy efficiency at the heart of marine innovation and have led to a global race to drive down sulphur, carbon and other greenhouse gas emissions (e.g. nitrogen oxides) via the development of natural gas powered shipping. The Solent's location, its research strengths (e.g. in hydro-dynamics and composite materials) and national centres of excellence (such as the SMMI – part of the University of Southampton and the Solent Ocean Energy Centre) make investment in innovation and the adoption/uptake of low carbon marine technologies an obvious focus and aligns with the Future Solent Strategy, which focuses on: 'capitalising on the world class research in the sub-region into green technologies and turning these into business opportunities, growth and jobs as well as supporting strong manufacturing'.

Solent is one of the largest and most densely-populated urbanised areas in the South East, with a population density equivalent to that found in some outer London boroughs. It is projected to experience a significant rise in buildings and population, with the planned development of 600 new homes at Welborne due to come on stream from 2016, which, combined with the objective of achieving above-trend economic growth, will lead to increased use of natural resources and carbon emissions unless steps are taken. Modern Methods of Construction (MMC), new approaches (such as permanent insulated concrete formworks), the development of composites and honeycomb materials now provide the means for meeting the Government's zero carbon new-build target. However, methods and materials are constantly changing and becoming more efficient. We need to be at the forefront of these developments and to be working with the sector in building the skills needed for zero carbon construction. We need to train architects and designers to work with new materials and to understand the factors, such as building density, orientation of sites and

buildings and local landscaping that contribute to their efficiency. We need to up-skill and re-skill construction operatives, site managers and project managers and to encourage the adoption of MMC, new materials and low carbon construction techniques across the sector.

## Objectives

We aim to:

- To **develop strategic sectors and clusters** (interconnected groups and businesses) of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics, digital and creative and the visitor economy.
- Build our knowledge of the scale, nature and needs of these priority sectors to ensure that interventions are targeted and effective.
- To **target our investment plans** towards these existing sectors and emerging sectors. To use our *EU Strategic Investment Funds Strategy* to support the maritime and marine sectors and other growth sectors through a range of interventions which will actively target the sectors from business support, graduate placements R &D and Innovation through to skills support.
- Complement existing programmes.

## Priorities for Action

Our priorities for action are:

- To provide leadership for the **Solent Marine and Maritime Forum**, ensuring that the priorities for action and investment priorities are delivered in partnership with the sector.
- To support **Visit Solent**, the South Hampshire and Isle of Wight Marketing Campaign, a bold and innovative campaign to boost the visitor and marine economy in South Hampshire and the Isle of Wight.
- Provide **support for tourism activities in rural areas** - we will allocate EAFRD funding to supporting tourism, recreation and leisure activities, destination development and marketing activities.
- To become the national leader and internationally recognised for its Low Carbon Green Economy, with specific support for:
  - New Low Carbon and Green Technology - capitalising on the world-class research in the sub-region into green technologies and turning these into business opportunities, growth and jobs as well as supporting strong manufacturing (see Marine Arrowhead projects, Marine Supplement).
  - Resource Efficiency in Homes and Businesses through supporting with ERDF a Low Carbon Construction Hub to act as a centre of excellence for the development and adoption of low carbon construction, waste energy reduction and renewable energy production techniques across the Solent.

- Developing large-scale renewable energy such as tidal and offshore wind, together with small-scale on homes and businesses and renewable and district energy schemes incorporated into new development where practical.

## 9. INNOVATION

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*“Building on our substantial knowledge assets to support **innovation** and build innovative capacity in the Solent area to stimulate growth in Solent businesses and in new high growth sectors”.*

Innovation and the exploitation of new knowledge by the private sector will be fundamental to future growth. For Solent to thrive and transform its economy, innovation will be a major driver. 70% of long term economic growth comes from innovation. The Government’s Industrial Strategy is pushing forward the boundaries of knowledge and development and exploitation of new technologies is central.

Sir Andrew Witty’s *Review of Universities and Growth Encouraging a British Invention Revolution* (2013) highlighted that Universities have an “extraordinary potential to enhance economic growth.” It recognised the strongest basis for regional economic growth is activity rooted in a sound understanding of a locality’s comparative economic advantage and the role that Universities play in generating that comparative advantage. It also recognises the central role that Universities play in supporting innovation. The Solent wishes to build on the recommendations of the Witty Review and is working with the Universities in the Solent to further develop and strengthen the region’s approach to innovation and to develop an innovation strategy to shape our approach to innovation and our innovative capacity.

Solent benefits from a number of related innovation advantages including:

- The three universities based in Solent are a major economic asset, providing a source of highly-skilled employment, generating new businesses, supporting existing businesses and bringing significant revenues to the local economy. Innovation and the exploitation of new knowledge by the private sector are fundamental to future growth and Solent is fortunate that three of its HEIs have strengths in its strategic sectors that, if harnessed, can anchor knowledge-intensive economic activity and employment in the area.
- Innovation centres, science parks.
- Knowledge-intensive businesses and skilled workers that drive successful innovation.

Although residents of the Solent LEP area register more patents per 100,000 people (18.9 in 2009) than the national average (13.0), the level of patent registration locally is considerably lower than in leading LEPs, many of which are in the surrounding area, such as Enterprise M3 (46.3), Oxfordshire (46.2), Swindon and Wiltshire (38.1), Thames Valley Berkshire (35.3) and Coast to Capital (29.3). Solent’s industrial base and strategic assets are such that it should perform better and there is scope and a strong case for improving performance.

Research by the Centre for Cities shows that the University of Southampton has high levels of interaction with businesses, generating £56.5m from Intellectual Property (IP), research and consultancy contracts in 2011/12. The University of Portsmouth generates £11 million and Southampton Solent University £6.7 million. Nearly three-quarters of the University of Southampton’s business income was generated through interactions with firms outside the South East. The figure for the University of Portsmouth is lower, at 54%. This includes working for some of the world’s leading engineering and manufacturing companies, and brings both jobs and spending power into the Solent region through the universities themselves, and enormous technical know-how which can be used to assist Solent SME. The challenge is to also find ways of focusing the resources and expertise of these institutions on creating local growth.

Research by the Centre for Cities shows that the University of Southampton has high levels of interaction with businesses, generating £56.5m from Intellectual Property (IP), research and consultancy contracts in 2011/12. The University of Portsmouth generates £11 million and Southampton Solent University £6.7 million. However, nearly three-quarters of the University of Southampton's business income was generated through interactions with firms outside the South East. The figure for the University of Portsmouth is lower, at 54%. We understand that top Universities have a national and international outlook. However, we must also find ways of focusing the resources and expertise of these institutions on creating local growth.

The investment of £120 million in a new campus hosting Lloyds Register and the Southampton Marine and Maritime Institute (SMMI), part of the University of Southampton will result in a new, world-leading centre for innovation, business and maritime engineering opening in the heart of the Solent in 2014, designed to serve as a catalyst for future maritime developments. It is essential that Solent's Maritime cluster is aware of, has affordable access to and harnesses the expertise, facilities and technical support available through SMMI and other local centres of excellence. SMMI adds and complements many existing strengths, such as the University of Portsmouth's Marine laboratory and access to a towing tank, wave generator, survey vessel and other facilities through Southampton Solent University.

One of the key ways of facilitating innovation is through brokering collaboration and networking, including business-to-business and University-to-business as well as very early exposure to business and innovation within our schools. There are already networking activities taking place but there are opportunities to strengthen these, particularly around our key sectors. It is important to capitalise on the strengths of the universities in the Solent and support them in their work to engage with local employers, particularly in our key sectors.

Yet, at the same time, Solent faces some notable challenges:

- Lower levels of knowledge-intensive employment compared with other areas. Knowledge-intensive businesses are key drivers of innovation.
- Solent's skills profile is relatively weak because a less highly-skilled population is less likely to facilitate the creation and transmission of knowledge and ideas and to be able to use knowledge effectively, factors crucial to successful innovation.
- There is substantial variation in skills profiles between different local authorities within the Solent area, particularly higher-level skills.

Improving the innovation ecosystem will require:

- Investment in the creation of an innovation ecosystem which enables universities, businesses and individuals to exchange ideas and generate innovation more effectively.
- Support for innovation networks.
- Investment in supporting links between businesses and universities, providing financial support for projects explicitly seeking to link universities and SMEs for innovation purposes and identifying funding opportunities, emerging markets or emerging research with the potential for business application.

Some of the activities that it might be supported could include:

- Joint investment in seed capital funds and business loans.
- Joint support of career opportunities for national and international graduates by businesses, universities.

- Joint provision of business services by the colleges, universities and research centres.
- Raising the international profile of the Solent as a centre of excellence in the Marine and maritime sector linking to new developments at the Universities.

Innovation requires considerable investment, in management, organisational costs, in research, skills and training, which can be a barrier for some companies. The Solent LEP wishes to engage a greater number of enterprises in innovation, research and technological development, by making it easier and cheaper to identify and access the support available via the knowledge base within Solent's HEIs.

The Witty Review highlights the critical role that HEIs play in supporting economic growth, and recommends a prominent role in Enterprise Zones and Growth Hubs. They will also be key partners and a source of advice to LEPs, supporting priority setting and investment decisions on R&D and innovation. Smart specialisation and Arrow Projects to secure the potential of technologies for the future will be central. The proposed National Large Structure Composite Centre which forms part of the Marine Supplement is a perfect candidate for an Arrow Project, focusing as it does the clear industry demand from Solent-centric companies. It would have the capacity to support research and development, education and skills and address regulatory challenges. If successful this will generate jobs and further investment in the region, and ensure companies retain leading edge in new developments in the sector.

Collectively and in alignment with our aspirations for skills, infrastructure and business support we have the capacity to deliver an innovation ecosystem that will support future growth in our economy, building on existing strengths and focused on strategic sectors. This joined up ecosystem will both attract and build innovative companies.

## Objectives

We aim to create a high growth and innovation network ecosystem by ensuring that:

- Innovative practices are embedded throughout the workforce and business community in order to drive productivity and economic growth. One of the key ways of facilitating innovation is through brokering collaboration and networking, including business-to-business and University-to-business as well as very early exposure to business and innovation within our schools. There are already networking activities taking place but there are opportunities to strengthen these, particularly around our key sectors. It is important to capitalise on the strengths of the universities in the Solent and support them in their work to engage with local employers, particularly in our key sectors.
- We harness the benefits of the significant numbers of R&D companies in the Solent. Coupled with our universities, there is a substantial knowledge bank on which to build, through the creation of knowledge transfer partnerships and development of spin-out businesses.
- We improve the connectivity across our local 'innovation ecosystem' through 'open innovation' - so that businesses, universities, colleges, public sector research organisations and the wider public sector can support innovation better. This will improve the efficiency of public and private investment in innovation and deliver productivity benefits across our economy.
- We focus on supporting innovation in high value-added sectors in areas of 'smart specialisation' where we have a global competitive advantage and develop a strong supply chain around and across our areas of 'smart specialisation'.
- We are better at connecting with other UK and international innovators.
- We develop the infrastructure that supports innovation, including intelligence, capital infrastructure and digital support, working closely with Solent's HEIs.
- We continue to encourage our universities to engage further with business in driving innovation and growth at a local level.
- We should direct a large share of ERDF funding through the EU SIF to support innovation.

## Priorities for Action

Our priorities for action are:

- A single innovation strategy, it will enable enterprises to access the full range of expertise, facilities and support offered by Solent's HEIs (the 'knowledge base') as well as national centres of excellence. To ensure that innovative practices are embedded throughout the workforce and business community in order to drive productivity and economic growth. **Solent Innovation** recognises the role of Solent's Universities and the need for them to work together, to pool resources, and to reach out and support a greater number of enterprises, in

line with their specific institutional strengths. This strategy will result in the creation of a new innovation network, led by Solent's HEIs, tasked with reaching out and engaging business in partnership with the **Solent Business Hub** and sector networks, such as Marine South East and British Marine Federation. ERDF funds will be used to develop and deliver the strategy that enables enterprises to access the full range of expertise, facilities and support offered by Solent's HEIs (the 'knowledge base') as well as national centres of excellence.

- The provision of a flexible grants programme, to support promising RTD initiatives on a case-by-case basis and supported by **Innovation Vouchers and Innovation Grants** funded through ERDF. The Solent Business Hub, will be focused on flexing the existing innovation ecosystem focused on SMEs, through the voucher programme and provide grant support for projects that enable new products and business processes to be brought to the market. Innovation Grants will focus on our Strategic Sectors: Advanced engineering, Marine and maritime, Aerospace and Defence.
- We will focus on supporting innovation in high value-added sectors in areas of 'smart specialisation' where we have a global competitive advantage and develop a strong supply chain around and across our areas of 'smart specialisation'. **Marine Arrowhead** projects have been development through the Marine Supplement, including the proposal for a **National Large Composite Centre**.
- **Graduate Innovation Placements** - will help enterprises across the Solent to gain access to graduate skills and knowledge, supplemented by support from the Knowledge Base. It will do this by supporting placements of between six and nine months, with expert input, focused on delivering projects that stimulate innovation within participating businesses. ERDF funding will be used to provide a package of support. Graduate Innovation Placements that support the transfer of skills into the Marine, Maritime, Offshore engineering, Renewable energy, Low carbon transport and renewable technologies sectors will be particularly encouraged.

## 10. STRATEGIC PRIORITIES AND WORKSTREAMS

This Plan will be delivered through a range of capital and revenue based workstreams. Whilst workstreams have been identified above by Strategic Priority for ease of presentation, in reality, most workstreams contribute to multiple Strategic Priorities.

Our approach to growth is to ensure that we have an integrated package of investments which deliver our strategic priorities, maximise the impact on growth and lever public and private investment. Our investment Plans and proposal for the Local Growth Deal is set out in our Implementation Plan below.

**Table 5: Contribution of Workstreams to meeting Solent's Strategic Priorities**

Workstreams	Enterprise	Infrastructure	Inward investment	Priority Sectors	Skills	Innovation
Solent Leadership and Management	✓			✓	✓	✓
Solent Business Growth	✓		✓	✓	✓	✓
Solent Enterprise Zone	✓	✓	✓	✓	✓	✓
Unlocking Key Sites	✓	✓	✓	✓	✓	
LTB Transport Majors	✓	✓	✓	✓		
Transport Resilience Fund	✓	✓	✓	✓		
Valuing our natural resources		✓				
Visit Solent				✓		
Skills Capital Investment Fund	✓	✓	✓	✓	✓	✓
Skills Revenue				✓	✓	
Solent Innovation	✓			✓		✓
Solent Low Carbon Economy	✓			✓	✓	✓
Solent Marine Arrowhead Projects	✓	✓		✓		✓

## 11. INVESTING IN GROWTH IN THE SOLENT

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### 11.1 Integrated Investment Plan

Supporting our Strategic Economic Plan is an investment plan for the Solent which brings to together:

- **Local assets to unlock resources to be re invested in growth, including the Southampton- Portsmouth City Deal - a £953 m investment plan.**
- **European Union Strategic Investment Funding Proposal of £73.6<sup>68</sup> million including private and public sector match funding.**
- **Local Growth Deal - a £1.85 bn proposal, including £102m of local public funding and £1.43 bn private sector leverage, with £305m sought from the Local Growth Fund, of which £103.2m will be sought in 2015/16.**

Implementation of the Strategic Economic Plan will focus on those key strategic interventions which, when addressed collectively, will add value to the work underway in individual local authorities and by private sector partners, to support growth of the economy.

This Plan does not attempt to set out all the things that the Solent will do now and in the future. We have articulated a clear vision, set out our targets for growth and set out the strategic priorities which will deliver against these. The Implementation Plan has been jointly developed, and will be jointly owned and monitored. In addition to the top level growth targets set out in the strategy, we will have a range of secondary measures which will allow us to monitor progress against our priorities and workstreams.

High level implementation plans have been developed for the Southampton – Portsmouth City Deal and EU Strategy. Table 6 below shows how these strategic growth funds collectively contribute to the strategic priorities and the workstreams that deliver them. This also shows how these key strategic growth fund streams align and provide an integrated approach to a series of thematic and place based investments.

Table 7 sets out the list of proposed Local Growth Deal projects. The Solent LEPs Local Growth Deal proposal has been submitted to Government on 31<sup>st</sup> March 2014. It is anticipated that a final deal will be agreed by Summer 2014 and the Solent Local Growth Deal will be published on [www.solentlep.org.uk](http://www.solentlep.org.uk) as a supplement to this strategy at this time.

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<sup>68</sup> Based on 86 million euro SIF at ECB reference spot rate as of June 18 2013 where 1 euro equals £0.8562.

**Table 6: Contribution of Solent LEP Strategic Investment Fund Plan 2014/15 – 2019/20**

Strategic Priorities	City Deal	EU Strategy	Local Growth Deal
<b>Enterprise</b>			
Solent Leadership and Management			✓
Solent Business Growth	✓	✓	✓
Solent enterprise zone	✓	✓	✓
<b>Infrastructure</b>			
Unlocking key sites	✓		✓
LTB Transport Majors			✓
Transport Resilience Fund			✓
Valuing our natural resources			✓
<b>Inward Investment</b>			
Invest Solent		✓	✓
<b>Strategic Sectors</b>			
Visit Solent			✓
Solent Low Carbon Economy		✓	✓
Solent Marine Arrowhead Projects			✓
<b>Skills</b>			
Skills Capital			✓
Skills Revenue	✓	✓	✓
<b>Innovation</b>			
Solent Innovation		✓	
Also see Solent Low Carbon and Marine Arrowhead projects above.			
<b>TOTAL INVESTMENT</b>	£953m	£78.79m	£1.85bn

<b>Table 7 LIST OF SOLENT LOCAL GROWTH DEAL PROJECT PROPOSALS</b>		<b>Funding Flexibility</b>
<b>Unlocking Sites for Housing and employment</b>		
1	<b>The Fareham/Gosport Multi-year capital programme</b>	<b>Funding</b>
2	<b>North Whiteley</b>	<b>Funding</b>
3	<b>Local Asset Management</b>	<b>Flexibility</b>
4	<b>Environmental Mitigation</b>	<b>Funding</b>
5	<b>HRA Borrowing</b>	<b>Flexibility</b>
<b>Connectivity for Economic Growth</b>		
6	<b>Portsmouth - Southampton (East-West) connectivity</b>	<b>Flexibility</b>
7	<b>M3 Junction 9</b>	<b>Flexibility</b>
8	<b>Red Funnel Scheme</b>	<b>Funding</b>
9	<b>LTB Majors</b>	<b>Funding</b>
10	<b>Solent transport fund</b>	<b>Funding</b>
<b>Labour Market and Skills</b>		
11	<b>FE Capital</b>	<b>Funding</b>
12	<b>Skills Revenue (EU SIF)</b>	<b>Funding</b>
13	<b>Solent Leadership and Management programme</b>	<b>Funding</b>
14	<b>Innovation Code and FETAG</b>	<b>Flexibility</b>
<b>Business Support</b>		
15	<b>Solent Growth Fund</b>	<b>Funding</b>
16	<b>Visit Solent</b>	<b>Funding</b>

## 12. GOVERNANCE

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The Solent LEP is a partnership organisation between the business community, the Further Education and Higher Education sector, three unitary authorities, eight district councils and one county council, all of whom are actively working together to secure a more prosperous and sustainable future for the Solent area. These make up a fully-elected board of 15 directors.

The LEP is registered as a company limited by guarantee and it was incorporated on 18 March 2011. In keeping with the Articles of Association and in accordance with company law, the Board of Solent Local Enterprise Partnership Limited has been democratically elected by its members, thus ensuring that we have a robust, transparent and accountable delivery structure in place. The structures continue to evolve, reflecting the strategic role that the LEP has assumed as the lead body for Economic Development and the need to establish delivery capacity for its key programmes of work.

The Accountable body for Solent LEP is Portsmouth City Council and their section 151 Officer is the Chief Financial Officer for Solent LEP. They or a nominated representative support and attend all Solent LEP Board meetings and delivery panels.

The six strategic priorities of the Solent LEP are:

- Supporting new businesses, **enterprise** and ensuring SME survival and growth;
- Enabling **infrastructure** priorities including land assets, transport and housing, reducing flood risk and improving access to superfast broadband;
- Establishing a single **inward investment** model to encourage companies to open new sites in the region, supported by effective marketing;
- Investing in **skills** to establish a sustainable pattern of growth, ensuring local residents are equipped to take up the jobs that are created and businesses can source local skills and labour to underpin growth;
- Developing **strategic sectors** and clusters (interconnected groups and businesses) of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics businesses, low carbon and the visitor economy – establishing the area as a business gateway, at both local and international levels and developing local supply chains;
- Building on our substantial knowledge assets to support **innovation** and build innovative capacity in the Solent area to stimulate growth in Solent businesses and in new high growth sectors, particularly linked to our HE excellence.

*Transforming Solent* is the Strategic Economic Plan (SEP) for the Solent LEP area. It sets out a Plan for growth which will build on our strengths, and plan towards a more ambitious future. *Transforming Solent* seeks to harness the drivers for growth and addresses the barriers, which if not addressed, will constrain growth.

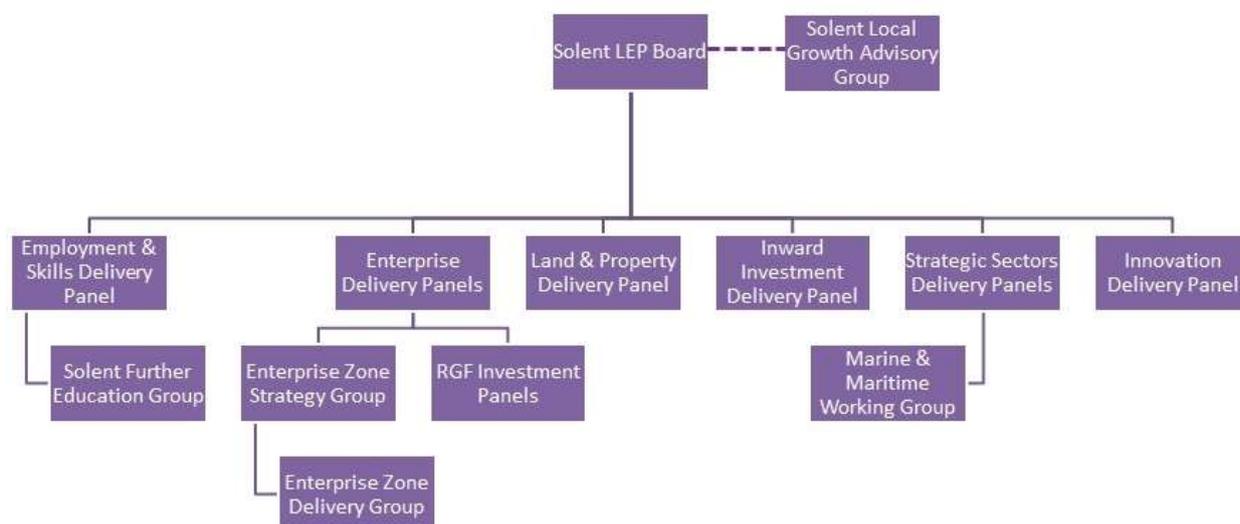
Seizing the opportunities presented by the Southampton - Portsmouth City Deal and the European Union Strategic and Investment Fund (EUSIF) Strategy<sup>69</sup>, combined with the Local Growth Deal, the SEP proposes a set of place-based and strategic investments which, when combined with private sector investments will see us transform our local economy. This is localism at work and we see the Local Growth Deal as a window of opportunity to raise our game even further.

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<sup>69</sup> On 27 June 2013 Government confirmed how the €6.2 billion England allocation of the European Regional Development Fund (ERDF) and the European Social Fund (ESF) would be allocated. The Solent LEP has received an indicative allocation of €46m. The European Regional Development Fund, the European Social Fund and part of the European Agricultural Fund for Rural Development (EAFRD) will be allocated to Local Enterprise Partnerships (LEP) areas for a full 7-year period through a new decentralised EU Growth Programme.

The above six strategic priorities have been established with a supporting delivery Panel architecture responsible for delivery of various programmes and for proposing strategy and policy for consideration by the main Board. This is shown in the figure, below.

**Figure 12 Solent LEP Governance Structure and Supporting Advisory and Delivery Architecture**



In relation to governance and decision-making, the guidance on Growth Deals<sup>70</sup> states that "Effective political and financial accountability for the Local Growth Fund is essential, to ensure that public money is being spent with regularity, propriety and value for money." Local accountability (i.e. the ability to redirect Local Growth Funding to fit changing growth priorities without recourse to Ministers) will be supported, where places can demonstrate:

- strong partnership arrangements which deliver collective decisions from all local authority leaders at Local Enterprise Partnership geography.
- a clear and deliverable growth vision, signed up to by all members of the Local Enterprise Partnership including measurable input and output measures, and robust and rigorous plans for monitoring and evaluation;
- strong financial backing, including the deployment of local authority resources in support of the Strategic Economic Plan across Local Enterprise Partnership geography and evidence that local activity on economic development is maintained relative to statutory service provision; and
- strong cross-local authority collaboration on growth with clear evidence of agreed joint plans and teams on key economic development functions such as housing and transport, and up-to- date local plans that are aligned or jointly prepared by local planning authorities which set a positive framework for growth based on the most appropriate functional geography.

Effective provisions for timely and binding decision-making, therefore, are a central component of achieving local discretion over Local Growth Funds. In pursuance of this, and to ensure that the strategy and investments are effectively aligned, the Solent LEP Board took the decision in July 2013 to create a "Solent Local Growth Panel" (SLGP), incorporating the Growing Places Funding, EUSIF and Local Growth Funding. The SLGP has met monthly.

Moving forward it is recognised that the SLGP needs to be strengthened further if we are to fulfil the published requirements for the Local Growth Deal. In consideration of this the Board, together with partners remain committed to ensuring strong arrangements are in place to provide the necessary transparency and accountability as well as a

<sup>70</sup> HM Government (2013) Growth Deals: Initial Guidance to Local Enterprise Partnerships. [Online] Available from: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/224776/13-1056-growth-deals-initial-guidance-for-local-enterprise-partnerships.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224776/13-1056-growth-deals-initial-guidance-for-local-enterprise-partnerships.pdf)

framework for monitoring and evaluation. On this basis the Solent LGP will be replaced by the Solent Local Growth Advisory Group (LGAG).

The LGAG will provide an important advisory and overview and scrutiny role for Solent LEP investment programmes as well as the delivery of the Solent Strategic Economic Plan. The Group will include amongst its membership all 12 Local Authorities of the LEP area, along with representation from education, business, trade unions, and government agencies. Membership will be updated as we augment the existing structure.

- Solent LEP
- East Hants District Council
- Eastleigh Borough Council
- Fareham Borough Council
- Gosport Borough Council
- Havant Borough Council
- Hampshire County Council
- Isle of Wight Council
- New Forest District Council
- Portsmouth City Council
- Southampton City Council
- Test Valley Borough Council
- Winchester City Council
- HE Representative
- FE Representative
- Business Organisation Rep
- Chief Executive of the LEP
- Chief Finance Office of Accountable Body
- Trade Union Representative
- Voluntary sector representative
- Government Agencies (HA, NR, EA)

The Solent LGAG will perform an overview and scrutiny role and it is an advisory group and will report recommendations/advice directly to the Solent LEP Board and will be formed by way of a Voluntary Partnership, formalised within a Joint Agreement.

Each member of the LGAG will have an equal vote, with voting on a majority basis. The Group will appoint an independent chair, who will need to be a senior business or political Leader from the Solent area.

Meetings of the Solent Local Growth Advisory Group shall comply with the requirements of Part VA Local Government Act 1972 (access to information) and accordingly, matters such as notice periods for meetings, public access to meetings, access to information (including access to meeting papers, records of decisions and their rationale, and other relevant papers including scheme business cases, evaluation reports and regular programme updates) shall be applied accordingly.

Stakeholders will be provided with meaningful input before recommendations are made. This will be achieved through direct engagement, publication and advertising of information, and attendance and opportunity to challenge at LGAG meetings. The Solent LGAG will adhere to the Local Government Transparency Code.

For the Local Growth Deal, Portsmouth City Council shall be the accountable body and will:

- hold funding and make payments to delivery bodies;
- account for these funds in such a way that they are separately identifiable from the accountable body's own funds;
- provide financial statements to the Solent LGAG and Solent LEP as required;
- ensure that the recommendations, advice and activities of the Solent LGAG conform with legal requirements with regard to equalities, environmental, EU issues etc;
- ensure (through their Section 151 Officer) that the funds are used appropriately;
- ensure jointly with the Monitoring Officer that the Solent LGAG assurance framework and wider Solent LEP assurance framework is being adhered to;

- maintain the official record of Solent LGAG proceedings and hold all Solent LGAG documents; and
- maintain the official record of Solent LEP Board proceedings and hold all Solent LEP documents; and
- be responsible for the decisions of the Solent LEP in approving schemes (for example if subjected to legal challenge).

The accountable body shall, on behalf of the Solent LGAG, put in place arrangements for independent local audits to be carried out by a qualified auditor. The aim of each audit will be to verify that the Solent LGAG is operating effectively within the terms of its agreed assurance framework. The Solent LGAG shall be responsible for taking the necessary action to remedy any shortcomings identified within the audit.

The accountable body shall also, on behalf of the Solent LEP, put in place arrangements for independent local audits to be carried out by a qualified auditor. The aim of each audit will be to verify that the Solent LEP is operating effectively within the terms of the financial settlement from government for the Local Growth Deal and its associated assurance framework as well as performance of agreed programmes against the targets established in the Strategic Economic Plan. The Solent LEP and the accountable body shall be responsible for taking the necessary action to remedy any shortcomings identified within the audit.

Reporting to the LEP Board will be delivery panels covering each of our six strategic priorities. Each Panel is led by a Solent LEP Board Director, who will be accountable to the LEP Board and have delegated responsibility for the delivery and budget for programmes within their strategic priority area. This is kept under review and developed further in response to changes in the policy environment and a scheme of delegation will be agreed with the Board of Solent LEP and the accountable body Portsmouth City Council.

Some of the delivery panels are predicated on existing architecture where we have long-established sub-board structures as follows:

Employment and Skills Delivery Panel	This has been in existence since 2007 and will continue to operate under the above governance structure.
Inward Investment Delivery Panel	This was formerly the South Hampshire and Isle of Wight Inward Investment Board, which was established in 2009. The Solent Inward Investment Delivery Panel will now build on the previous structure.
Enterprise Delivery Panels	The Solent LEP has established panels to manage the delivery of the Enterprise Zone and RGF programmes that we have in train. This architecture will continue to exist through the new Enterprise Delivery Panel, which will bring together the totality of these investment streams.
Solent Further Education Forum	This task and finish group has been in existence for one year, having been established in April 2013. And reports through the Employment and Skills Panel

Alongside the delivery of the SEP, there is a recognition that we need to increase our delivery capability to align with the Local Growth Deal and our focus on unlocking key sites. In recognition of this, the newly established **Land and Property Delivery Panel** will have responsibility for monitoring the delivery of our flagship proposals including Welborne (The Fareham/Gosport Multi-year capital programme), North Whiteley and our 'ask' around Local Asset Management.

There is a commitment to ensure that **the Land and Property Delivery Panel** brings together representatives from relevant Local Planning Authorities, Local Transport Authorities, the Homes and Communities Agency, the property unit of the MoD, with the Solent LEP and other private sector representatives.

Underneath the Land & Property Delivery Panel, we recognise that, in respect of our flagship strategic sites, task and finish groups will need to be established to provide additional capacity for specific project proposals. This approach has been successfully deployed for the delivery of the Solent Enterprise Zone, which has brought momentum to projects as evidenced by the successful delivery of phase 1 of the Enterprise Zone project.

For the Strategic Sectors Delivery Panels, a series of thematic delivery groups will be established, such as the **Marine and Maritime Working Group**. Lastly, there is a commitment to ensure an **Innovation Delivery Panel** is established to oversee the development of the innovation priority going forward.

Each Delivery Group will operate under specific Terms of Reference. Each Delivery Group will propose a Terms of Reference for agreement by the main Solent LEP board.

## ANNEX 1 ORGANISATIONS PARTICIPATING IN THE SOLENT LEP CONSULTATION PROCESS

**Table 7 List of organisations taking part in consultation process**

A Space Arts	LEADER Programme
ABP Southampton	Learning Links
ALPHI	Life you want
Astrium Ltd	London Clancy
Atkins	majengO Ltd
BAE Systems Maritime - Naval Ships	Managing Director Southern Daily Echo and Hampshire Chronicle
Barclays	Marine Management Organisation
Barton Peveril Sixth Form College	Marine South East Ltd
BDO LLP	Marksman Consulting LLP
Big Lottery Fund	Marwell Wildlife
BIS South Central & West	Maxxia
Blake Laphorn Solicitors	Meachers Global Logistics
Blanchard Wells Ltd	Menzies LLP
British Marine Federation	Missionkraft Ltd
Britten-Norman	Morris Barton Associates
Brockenhurst College	Mott MacDonald Ltd
Business Solent	National Housing Federation
CAH	National Oceanography Centre
Capita Symonds	National STEM Skills Passport
Care Training Essentials Ltd	Natural England
Carswell Gould	Natural Enterprise
Citizen Care	Natural Enterprise & IW RDPE LEADER LAG
Coast to Capital	New Forest District Council
Colonnade IOW Ltd	New Forest Local Action Group
Compass Accountants	New Forest National Park Authority
Community First New Forest	New Theatre Royal Portsmouth
ConstructionSkills SW	Noble Shops International Ltd
Council for Social Responsibility	Office for Civil Society, Cabinet Office
Country Land & Business Association Limited	OHES Environmental Ltd
DCLG	One Community
Denique Training Services	Outset
Department for Business, Innovation & Skills	Oxford Innovation - Business & Innovation Centres
Department for Communities and Local Government	Oxford Innovation Services Limited
Department of Work and Pensions	Parity Trust
Dept for Communities & Local Government	Partnership for Urban South Hampshire (PUSH)
Dorset LEP	Portsmouth & South East Hampshire Education Business
East Hants District Council	Partnership
Eastern Solent Coastal Partnership Team	Portsmouth Association for the Blind
Eastleigh Borough Council	Portsmouth City Council
Eastleigh College	Portsmouth University
Eaton Limited	The Prince's Trust
ECDIS Ltd	PUSH
Education Business Partnership	Radian
EISC Ltd	Red Funnel
Endgame Insight Ltd	
Enterprise M3 LEP	

Environment Agency	Richard Taunton Sixth Form College
Express FM and Shaping the Future of Portsmouth	Rowner Community Trust
Fareham Borough Council	Rural Development Programme for England - New Forest
Fareham College	LEADER Local Action Group.
Fieldfare LEADER programme	Ryde TUC
First Wessex	SCA Group
Ford Motor Company	SERTUC and Gosport CLP
Future Solent	95
Futurealities Ltd	SETsquared Partnership
GBM	Shaping Portsmouth
GMB Trade Union	Shoosmiths LLP
Gosport Borough Council	Skills Funding Agency
Gosport Voluntary Action	Smart Training and Recruitment
Growing the Forest Programme	Solent Colleges Innovation Partnership
Growth Accelerator	Solent DWP/Jobcentre Plus
Hampshire CC	Solent Education Business Partnership
Hampshire Chamber of Commerce	Solent LEP and Hampshire County Council
Hampshire County Council	Solent LTB Programme
hampshireLIFT	Solent Mind
Havant Borough Council	Solutions Southampton
94	South Downs College
Havant College	South of England Photonics Network/UK Photonics Leadership Group
Health Education Wessex	Southampton & West Hants Trades Council & Hampshire
Highbury College	Assoc of Trades Councils.
HIT Training	Southampton Airport
Homes and Communities Agency	Southampton City Council
Hughes Ellard Limited	Southampton Marine & Maritime Institute
Individual Care Payment Co-operative	Southampton Solent University
I.W. Trades Councils	Southampton University
I.W. TUC	Southampton Voluntary Services
IBM Sales & Distribution	Southern and Eastern Regional Trades Union Congress (SERTUC)
Isle of Wight Chamber of Commerce	Southern Daily Echo / Newsquest Hampshire
Isle of Wight College	Southern Enterprise Alliance
Isle of Wight Council	Southern Planning Practice
Isle of Wight RDPE LEADER Programme	Southern Vectis
IW RDPE LEADER Programme	Sparsholt College
Jobcentre Plus	SPI Lasers
KCC	
Lambert Smith Hampton	
Portsmouth College	
Portsmouth Independent Living Network (PILN)	

## ANNEX 2 STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

### Strengths

STRENGTHS
<p><b>Major urban growth centres</b></p> <p>Solent benefits from the presence of two major urban centres that act as hubs for knowledge-intensive growth. The Centre for Cities identifies that “the two cities are well placed to drive growth in the private knowledge-intensive industries, due to the benefits that high value businesses derive from being located in close proximity to each other and their workers”. Together the two cities account for 37% of all highly skilled jobs in the Solent LEP area<sup>71</sup>.</p>
<p><b>Strategic Accessibility<sup>72</sup></b></p> <p>Solent is well placed in terms of strategic accessibility, although transport connections within the sub-region need improving, particularly within the cities and urban boroughs. Solent benefits from good road links to London and the ports play a vital role in access to global markets. Solent enjoys relatively close proximity to London. Although further from London by road than other parts of the South East, it still takes less than two hours to reach the capital by train or car from most parts of Solent. This proximity to London has many advantages, supporting commuting and benefiting local businesses within the area. The attractiveness of Solent means that the economy benefits from the higher wages of highly-skilled commuters into London who reside locally, enjoying the area’s quality of life.</p>
<p><b>Sector specialisms</b></p> <p>The industrial structure is a key factor and driver for economic growth. Solent benefits from a mixed economy, with strengths from research through to production across a range of sectors. However, we also have unique locational and sectoral strengths that we need to build on. Solent is home to an advanced manufacturing and marine cluster of national importance, contributing £3.6 billion and £1.9 billion GVA to the economy respectively. The Isle of Wight is home to an emerging cluster of renewable energy, composite materials and marine technology businesses<sup>73</sup>.</p>
<p><b>Relatively high economic activity</b></p> <p>The Solent has a growing number of people in employment (there was 2.6% growth between 2009 and 2011, compared with 1.7% nationally) and a higher than average employment rate (73.8% of 16 to 64 year olds in work, compared with 70.9% nationally). As a result, it has comparatively low levels of unemployment (with 5.7% of 16 to 64 year olds out of work, compared with 8% nationally); below average numbers of claimants per vacancy (3.1, compared with 3.7 nationally and 7.0 in the North East) and below average levels of youth unemployment (with 3.6% of 18 to 24 year olds resident claiming Jobseeker’s Allowance (JSA) in July 2013, compared with 6% nationally).</p>
<p><b>Strong intermediate level skills</b></p>

<sup>71</sup> *Anchoring Growth, An economic assessment of the Solent area*, Centre for Cities, May 2013.

<sup>72</sup> The concept of strategic accessibility refers to the relative accessibility of an area to the major urban centres and international gateways.

<sup>73</sup> Isle of Wight bid for Assisted Area Status.

Solent LEP has a higher than average proportion of the population whose highest qualification is at Level 3. In 2011, 20.6% of the working age population in Solent held a highest qualification at Level 3, compared with 18.7% across England as a whole. The proportion whose highest qualification is a Trade Apprenticeship (4.2%) is also above the national average (3.4%). This reflects the sectoral structure of the economy with the emphasis on engineering and the Marine and maritime sectors. Positively, over time the Solent has also reduced the share of its working age population without qualifications at a faster rate than the South East (a fall of 4.4 percentage points in the Solent compared with 3 percentage points in the South East). However, in Portsmouth and Southampton, the proportion of working age population with no qualifications fell by just 1.2 percentage points and 1.8 percentage points respectively. This is a particular concern given that the two cities have the highest proportions of people without qualifications in the Solent<sup>74</sup>.

### **Strong knowledge assets**

The three universities based in Solent are a major economic asset, providing a source of highly-skilled employment, generating new businesses, supporting existing businesses and bringing significant revenues to the local economy. Innovation and the exploitation of new knowledge by the private sector is fundamental to future growth and Solent is fortunate that three of its Higher Education Institutions (HEIs) have strengths in its strategic sectors that, if harnessed, can anchor knowledge-intensive economic activity and employment in the area, as prioritised by the Solent LEP - Strategy for Growth.

### **Strong HE and FE provision**

The presence of world class universities and a network of excellent FE colleges provide an opportunity to deepen the links between the academic world and the local economy, to promote research that benefits businesses, and to attract and retain skilled workers.

### **Natural environment**

Solent benefits from a high quality and highly-valued natural environment which includes many sites and features that have statutory protection. The strength of our natural environment has contributed to population growth, particularly in the more rural areas, with many people attracted by the quality of life and relative accessibility of major employment centres, including London. The quality of the environment also contributes to the strength of the visitor economy in the Solent. Developing the necessary infrastructure for the visitor economy and meeting the skill requirements will support the growth of tourism in the Solent.

### **Natural assets with ports with double tides and excellent linkages to international shipping channels**

Just 20 nautical miles from the international shipping lanes of the English Channel, the Port of Southampton presents a sheltered haven with unique double tides which allow the world's largest ships easy access. The mass market of mainland Europe is less than 100 nautical miles from Southampton and the UK's motor way network is in close proximity and it has direct links to the national rail network.

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<sup>74</sup> *Anchoring Growth, An economic assessment of the Solent area*, Centre for Cities, May 2013.

## Weaknesses

### WEAKNESSES

#### Relatively weak productivity

Productivity in the Solent is lower than in the South East, reflecting the presence of lower-value service sectors and traditional manufacturing. Gross Value Added (GVA) per head in the Solent was £21,000 in 2011, lower than both the South East (£22,400) and England (£21,300). Furthermore, whilst there has been productivity growth, this has not been accompanied by growth in private sector employment.

#### Urban centres punching below their weight

Solent's cities are not fulfilling their potential as drivers of economic growth. Recent employment growth has been concentrated around the M27 corridor. Indeed, Solent's cities are punching below their weight. Compared with Enterprise M3 and Coast to Capital LEP, Solent lags behind on many indicators. Employment in Portsmouth, Gosport and Havant remains heavily dependent on military spending. Budgetary contraction within the armed forces is, therefore, intrinsically linked to the economic fortunes of these areas.

#### Reliance on large employers

The Solent economy is focused on a number of key sectors, whereas others are under-represented. Small changes in the fortunes of these key sectors could have large impacts on the local economy. There are several large employers in the area that provide jobs for large numbers of people and a below average numbers of SMEs. This creates opportunities for growth but also leaves the area vulnerable to any downturn in the fortunes of key employment sectors or employers, such as Ford closure and the proposed losses at BAe Systems.

#### Lack of resilience to public spending cuts

Employment in the public sector is higher than the average for the South East. According to BRES, in 2011, 79% of employment in the Solent LEP area is in the private sector. Although this is in line with the England average (79%), it is significantly below neighbouring LEP areas, such as the Enterprise M3 LEP area (84%) and Coast to Capital LEP (82%). Areas within the Solent LEP, such as Gosport (73%) and Portsmouth (75%), are significantly below the national average in terms of private sector employment. The Defence sector is a large employer in Portsmouth, while Portsmouth, Southampton and Winchester host important administrative centres. As a result, public sector cuts are likely to have significant implications for the Solent. According to a 2010 analysis by Experian and the BBC, Gosport ranked 284th and Portsmouth, 290th, out of 324 local authorities nationally in terms of their resilience to public spending cuts.

#### Declining business stock

Between 2008 and 2011, the number of active businesses per 1,000 population in the Solent fell by 2.3%. Between 2010 and 2011, the business stock reduced by 900 businesses (ONS Business Demography), due to a large fall in the number of business start-ups; from 6,800 in 2007 to 5,800 in 2011. Analysis by the Centre for Cities suggests that the business base in the urban core was hit hardest during the recession. Business density has also historically been low in the Solent area. In 2010, there were 593 businesses per 10,000 population in Solent, compared with 693 across the wider South East.

#### Low Business birth rate

The business birth rate in Solent (10% of the business stock per annum) is also below the national average (11.4%) and significantly below that found in the most productive regions such as London (14.6%). Currently, business start-up rates in Solent and the Isle of Wight fall well below regional and national benchmarks. In the Solent LEP area, 14,000 jobs were created by firms born between 2009 and 2011. This equates to 6.5% of total employment, which is also below the national average (7.3%)<sup>75</sup>.

### **Slow employment recovery**

The employment rate remains below pre-recession levels. 73.8% of adults in the Solent LEP area were employed in 2012 compared with 75.7% in 2007. Southampton was also hit by large private sector job losses. Net private sector employment fell by 7% in Southampton during the recession while remaining stable in Portsmouth. Between 2008 and 2011, Southampton lost 20 times more private sector jobs than Portsmouth – a net decrease of 4,900 compared with 240. Unemployment in Southampton (measured by the claimant rate) rose above the national average in 2009 as a result. Other parts of the urban core and some of the outer local authorities also lost private sector jobs during this time. East Hampshire and Winchester were the only locations to experience private sector jobs growth<sup>76</sup>.

### **High proportion of low-skilled employment**

Solent has higher than average employment in lower-level occupations. This is reflected in below average earnings in Portsmouth and Southampton and the Isle of Wight. These areas ranked 244th, 254th and 256th respectively out of 324 local authorities nationally in 2010<sup>77</sup>. At the same time, the proportion of employment in managerial occupations is below the national average, as is the proportion of the population with qualifications at Level 4 and above. In 2011, 32% of working age adults in the Solent LEP area held higher-level qualifications, compared with 33% of working age adults nationally and 36% in the South East of England.

### **Skills Shortages**

Data on skills shortages and recruitment difficulties, suggests a deficit of managerial and technical skills. Businesses report that current staff have skills shortages particularly around managerial, supervisory, technical and specific administration skills. These skills shortages were found to be most prevalent in the Building and construction, Financial and business services, and Maritime sectors. In addition, half of firms also found it a challenge to recruit staff with the desired level of technical skills, while 33% found it difficult to recruit staff with the right managerial skills.

### **Lack of higher level skills**

Although two-thirds of firms aim to recruit employees with graduate and post-graduate skills, a relatively low proportion of residents are qualified to this level. The proportion of the Solent's residents who are qualified to degree level or higher (32%) is lower than both the South East (36.2%) and national (32%) averages. In Winchester, Test Valley and East Hampshire, at least 40% of residents were qualified to NVQ4+. In Gosport and on the Isle of Wight, less than a quarter of residents were qualified to NVQ4+. The proportion of residents of the two cities holding higher-level qualifications is also below the Solent average. This is a potential barrier to future growth of high-level skilled employment<sup>78</sup>.

### **Low resident participation in HE**

HE participation rates are below the English average in 2010/11 for Solent residents, particularly in the urban core

<sup>75</sup> Anchoring Growth, Centre for Cities, May 2013.

<sup>76</sup> Anchoring Growth, Centre for Cities, May 2013.

<sup>77</sup> BBC / Experien Local Authority resilience rankings.

<sup>78</sup> Anchoring Growth, Centre for Cities, May 2013.

and the two cities. Around 35% of young people in Portsmouth and 36% in Southampton entered or remained in HE in 2009/10, compared with 52% nationally<sup>79</sup>. Low levels of educational attainment affect the employment prospects of young people and have an impact on businesses' ability to access the skills they need. Businesses also frequently report a more general lack of employability skills amongst school leavers.

### **Unemployment - Youth and Long-Term Unemployment**

In May 2013, 6,200 18 to 24 year olds were claiming JSA in Solent. Although the number of young JSA claimants has fallen in the last four years, from 8,300 in May 2009, youth unemployment remains much higher than it was before the recession. In 2006 and 2007, around 4,500 young people were claiming JSA. In 2012, the proportions of 16 to 18 year olds in Portsmouth and Southampton who were Not in Education, Employment or Training (NEET) were 7.8% and 6.3% respectively, both above the national average (5.9%) and significantly higher than the rates found in Hampshire (4.8%) and on the Isle of Wight (4.7%).

### **Social deprivation**

Whilst the Solent is not traditionally associated with levels of deprivation found in northern English cities, entrenched cyclical deprivation and long-term unemployment is evident in a number of neighbourhoods in the two cities and their suburbs. At the time of Census 2011, there were 34 Wards where the unemployment rate was 5.0% or over. Of these, 16 were located on the Isle of Wight, five were in both Gosport and Southampton and four were in both Portsmouth and Havant. Four wards had an unemployment rate of over 7%, which is far above the England average of 4.4%.

## **Opportunities**

### **OPPORTUNITIES**

#### **Strong growth potential**

Employment in Solent LEP is projected to grow by **40,000** jobs between 2010 and 2020. This growth is projected to be almost entirely due to growth in higher-level occupations. There are expected to be 56,000 more managerial, professional and associate professional jobs in Solent in 2020 compared with 2010. A number of drivers for growth have been identified, including the area's global connections through the ports and the airport, and the three universities. The Solent's Maritime sector is nationally significant and is identified as a key local growth sector. With the move towards a more knowledge-intensive economy, the growth prospects for the Solent are largely dependent on the ability of the cities to drive growth.

#### **National and Global Connections**

Solent has global connections through its ports and airports, placing it in a strong position to build international links and benefit from export-led growth. Access to national road links is strong due to the presence of the M3, M27 and A3(M) motorways. National rail links are also strong with direct routes from both Portsmouth and Southampton to London (taking 106 minutes and 80 minutes respectively). Southampton Airport links the Solent to around 50 UK and

<sup>79</sup> ONS Destinations of KS4 and KS5 leavers in 2009/10 <https://www.gov.uk/government/publications/destinations-of-key-stage-4-and-key-stage-5-pupils-academic-year-2009-to-2010>

European destinations and has the potential to grow rapidly, taking on excess capacity from London's airports. Ferry transport plays a key role in the local transport network, with important connections between the mainland and the Isle of Wight and connecting the area's peninsulas. In addition, there are important cross-channel routes from Portsmouth to France and Spain<sup>80</sup>.

### **Solent Enterprise Zone**

The Solent Enterprise Zone has a central role in driving local growth and employment both on the Gosport peninsula and across the wider LEP area. The Zone has an agreed set of skill priorities, and a £12 million world-class employer-led Centre for Manufacturing and Engineering Skills Training (CEMAST) providing a platform to develop the long-term advanced technology skills for the Advanced engineering, Aerospace, Marine and Defence sectors.

### **Marine and Maritime sector potential**

The EU guidance states that, for coastal areas, LEPs should consider the potential of their Maritime, Marine and offshore sectors in driving economic growth – especially in relation to support for innovation, SMEs and low carbon. Those LEPs with an Atlantic coast can look to the European Commission's Atlantic Strategy Action Plan as a source of ideas, taking into account the broader needs of their areas. Southampton Port is the largest in the region and plays a crucial role in the UK's international trade and passenger traffic. In 2010, the Port was the fourth largest UK port in terms of cargo handled, with some 39 million tonnes, 7.7% of all cargo handled by the UK ports<sup>81</sup>.

### **Connecting research and innovation to support the local business base**

Solent is home to three universities, each of which has a focus on strategic sectors locally. Nearly three-quarters of business interaction income received by the University of Southampton was generated through interactions with firms outside the South East. The equivalent figure for the University of Portsmouth was 54%. This demonstrates the national reach of these universities. In 2009/10 and 2010/11, there were 219 spin-outs from the University of Portsmouth and 36 from the universities in Southampton. Spin-outs tend to have higher turnover than the average business, yet they make up a relatively small share of total start-ups – 18% in Portsmouth and 3% in Southampton.

### **Supply of land for future developments**

There is a reasonable supply of land to unlock for employment and housing sites. The South Hampshire Strategy<sup>82</sup> states that PUSH<sup>83</sup> authorities will provide for around 1.1 million square metres of net additional employment floorspace during 2011- 2026, split approximately equally between offices and manufacturing/distribution. That figure exceeds what is likely to be built, even if/when the economy improves, in order to ensure that land supply is not a constraint on employment development.

The Strategy states that if the economy grows faster than is currently envisaged, the figure will be reassessed and if necessary increased when the Strategy is reviewed (starting in 2014). In line with the 'cities first' policy, 63% of strategic supply lies within urban areas, with a further 21% in urban extensions. Growth opportunities exist along the

<sup>80</sup> Anchoring Growth, Centre for Cities, May 2013.

<sup>81</sup> UK Office for National Statistics.

<sup>82</sup> The South Hampshire Strategy: A framework to guide sustainable development and change to 2026, PUSH, October 2012.

<sup>83</sup> PUSH is the Partnership for Urban South Hampshire. PUSH is a partnership of the unitary authorities of Portsmouth, Southampton and Isle of Wight; Hampshire County Council and district authorities of Eastleigh, East Hampshire, Fareham, Gosport, Havant, Test Valley, New Forest and Winchester. PUSH authorities recognise the benefits of working together to support the sustainable economic growth of the sub region and to facilitate the strategic planning functions necessary to support that growth. PUSH has no statutory powers or functions but works collaboratively with the Solent Local Enterprise Partnership to deliver its distinct but complementary roles and objectives.

A3(M), along the M27 between the two cities, at the Enterprise Zone on the Gosport Peninsula, the development at Welborne<sup>84</sup> and within the four following locations:

Concentrating developments in urban areas will help reduce the currently dispersed nature of employment sites and address a number of more specific issues. For example, the plans for the regeneration of Tipner have been designed to improve the gateway into Portsmouth, while the Royal Pier development aims to transform Southampton's waterfront. Improvements to the quality of the public realm in the two city centres will make the cities more attractive to both business and residents. It will also increase opportunities for public transport to provide a greater share of journeys to work. The viability of these sites is mixed and most need major infrastructure improvements if they are to become viable. Because some of these sites and others across the Solent are publicly owned (the Ministry of Defence and Homes and Communities Agency are both significant land owners), it may take longer to bring these sites to the market than if they were privately owned.

### **Latent potential**

Portsmouth and Southampton have latent potential and ambition for regeneration and growth, tempered by recognition of the need to address transport issues, improve the public realm, and further raise the profile of the two cities in the eyes of national/international visitors and investors. Both cities have achieved significant regeneration successes in recent years and there is an outstanding portfolio of major projects in the pipeline.

### **Housing**

Providing an appropriate housing offer is an important factor in attracting and retaining a skilled workforce. Provision of sufficient housing of a range of different types and tenures is an issue facing all the UK's cities and the Solent is no exception. Areas within the Solent complement each other, providing different residential offers for workers within the sub-region. On average, house prices are cheaper in the Solent than other parts of the South East, making it attractive to potential buyers. An average dwelling in the Solent cost £236,800 in 2011, compared with a South East average £276,900. However, this masks the large variations across the Solent's local authorities. The two areas with the highest house prices in 2011 were Winchester (£357,300) and East Hampshire (£319,600), while the lowest were found in Gosport (£159,300), Portsmouth (£162,200) and Southampton (£174,000). Partners are working to increase the supply of housing in the Solent, particularly in the two cities. The South Hampshire Strategy states that there will be a net addition of 55,600 dwellings by 2026, with 38% of this located in Portsmouth and Southampton. While the number of completions in 2010/11 was up on the previous year, net completions were still below target. The majority of net completions were flats (59%) and 66% were one or two-bedroom properties. Attaining the right mix of housing is also a target and, as a result, there is a desire to provide more family homes (three bedrooms or more) and more executive housing in the Solent to attract highly-skilled workers<sup>85</sup>.

### **Strong record of partnership working**

The Solent has strong partnership working arrangements. The LEP is now well developed with a strong board and a clear strategy for growth. The local authorities also work well in a long-established partnership through PUSH. The ESB is well established and supported by cross-FE college working arrangements and the universities are well connected with the LEP. We believe that this provides an excellent basis for delivering the growth strategy, maximising the impact of public investment and providing the opportunity to lever private sector investment.

### **Improving competitiveness**

We want our growth strategy to support improved competitiveness and here, the Solent has made some progress, moving up three places in the LEP rankings between 2010 and 2013, with all but two local authority areas within the sub-region improving their competitiveness over the period. Gosport, in particular, fell 94 places in the rankings and

<sup>84</sup> A new housing and employment development North of Fareham with 6,000 new homes due to come on stream from 2016.

<sup>85</sup> Anchoring Growth, Centre for Cities, May 2013.

Eastleigh, 57 places, with Fareham the most dramatic 'climber' improving its 2013 ranking by 99 places. Gosport's poor and deteriorating competitive position is a cause of concern and it reinforces the need to ensure that the Enterprise Zone delivers on its promise<sup>86</sup>. The Good growth for cities (November 2013), PWC/DEMOS's report on economic wellbeing in UK urban areas, places Southampton fourth in a ranking of cities for good growth and was the most improved City (in terms of ranking) since last year. The main reasons for the change in ranking includes declines in: unemployment ((6.4% to 5.3%), long-term sick (20% to 17%) and commuting times (26.4 – 24.8 minutes). At the same time Portsmouth was ranked 15th, above the UK average and 16th in terms of most improved. The Solent LEP as a whole ranks 5th in terms of the LEP Good Growth Index.

## Threats

### THREATS

#### Strategic Defence Review

The Portsmouth Naval Base generates output of £1.68 billion and supports both 11,900 FTE jobs directly and 19,775 FTE jobs in total once indirect jobs are included. This equates to 3.5% of LEP output and 4.1% of all FTE jobs. The base is particularly important to Manufacturing, supporting nearly 7% of all manufacturing jobs in the Solent. It is estimated that every £1 million directly generated by the Naval Base stimulates an additional £750,000 of spending in the Solent economy. It is widely recognised that the level of activity at Portsmouth Naval Base is likely to change following a current period of peak shipbuilding activity. However, what is not yet known is whether a contraction will release capacity for alternative activity. Therefore the Defence sector and wider supply chain need to prepare for a transition as the emphasis moves away from ship-building towards maritime support.

There is widespread concern about the consequences of the Strategic Defence Review for naval activities in Portsmouth and the knock-on effects on the wider Solent economy. A recent Socio-Economic Impact Assessment of Portsmouth Naval Base<sup>87</sup> reviewed three possible scenarios, including one in which the reduction in ship-building activity is not offset by additional vessels moving to Portsmouth or by BAE Systems increasing the level of maintenance at the base. In this scenario, a 22% decrease in output and 20% decrease in employment was envisaged, leading to an overall loss of employment (including multiplier effects) of around 3,875 jobs. To support future growth in the Solent and avoid rising unemployment and in-work poverty, it is vital that the impacts of public sector cuts are mitigated and complementary areas of private sector growth are supported. This is likely to involve a need to up-skill and re-skill those who have held jobs in the skilled trades, which have typified traditional dockyard/marine sector employment.

#### Challenges to the shipping industry

The shipping industry is facing severe challenges stemming from the imminent implementation of International and EU regulations on sulphur emissions. These challenges result from a combination of factors, such as the availability and rapidly rising cost of fuel grades required by the regulations and the unavailability of adequate technological solutions at present. As a busy waterway for passenger and short-sea shipping, this is significant for Solent. It will affect many companies, resulting in cost rises and potential job losses. We will need to do work hard to retain and

<sup>87</sup> Socio-Economic Impact Assessment of Portsmouth Naval Base (2012), University of Portsmouth, 2012.

grow shipping companies operating in the ports of Southampton and Portsmouth and support moves towards low carbon fuels through research and development.

### **Demographic changes**

Previous employment growth has not resulted in a rise in the employment rate, largely due to inward migration. Between 2004 and 2008, the employment rate fell by around 1.6 percentage points despite the volume of people in employment rising by nearly 10,000. The 'baby boom' generation is now gradually leaving employment, taking valuable skills with them. At the same time, the number of young people entering the labour market will continue to decline until 2018. These factors may combine to create labour and skills shortages, if measures are not taken to re-engage those outside the labour market<sup>88</sup>.

### **Replacement Demand**

Together, replacement and expansion demand are projected to create a new requirement for 347,000 employees to enter new jobs between 2010 and 2020. This is equivalent to 47% of the current labour force. Without significant training and efforts to engage groups of the population that have not been in employment, this demand for labour may create skills shortages and recruitment difficulties.

### **Skills shortages**

Businesses experience skills shortages in managerial, supervisory, technical and administration skills. Survey data suggests that half of firms find it hard to recruit staff with the desired level of technical skills, while 33% find it difficult to recruit staff with the right managerial skills. The Engineering and Manufacturing, Maritime, Financial and business services, Transport and communications sectors and the creative industries were found to face particular challenges<sup>89</sup> making this a key barrier to growth.

### **Lack of employer investment in training**

Businesses in the Solent area are taking on fewer staff and investing less in employee training. Lack of investment in training is likely to impact on workforce development and business productivity (Centre for Cities). Businesses are employing fewer young people and taking them on at a later stage, after they have attained higher levels of qualifications. This is squeezing young people and those with lower levels of skill out of the labour market.

### **International competition**

Although the global marine sector is forecast to grow, competition for high value international markets is intensifying. Countries such as China, Brazil, India and Vietnam have made major strategic investments in the sector and are increasingly challenging for more knowledge-intensive segments of the market<sup>90</sup>.

### **Educational attainment**

From early years through to GCSE level, the Solent performs in line with the national average. However, the urban core underperforms. At GCSE level, for instance, in 2010/11, 54% of pupils achieved five A\* to C grades including English and Maths in the urban core, which was 4 percentage points below the English average. Gosport and Havant underperform from early years through to GCSE, and Portsmouth in particular has very low attainment levels at GCSE. This will have implications for the skills of the future workforce and prevalence of worklessness and is

<sup>88</sup> Anchoring Growth, Centre for Cities, May 2013.

<sup>89</sup> Hampshire County Council (2012) Hampshire Employers Skills Survey 2011.

<sup>90</sup> Solent Employment Zone Skills Plan, Marchmont Observatory, 2013.

threatens both individuals' and our wider growth aspirations.

### **Low skills**

Low skills levels in the two cities and neighbouring boroughs are also a potential barrier to our ambitions to increase GVA per capita and develop high value-added sectors. Compared with the other 'South East Diamonds', Solent has a relatively poorly-qualified working age population, and while progress has been made in raising Level 2 skills, there is more to be done on Level 4 and above.

### **Low business density**

Low business density reflects reliance on a number of major employers, particularly in the defence and manufacturing sectors. This reliance on large firms, especially in the two cities, makes the area vulnerable to business failure.

### **Reliance on public sector employment**

Employment in the public sector is higher than the average for the South East. The defence sector is a large employer in Portsmouth. Portsmouth, Southampton and Winchester (the latter is home to Hampshire County Council's offices and Hampshire Police Headquarters) are important administrative centres. The share of employment in health, education and social work is also slightly above the South East average. Public spending cuts are also going to have an impact on the Solent's steady economic recovery. Estimates by the Centre for Cities, which looks at public sector job losses across government as a whole, suggest that 9,100 jobs (4.2% of total jobs) may be lost in the Portsmouth Primary Urban Area (PUA) by 2016. These losses are considerable; the city ranks fifth out of 63 for the highest predicted job losses. For Southampton, the estimate is 5,600 job losses (3.5% of total jobs) by 2016; ranking the city 35th out of 63<sup>91</sup>. Interviews also demonstrated widespread concern about the consequences of the Strategic Defence Review for naval activities in Portsmouth and the knock-on effects on the wider Solent economy.

### **Failure to link local people to local jobs**

The cities of Southampton and Portsmouth are attractive to people moving from abroad or elsewhere in the UK. In 2010, there was a net inflow of:

3,000 to Southampton, comprising 2,400 people from outside the UK and 600 people from within the UK to Southampton; and

3,300 to Portsmouth, comprising 2,000 people from outside the UK and 1,300 from within the UK.

Between 2004 and 2008, while the total volume of people in employment in the Solent LEP area rose by nearly 10,000, the proportion of local residents who were in employment fell by around 1.6 percentage points (APS). Local partners have expressed a clear desire to ensure that future employment growth is accompanied by a rise in the employment rate, which must be achieved by taking steps to link local people, particularly those out of work, to local growth and jobs.

### **Capacity to grow**

The Port of Southampton is one of the main UK international ports. It is expected that container and Ro-Ro traffic will

<sup>91</sup> Centre for Cities own calculations based on Office for Budget Responsibility's forecasts of 720,000 public sector jobs by 2016. Data defines the two cities based on their primary urban areas. See for [http:// www.centreforcities. org/puas](http://www.centreforcities.org/puas) for further details.

grow by an average annual rate of around 3 to 4%. This growth will eventually require a significant increase in capacity. According to the Port Master Plan, the availability of sufficient port capacity as well as congestion on port access routes and the wider inter-urban network are considered to be a potentially significant constraint on future economic growth. In May 2012, Associated British Ports was given the green light by the Marine Management Organisation (MMO) for the redevelopment of Berths 201 and 202 at the Port of Southampton. This will increase the handling capacity at the port from 2 million TEU<sup>92</sup> to 2.7 million TEU per annum. However, other ports do not stay behind. The UK's largest port, Felixstowe, has just opened two new 730 metre berths, both being able to accommodate the largest maritime vessels. Additionally, a new port and logistics centre, London Gateway, is under development. Its expected capacity will be 3.5 million TEU a year. The first phase is expected to finish by the end of 2013. London Gateway is expected to attract new business but will also attract existing business from other ports, mainly in England. The Portsmouth International Port announced in June 2012 the completion of the Berth 2 extension. The longer berth allows for docking of larger cruise and ferry vessels simultaneously. However, more cooperation with surface transport providers will be needed in order to accommodate the high seasonal traffic peaks. The potential barrier to growth is also the capacity of the existing logistics centres. With the expected growth of traffic handled through the Port of Southampton, there is a need for expansion of the logistics activities in the area. The capacity of the existing sites will need further expansion to avoid constraining regional growth. Additionally, new sites for logistics activities should be identified and the land for their development should be unlocked. There is a need for an integrated plan to address the needs of the logistics sector. The continued competitiveness and development of the Port of Southampton and the Port of Portsmouth are dependent on lifting the capacity constraints as well as on ensuring good and reliable surface accessibility.

### **Development Pressures**

The 55,800 new homes and nearly 1.2 million square metres of new employment floor space that the South Hampshire Strategy envisages between 2011 and 2026 will lead to an increase in carbon emissions from the area despite improvements in energy efficiency and standards. It is recognised that something extra will be required to prevent carbon emissions rising substantially<sup>93</sup>. Solent is already the largest and most densely populated urbanised area in the South East outside London, with an equivalent density of some of the outer London boroughs (Hillingdon, Havering and Bromley are all around 2,000 p/sq km) and compares with the national population density of 246 p/sq km. The implications of this rapid and significant rise in buildings and population in Solent as well as the objective to achieve above trend economic growth are an inevitable increased use of resources (energy, water and construction materials) and a potentially greater production of waste unless measures are pursued to improve the area's sustainability. The pressure on the green space that remains will also intensify with a greater population using a diminished resource.

### **Environmental threats**

The exceptional development pressures facing Solent mean that there is a significant challenge to meeting national climate change targets, and the coastal position also means that the region is particularly vulnerable to the future effects of climate change. In addition, the special environmental quality in the internationally, nationally and locally designated sites of biodiversity importance make protection of this area of even greater magnitude. The Solent area is predicted to be in the zone of the UK most affected by drier summers and an area of serious water stress. Solent's low lying coastal landscape is most susceptible to the impacts of climate change through rising sea levels and increasing frequency of storm events. The vulnerability of low-lying and previously reclaimed commercial and residential land presents the prospect of a choice between the huge cost of the extra sea defence works that would be necessary and the economically ruinous abandonment of areas of urban land to the sea. Mitigating the effects of climate change can go some way to reducing the risk of flooding events. There is also a need to future-proof new development to withstand the impacts of climate change. With some 270 kilometres of coastline, Solent contains some of the most vulnerable communities in England in terms of flood risk. Predicted sea level rise will increase these risks. In addition, there are river floodplains with a risk of surface water flooding and areas that are susceptible to groundwater flooding. The proximity of large parts of Southampton, Portsmouth, Gosport, Fareham and Havant to

<sup>92</sup> Twenty Foot Equivalent Units, the size of a standard container.

<sup>93</sup> South Hampshire Strategy Background document : Environmental Sustainability, PUSH, November 2012.

the extensive coastline puts them at risk of flooding from the sea, with predicted sea level rise due to climate change and post-glacial rebound likely to increase these risks in future.

### **Congestion**

Congestion is also an issue for those travelling into and out of the Solent. On the A3 (Portsmouth to London), traffic flow increased by 3% between 2005 and 2011 but delays per ten miles increased by 43%. On the M3 (Southampton to London), delays per ten miles have increased by 30% despite a decreasing flow of traffic. According to previous PUSH<sup>94</sup> and TfSH<sup>95</sup> studies, the future prospects of the Solent economy are limited by the traffic congestion across the region. Many roads are already at or about to reach their capacity. This makes the future growth potential dependant on the changes to the travel demand and the existing infrastructure a necessary step in enabling the growth of the Solent economy.

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<sup>94</sup> PUSH Economic Development Evidence Base.

<sup>95</sup> Transport for South Hampshire Evidence Base Case and Options for Intervention, Report R6, Report for MVA Consultancy, October 2012, information confirmed through the interviews.

## ANNEX 3 PIPELINE OF KEY SITES

### Sites to be brought forward for Local Growth Deal support 2015/16 to 2016/17

<b>Site</b>	<b>LGD 1: Fareham Gosport Infrastructure Package</b>
<b>Project Description / Overarching Rationale</b>	<p>The role of transport is critical in Fareham and Gosport to support the Solent LEP priorities: for new housing and economic growth; to un-lock strategic sites; and to improve access to existing business and commercial centres in order to assist employment retention, growth and regeneration.</p> <p>There are two core elements to this phased work package of transport interventions:</p> <ul style="list-style-type: none"> <li>• New infrastructure is necessary to directly enable development at Welborne (the largest single mixed housing and employment site in the south) including the provision of a new all moves M27 Junction 10; and</li> <li>• Improved access to the Fareham and Gosport Peninsula, based around the provision of a new bypass for Stubbington and associated infrastructure improvements, which are necessary to help attract growth and investment into the area and to bring forward and maximise development at the Solent Enterprise Zone.</li> </ul>
<b>Maps / Images of Pipeline Site</b>	
<p><b>Welborne</b></p> 	
<p>Welborne is a major new settlement of approximately 6,000 dwellings and substantial employment development, with supporting retail and infrastructure, located to the north of the M27 motorway at Fareham in Hampshire. The principle of the development was established in the Council's Core Strategy which was adopted in August 2011. Since then momentum has been maintained and a detailed planning framework for the new community has been prepared and is expected to go to public examination in late summer this year. The first housing completions are expected in 2016 with the employment development commencing in 2018. Therefore the project is now entering a crucial stage and there is a real opportunity to improve the likely success for the Welborne Plan through the process and to add value in terms of certainty, timing of delivery and quality of outputs in creating a successful, sustainable community.</p>	

## Improved Access to Fareham and Gosport



New and improved routes from the Gosport peninsula will provide the necessary uplift in the existing transport network required to encourage investment into the Solent Enterprise Zone. Existing routes off the peninsula are operating at or above capacity currently and cause frustration and delay which in turn serves to discourage investment. Two components form the basis of improved accessibility to the Gosport peninsula, namely:

- Stubbington Bypass – which provides a new route from the peninsula to the west towards the M27 junction 9, bypassing the congested route through Stubbington Village. Alongside the bypass capacity improvements will be essential along Titchfield Road, north of where the bypass joins, to its connection with the A27, at Titchfield gyratory, which will require capacity improvements. The A27 will require upgrading to improve single carriage sections to dual and to enhance the operational effectiveness of its junctions. Traffic management will be provided in Stubbington Village to reduce severance and improve accessibility for pedestrians and cyclists in order to improve the local economy of the village.
- Improvements to the southern section of Newgate Lane (following on from on-going improvements to the northern section of Newgate Lane) which will in combination provide better access from the peninsula to the east towards the M27 junction 11. A phased programme of work for Peel Common roundabout is closely linked to the proposal to improve Newgate Lane south.

The A27 improvements will complement the Highways Agency's proposals to improve the flow of traffic east /west along the M27 as part of their Route Based Strategy enhancements.

### Current network constraints

### Complete Fareham / Gosport Package



### Local Growth Deal Infrastructure Package



**Site** LGD 2: North Whiteley

**Project Description / Overarching Rationale**

The Strategic Development area at North Whiteley will contribute to the Solent SEP Strategic Priorities by:

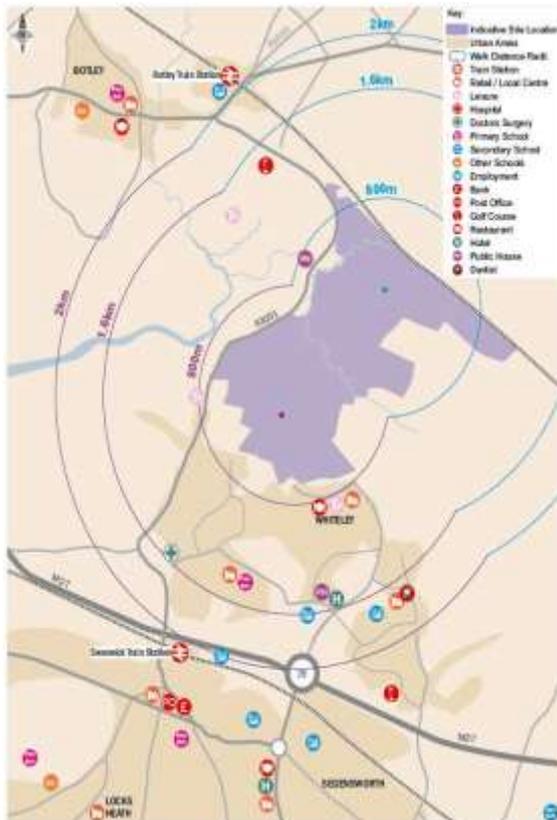
- Delivering infrastructure Priorities by providing significant transport enhancements and 3,500 new homes of a wide range of sizes including a proportion of affordable housing.
- Providing a new resident population with wide ranging skills and abilities thus helping support the 'skills for growth' priority.
- Helping to deliver inward investment by providing housing, infrastructure and facilities adjacent to the Solent Business Park and other nearby centres of employment.

The North Whiteley Strategic Development is included in the Winchester City Council Local Plan Part 1. It is a strategic growth area which will provide 3,500 new homes and associated infrastructure. This bid is seeking funding for a major new transport link serving both the proposed growth area and the existing community of Whiteley which at present has only one main highway access onto the M27. The Whiteley Way route will join the communities to the existing highway network to the north of the growth area. Funding is required to help deliver this important piece of infrastructure which will help to unlock this key growth area.

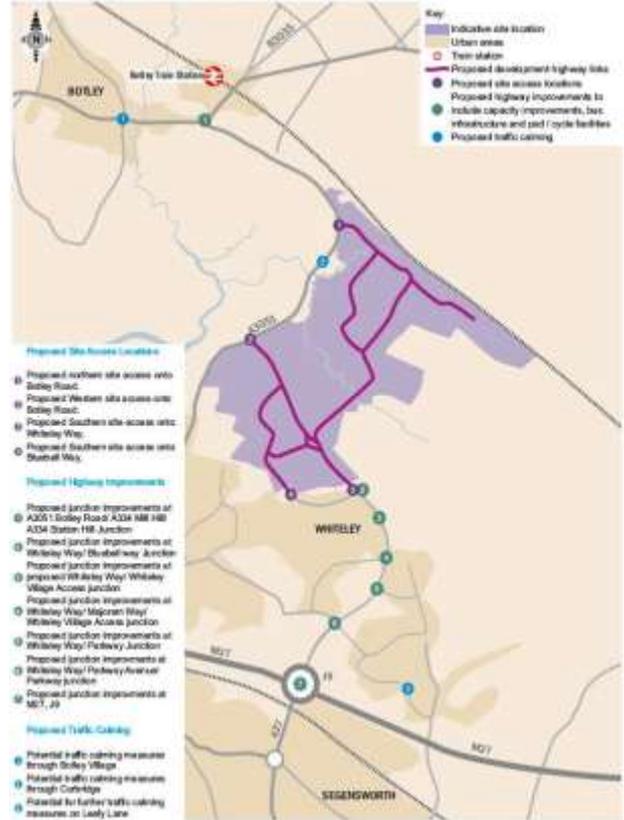
**Maps / Images of Pipeline Site**

**North Whiteley Access & Movement Strategy**

**Existing Local Facilities**



**Highway Improvements**



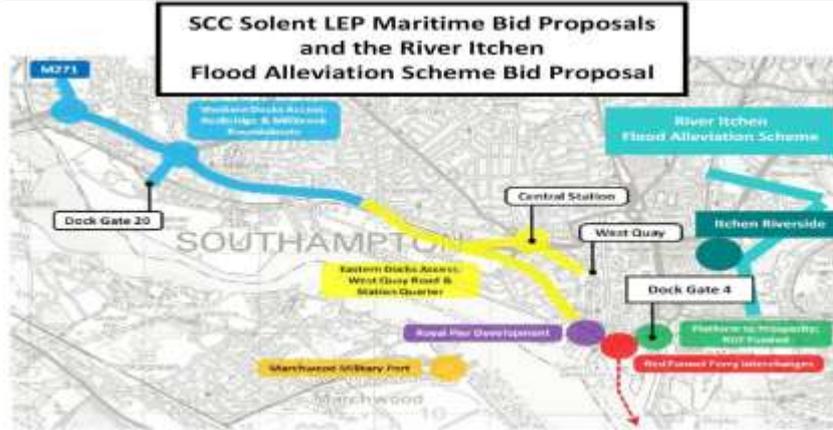
**Site**      **LGD 4: River Itchen Flood Alleviation**

**Project Description / Overarching Rationale**

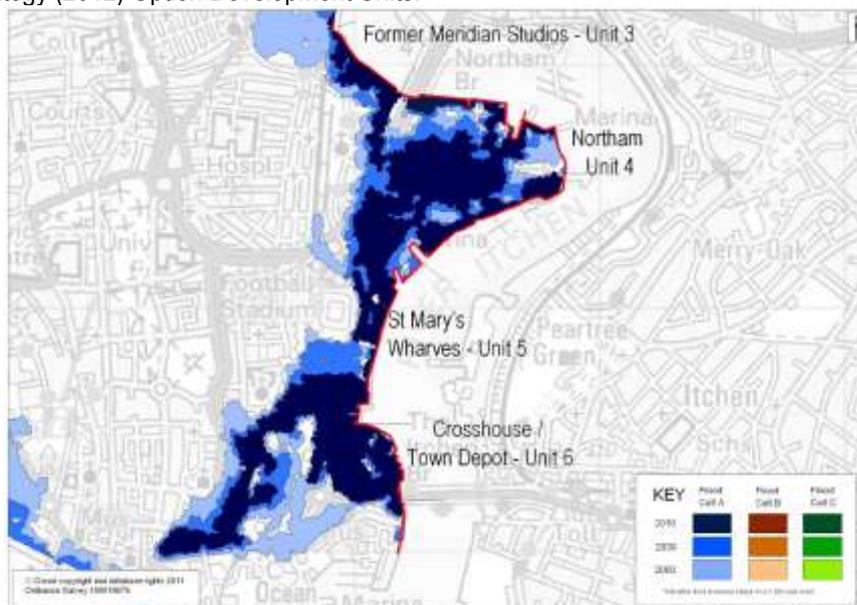
The River Itchen Flood Alleviation Bid is a crucial element that supports SCC's Maritime Bid Proposal (made up of six individual bids) planned for submission to the Solent LEP that together form a package of infrastructure measures designed to grow and support the maritime sector whilst at the same time support the wider City centre economy of Southampton and its growth aspirations. A managed adaptive approach to flood risk is required to meet the aspirations of the City Centre Master Plan, specifically the Itchen Riverside Regeneration area (one of the six bids mentioned above), to deliver substantial growth over the next 20 years and beyond.

This project will help support the future regeneration of the Itchen Riverside area generating over £760 million of investment, creating up to 3,075 new jobs (with a focus on the maritime sector) and up to 4,000 new homes in the period up to and beyond 2026 (including Centenary Quay). This will significantly improve the potential for GVA growth, stimulate business birth rate, improve business survival rates and FDI by establishing a marine centre of excellence with potential for 100,000 m2 of new employment space.

**Maps / Images of Pipeline Site**



Map showing the modelled flood zones (1:200 year tidal event 'do-nothing' scenario) for the years 2010, 2030 and 2060 for the scheme frontage (indicated by red line). Units refer to Southampton Coastal Flood and Erosion Risk Management Strategy (2012) Option Development Units.



**Site****LGD 8: Red Funnel****Project Description / Overarching Rationale**

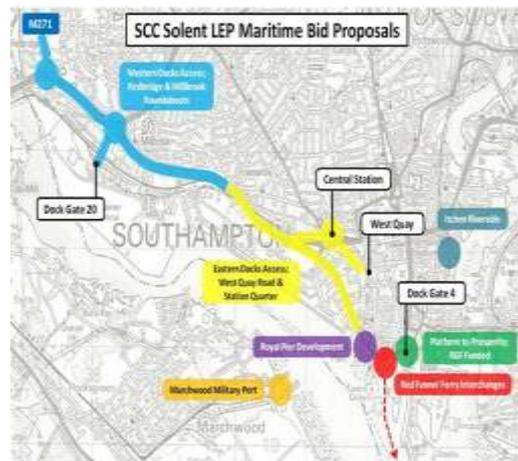
This project seeks funding for the highways infrastructure needed to move the Red Funnel Ferry terminals on each side of the Solent. The project removes existing connectivity & capacity constraints on the visitor economy, while unlocking major employment sites at Royal Pier Waterfront in Southampton, and East Cowes on the Isle of Wight.

Specifically, the scheme asks the Solent LEP to fund the terminal access roads, cycling and walking routes, high quality waterfront areas, and a new 'floating bridge' between East and West Cowes, together with land assembly on the Southampton side. Red Funnel ferries have separately applied to the Growing Places Fund for a loan to fund the purchase of land from the HCA in East Cowes. Beyond that, Red Funnel ferries will pay for the new terminals and ferry upgrades.

This scheme provides funding for the enabling public infrastructure needed to re-locate the Red Funnel Ferry terminals on each side of the Solent: land assembly, access roads, cycling and walking routes, high quality waterfront areas, and a new 'floating bridge' between East and West Cowes.

**Maps / Images of Site**

Isle of Wight Council have worked closely with SCC to ensure compatibility with a package of infrastructure measures they have designed to grow and support the maritime sector, whilst at the same time support the wider City centre economy of Southampton. Each scheme can be delivered separately as each stands up on its own. Implemented together though they offer a comprehensive solution to the transport constraints and issues facing the Western and Eastern Docks and the City centre. This will allow the realisation of the Port of Southampton's **Port Master Plan** as well as a number of specific redevelopment proposals as set out in the **City Centre Master Plan** which are focused on Southampton's Waterside.

**East Cowes****Southampton**

**Site****LGD 9: LTB Majors****Project Description / Overarching Rationale**

Through the Local Transport Body, four priority transport schemes have been identified and schemes and outputs are summarised as follows:

**Dunsbury Hill Farm Link Road, Havant**

- Dunsbury Hill Farm, a major employment site in Havant, is greenfield land between Waterlooville and Leigh Park.
- The scheme involves the provision of a transport package, including a link road from the B2150 Hulbert Road, to unlock the development of the site.
- The total project cost is £8.54m, with £4.54m LTB funding. The scheme will result in direct and indirect job creation of 3,020 jobs and creation of 67,354 square metres of employment floor space.

**The Hard Interchange, Portsmouth**

- The Hard lies between the Portsmouth Historic Dockyard and Gunwharf Quays.
- The scheme is based upon proposals set out in The Hard SPD which involves replacing the existing bus interchange and improving the public realm, way-finding and cycle parking facilities.
- The scheme will create certainty and accelerate the redevelopment of some under-utilised assets in the area.
- The total project cost is £4.83m, with £2m LTB funding. The scheme will result in direct and indirect job creation of 1,754 jobs and creation of 47,000 square metres of employment floor space.

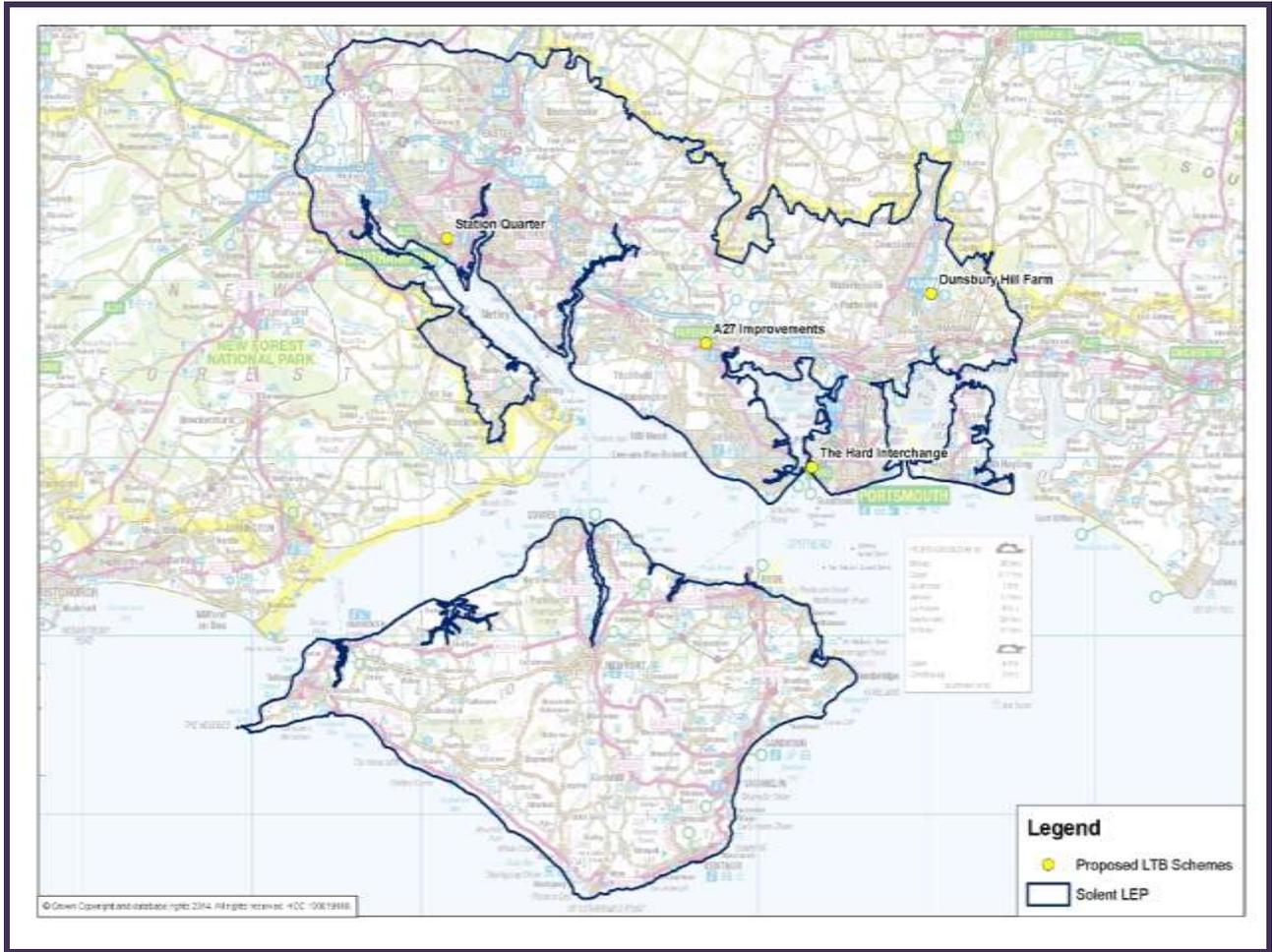
**A27 Corridor Improvement, Fareham**

- Scheme located in central Fareham, at the northern area of the Gosport peninsula.
- A27 Station Roundabout and A27 Gudge Heath Lane Interchange, junction and carriageway improvements: Station Roundabout: re-configured with multi-modal improvements; Gudge Heath Lane: improved to provide two lanes straight ahead, right turn lanes and a cycle-way; Inter-connecting carriageway improved.
- Proposals viewed as integral to develop the Enterprise Zone and unlocks development around the Station.
- The total project cost is £6.61m, with £4.96m LTB funding. The scheme will result in direct and indirect job creation of 700 new jobs.

**Southampton City Streets, Station Quarter**

- City Streets is a package of high value interventions to address the transport constraints on economic growth in Southampton city centre.
- The bid comprises Station Quarter North within the City Streets programme.
- The total project cost is £7.87m, with £4.19m LTB funding. The scheme will result in direct and indirect job creation of 300 jobs.

**Maps / Images of LTB Sites****LTB Scheme Site Locations**



## Pipeline of sites to be brought forward for Local Growth Deal support 2017/18 – 2020/21

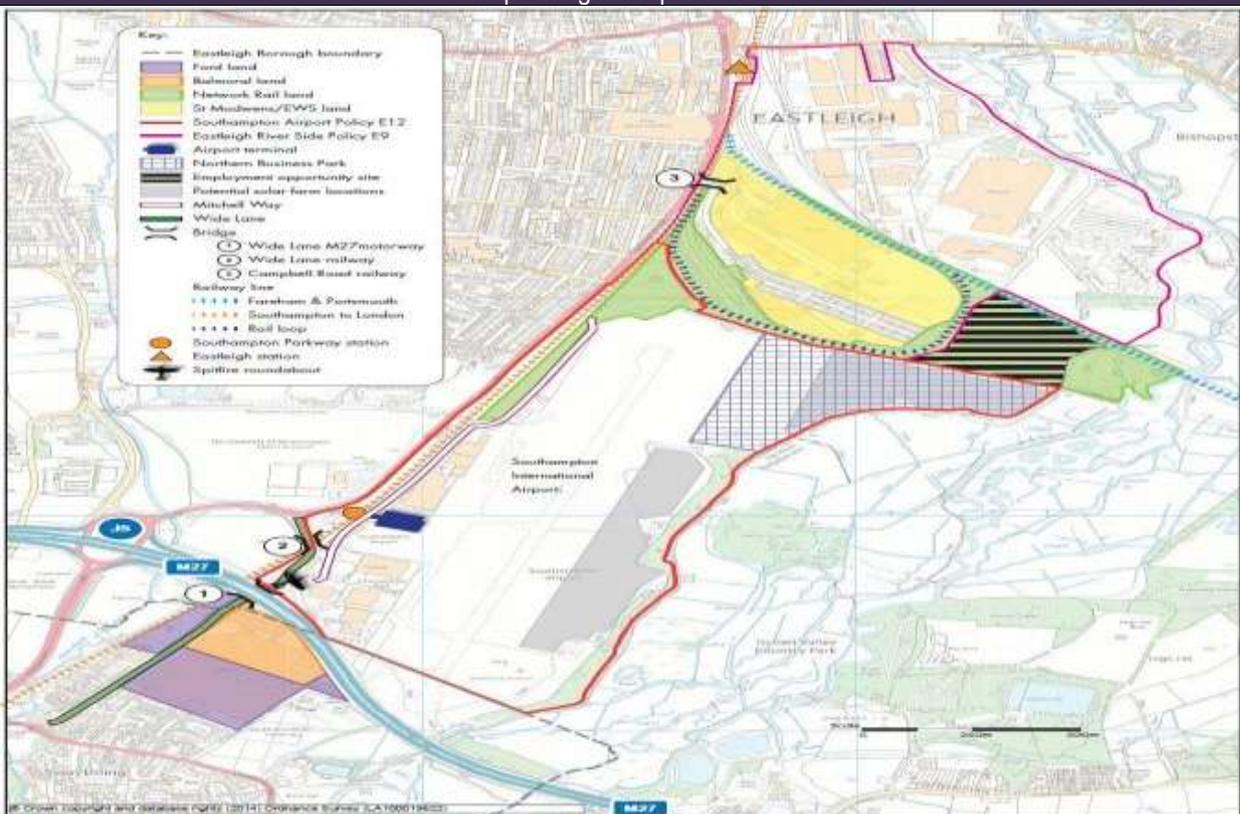
### Overarching Rationale / Project Description

The **Ford–Airport–Riverside** site is a strategically important area for the Solent. It incorporates the Ford factory which moved production to Turkey in 2013, Southampton International Airport and the southern part of Eastleigh River Side employment site. Considered as a whole, the site provides an opportunity for a prestigious gateway that will add high quality jobs, supply chain opportunities and make a major contribution to the Solent area's inward investment potential. Careful master planning and strategic improvements to local transport infrastructure would maximise the economic potential of this site providing valuable employment land immediately adjacent to road, rail and air links and in close proximity to the port of Southampton.

Stakeholders including Southampton City Council, Eastleigh Borough Council, BAA, and Ford have expressed a firm commitment to further developing the potential of this opportunity to bring forward plans and release the employment potential of the site. A Single Master Plan will be developed for the Ford, Eastleigh Riverside and the Southampton Airport area which recognises the different stages of development and priority attached to the sections of the site.

Land south of the Eastleigh-Fareham rail line is an area that remains allocated for regeneration and employment development in Eastleigh Borough Council's Draft Local Plan and the Council is keen to see it is delivered to ensure a substantial contribution to growth and employment in the Solent. The prospects of this development have largely been played down in recent years due to the cost of probably an over-engineered infrastructure solution to improve access to the site and the national economic downturn which has depressed the development market.

Map / Image of Pipeline Site



**Overarching Rationale / Project Description**

**Royal Pier**

Southampton's Royal Pier project is a major mixed use waterfront regeneration scheme. The provision of an infrastructure forward funding package to accelerate land reclamation will unlock an enlarged site which will provide a multi phased development including:

- A prime venue for waterfront employment within the Solent, in addition to a new marine leisure location and publicly accessible waterfront.
- 101,155 sq m of mixed office, retail and leisure space;
- 340 hotel beds;
- 600 homes;
- 6,200 jobs;
- The provision of a 5.0ha public maritime space;
- A permanent, purpose built home for the Southampton International Boatshow and a high quality waterfront park for the City of Southampton which will be a venue for marine leisure and events at other times of the year;
- 458m waterfront promenade;
- Improved ferry facilities to Isle of Wight;
- Flood defence incorporated into development;
- Transforming the Gateway for the Cruise Terminals which promotes Southampton as a destination rather than simply for embarkation.

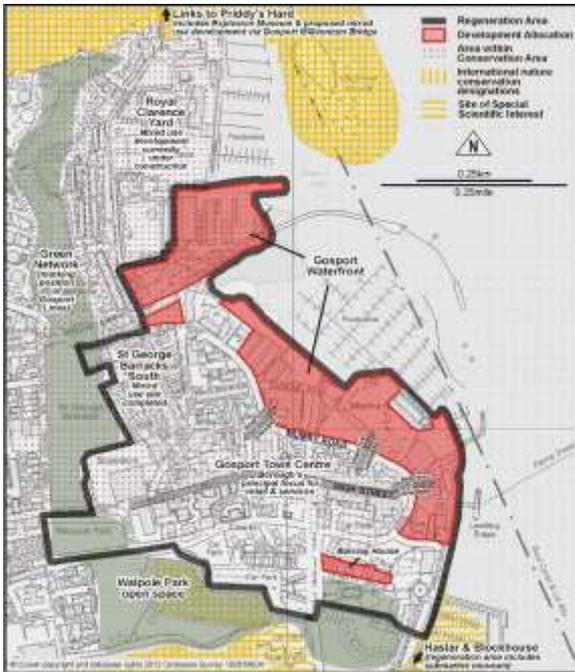
A Development Agreement has been signed between ABP, Southampton City Council, the Crown and Morgan Sindall/Lucent. A planning application is now being worked up with a view to project commencement in 2016/17. The first stage of the project involves the relocation of Red Funnel (Red Funnel Interchanges) which will involve the acquisition of land in 2015/16. Reclamation will follow the Red Funnel move in 2016/17, with estimated costs of £21.3m.

**Map / Image of Pipeline Site**



<b>Site</b>	<b>Gosport Waterfront</b>
<b>Project Description / Overarching Rationale</b>	<p>This scheme is for flood defence measures for the Gosport Waterfront on the western side of Portsmouth which will unlock the development potential for employment, commercial and residential uses as well create opportunities for a better quality environment.</p> <p>The Gosport Waterfront overlooking Portsmouth Harbour is identified as a priority site in the Solent Strategic Economic Plan as it includes a number of areas where there is an opportunity to intensify employment generating uses, particularly marine –related employment due to the opportunities to access deep water</p> <p>The site is largely within Flood Zone 3 and with on-going collaborative work with the Environment Agency it has been established that given the opportunities presented by this key site both locally and for the wider sub-region that there are a number of overriding sustainability benefits for developing this site provided: that it can be properly defended from the potential of tidal flooding; and that defending this site does not exacerbate flooding elsewhere. The flood defence proposals outlined in this bid will therefore enable infrastructure priorities to be realised by reducing flood risk to both existing business and residential properties of the Waterfront and Town Centre areas as well as protecting future development.</p> <p>The area of Gosport Waterfront includes the waterfront from the southern boundary of Royal Clarence Yard to Haslar Marina as shown below.</p>

**Maps / Images of Pipeline Site**



**Overarching Rationale / Project Description**

**Itchen Riverside**

Southampton's Itchen Riverside Regeneration project will deliver major improvements to the road network and flood defences, thereby enabling development land for new businesses and homes, whilst protecting existing ones from flood risk and building investor confidence in the area. This investment will also specifically support other priorities including:

- developing the existing cluster of strategic sector marine businesses to establish a national centre of excellence with access to deep water wharfage.
- building capacity to support and develop specialist world leading R & D, innovation and technical knowledge in the marine and advanced composite sector.
- Links with Lloyd's Register and the Southampton Marine and Maritime Institute, the University of Southampton's Oceanography Centre and Southampton Solent University's Maritime Academy.

This project will generate over £700 million of investment, covering an area of 105 ha and nearly 9 km of river frontage. It will create 3,000 new jobs (with a focus on the marine and maritime sector) and up to 4,000 new homes in the period up to and beyond 2026. There is the potential for 100,000m<sup>2</sup> of new employment space. The project includes marine industry, marine leisure and residential growth on both sides of the River Itchen. A draft Master Plan is currently being prepared and this will be completed by Summer 2015. A package of infrastructure measures is required to de-risk certain sites within the development. These measures include access and junction improvements, an integrated programme of flood risk management measures and a co-ordinated programme to address land contamination in certain areas. There is an ambition to optimise the whole of the Itchen Riverside for both new homes and marine and maritime employment.

**Map / Image of Pipeline Site**



**Site**

**LGD 4B: Trafalgar Wharf**

**Project Description / Overarching Rationale**

Portsmouth City Council has identified potential for marine employment and manufacturing development as well as new homes on the Trafalgar Wharf site within this flood cell. In order to comply with planning policy, development of this site would require the improvement of flood defences across the entire flood cell to prevent outflanking, and to a higher standard (1 in 200 or 0.5%) than that which could be justified to protect existing properties. Discussions with the site operators have suggested that flood risk currently poses a barrier to attracting occupiers, particularly high end R&D users, due to concerns about the standard of protection being offered by existing defences. This is confirmed in the Design & Access Statement for the planning application reference 13/00993/OUT.

The scheme comprises flood defence improvements from the western boundary of the Port Solent development to Portchester Castle. This will reduce the annual probability of sea flooding from approximately 10% to 0.5%.

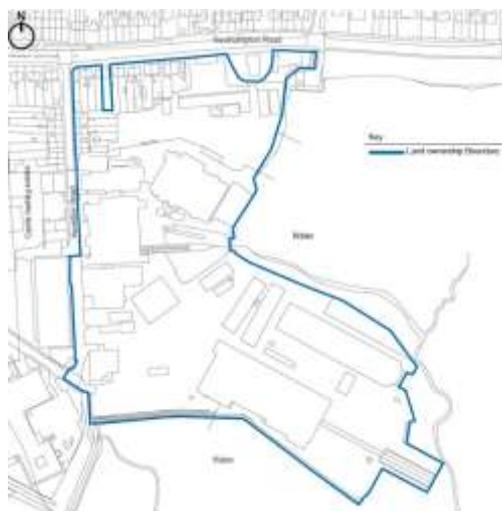
**Maps / Images of Pipeline Site**

Trafalgar Wharf Development Site

Site Location



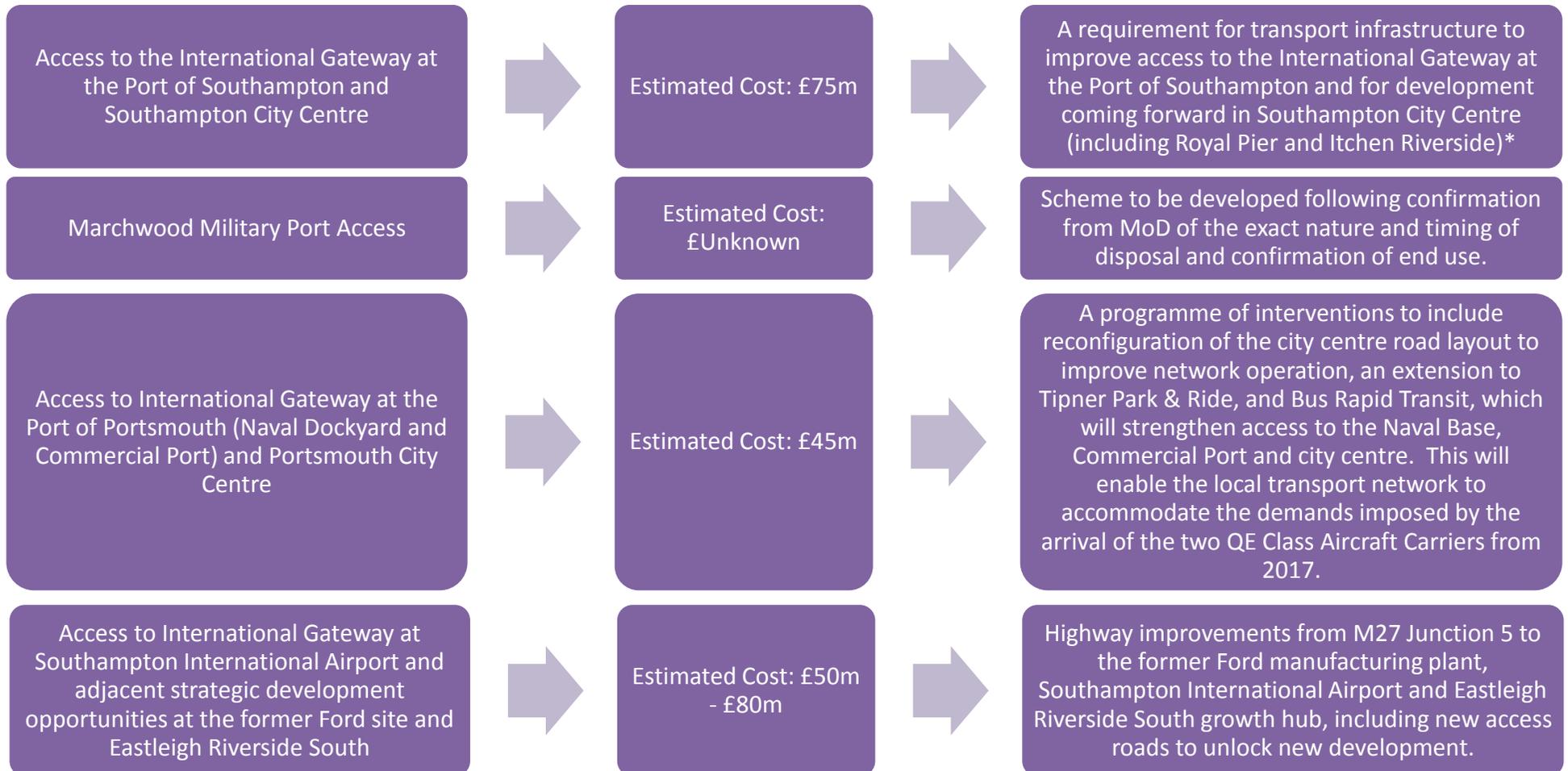
Site Boundary



## ANNEX 4

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### Indicative Pipeline of Transport Capital Infrastructure Projects to Unlock Future Growth Opportunities





\* To be identified through a strategic access study for Southampton.

## ANNEX 5 PIPELINE OF SKILLS CAPITAL PROJECTS

Site	LGD 11: Further Education Capital and Flagship STEM Projects
<p><b>Project Description / Overarching Rationale</b></p>	<p style="text-align: center;"><b>Brockenhurst College STEM Centre of Excellence</b></p> <p>This project will create a STEM Centre of Excellence in the Solent LEP area in partnership with a key marine employer, Green Marine, delivering a package of training designed to suit the needs of young people, employers, and those wishing to develop higher-level skills and progress within the marine and engineering sector.</p> <p>The vision is to raise aspirations and attainment in primary, secondary and post 16 through active engagement with all schools, colleges and training providers in the area who will be inspired and engaged by the state of the art facility with cutting edge technology such as 3D printing, CAD and CNC 5 Axis. To support the engagement of young people in the area there will be on-site learning opportunities and facilitated teacher training in STEM. The Centre will blur the perceived boundary between academic and vocational education with a collaborative partnership with University of Southampton to provide an escalator particularly in marine based technologies from technician level, apprentices, STEM A level and BTEC programmes to undergraduate and post graduate levels. Delivery will also be enhanced through the IBM Exceptional Student Experience learning platform that will engage and inspire learners through a range of entry points including the development of online delivery.</p> <p>The location of the STEM Centre of Excellence in Hythe will work to raise attainment with the schools on the Waterside who are currently all below national averages for the percentage of students achieving 5 A*-C including Maths and English. We will work in a real partnership with the STEM Centre of Excellence, to inspire learners through our partnership with the Blackfield and Fawley Primary Federation, with whom we already work closely through the Children's University – the Centre would become a 'learning destination' for the region. Strong communication and transport links would also support the wider impact of the Centre for businesses and students.</p> <p>This scheme will support a significant increase in delivery of work based learning through Traineeships and Apprenticeships, particularly within the Marine and Engineering sector, with a focus on development of Higher Apprenticeships. It will create a state of the art facility that is more engaging both to prospective students and employers, thus encouraging greater uptake of training. It will encourage greater partnership between the College and employers in the Solent LEP area, building on collaborative working to meet the priorities of the local area.</p> <p style="text-align: center;"><b>Isle of Wight Centre of Excellence for Composites, Advanced Manufacturing and Marine Technology</b></p> <p>The proposal is to develop a new Centre of Excellence for Composites, Advanced Manufacturing and Marine Technology on the Isle of Wight led by GKN (based on the CEMAST model). The centre will be an industrial training centre, led by GKN, at Island Technology Park, Whippingham, East Cowes (adjacent to GKN Research and Development facility), which will enable this site to be opened up to other employment opportunities. As the training centre is designed to support the LEP's priority industry sectors of marine, composites and advanced manufacturing this would naturally lead to further inward investment and business start-ups. This new training facility would accommodate 550-600 learners.</p>

To ensure that the new training facility meets the needs of Isle of Wight employers and prospective students, it is imperative that a strong coherent partnership drives and monitors the design, facilities, equipment, educational provision and qualifications offered. This will be facilitated through the formation of a Steering Group led by GKN and composed of employer representatives from the composite, marine and advanced manufacturing industries on the Isle of Wight, as well as representatives from the Solent LEP, Southampton Solent University, the OU, the local authority, the IoW Chamber of Commerce and the College.

### **Isle of Wight College Estate Renewal and Refurbishment**

Funding will be used to carry out internal medium refurbishment to targeted facilities (many in Category C buildings) that fulfil the needs of LEP and priority local industrial sectors at a cost of £2,976,700. There would be refurbishment of facilities like hospitality and construction alongside creation of new ones such as a new Isle of Wight Business Communications and Conferencing Hub established within a new Business and HE Centre. The work will upgrade the external fabric and infrastructure of Category C buildings at the Isle of Wight College to prevent further degradation, improve their appearance and condition and to extend their life span.

This will centralise facilities to create a dedicated Foundation Learning Centre and skills workshops that can be used to provide vocational tasters to support young people who are Not in Employment Education and Training (NEETs), Not in Education or Training (NET). The refurbishment will include a fully equipped Communications and Conferencing Hub to enable employers on the island to engage nationally and globally with their organisations, customers and suppliers through video and teleconferencing facilities. The facility would be designed like a boardroom with the most up-to-date video and teleconferencing facilities. This facility, in partnership with the island Chamber of Commerce, would also be used for business support services and networking events to ensure that businesses on the island obtain the help they need and introduce a range of enterprise and innovation schemes tailored to the needs of small, medium and large enterprises.

### **Eastleigh College Redevelopment Project**

The Eastleigh College Redevelopment Project is an essential infrastructure investment for the area. This large Ofsted Outstanding vocational College is a key driver to the local economy, delivering skills training to the youth of the area, re-skilling and up-skilling adult learners and meeting the diverse training needs of local employers, with our flexible and responsive employer provision. A significant proportion of the College's estate is in urgent need of renewal (67% of the estate is currently in SFA condition category C or D). The project includes the replacement of two old buildings that date back to circa 1900. The project will provide larger modern vocational and professional teaching and learning facilities. The project will support the College's growing STEM curriculum offer including: software development via the recent establishment of a computer science academy, innovative advanced technology, (including for example laser light technology), and professional development and up-skilling.

### **Solent Academy for Applied Technology and Mathematics (SAATM)**

Fareham College is seeking to act as a catalyst for addressing the underperformance in mathematics in the Solent area by establishing an all-age Solent Academy for Applied Technology and Mathematics (SAATM). The Academy will provide two key functions:

1. Access to a Centre of Excellence in mathematics and its application to the latest technologies through an innovative and exciting dedicated learning environment.
2. A STEM related CPD Centre for the Solent and the Southeast through which teachers, lecturers and technicians can develop their STEM teaching competences

The aims of the Solent Academy for Applied Technology and Mathematics (SAATM) are to raise levels of achievement in mathematics and allied technology based subject e.g. physics to 5% above the national average and to increase the appreciation of the power and value of mathematics across all ages in the Solent area. This is critical, as in some parts of the Solent area, Gosport, Portsmouth, Southampton and Fareham, the performance of young people in mathematics is poor with in the worst cases pass rates in mathematics at A\* – C is over 12% below the county average and a difference of 23.4% between the highest and lowest performing districts in the county and 29% between the best and worst performing schools, with a similar profile prevailing in allied subjects where reasonable levels of competence in mathematics is essential, such as physics.

### **Southampton STEM Centre**

Local employers, including Lloyds Register and Jenton Group, have made representation that they have current and emerging skills requirements for STEM subjects which are not available in sufficient volumes or level to support their economic growth ambitions. A collaborative approach is therefore needed to develop and deliver the curriculum required by business, engage and inspire our local residents (especially young people) to choose STEM options, raise attainment levels through to level 4 and above, and develop progression routes across traditional educational boundaries. Southampton has significant potential for growth, particularly in the marine and maritime economy which must be underpinned by strategic, collaborative 'supply side' interventions. We therefore propose the development of a STEM centre in central Southampton.

A unique, strong partnership between City College, Solent University and Southampton City Council along with key employers Lloyds Register, Jenton Group and the Processing and Packaging Machinery Association ensures that the key organisations that can make this centre work effectively are involved from the inception of the project. The centre will provide high quality technical education from level 2 and above to those aged 16 and over, as well as providing curriculum support, outreach and enrichment for KS3 and KS4 students and professional development for STEM subject teachers.

### **The CoBe Centre – a Future Skills Centre**

This is a proposal to develop a 'Future Skills Centre' for the Construction and Built Environment (CoBe) sectors in Havant, Hampshire. Developed as a world class training facility, the 'CoBe Centre' will meet the current and future construction skills required to support the infrastructure priorities of the Solent LEPs Strategic Economic Plan (SEP).

As a sector-led initiative, the CoBe Centre will offer industry standard programmes, responsive to the needs of sector employers. It will create new and additional training and CPD opportunities for local people - young people, those entering the sector and those already employed within it – to support sustained employment.

The proposal is lead by Hampshire County Council and supported by Bouygues Construction, Barratt David Wilson, the University of Portsmouth, Havant Borough Council and CITB. The centre will be designated a 'Future Skills Centre' – a developing network of linked skills development facilities across Hampshire.

The curriculum offer will meet industry standards and be responsive to sector employer needs, consisting of both accredited and bespoke programme. Provision will be offered at Levels 1-4, including Advanced and Higher Apprenticeships, and support progression to higher education, including undergraduate and postgraduate provision offered at the University of Portsmouth.

A core offer of the CoBe centre will be its professional development provision, responding to CITB forecast of an acute shortfall in professional services within the sector. This will include sector specific qualification, project management and business skills, and allied qualifications such as health & safety.

## Maps / Images of Pipeline Site

### Solent Academy for Applied Technology and Mathematics (SAATM)



### Southampton STEM Centre



