



**SOLENT
LOCAL
ENTERPRISE
PARTNERSHIP**

TRANSFORMING SOLENT

SOLENT STRATEGIC ECONOMIC PLAN

2014-20

Strategic Overview
Version 1 - January 2014



GROWTH PLAN

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FOREWORD

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. 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 draft 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 are working to finalise our European Structural and Investment Fund Strategy for €86m.

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 £2.4bn, alongside new freedoms and flexibilities to bring forward additional local investment.

We have strong expertise to deliver change locally and, whilst it will be no easy task, but 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.

There will be further work with local partners before the final plan is submitted on 31st March 2014, including the work linked to the recently established maritime forum, which will be producing a supplement to include in our final strategy and we need to ensure that we all work together far beyond this date to deliver the ambitious targets we are aiming for.

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

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.

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 therefore is to unlock the potential of our two cities, which are the engines of sustainable growth by investing in the enablers that businesses require to succeed and grow. Our role is to create a platform for growth through a 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 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 model¹ 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. 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%.**
- **In addition to current forecasts, increase GVA per capita by an additional £3,000 per head Increase employment rates to 80% from the current 78% and improve economic activity rates from 80% to 81%.**
- **Raise the business birth rate from 3.6% to 4.1% (and create 1000 new businesses).**
- **Improve the business survival rate² from 61.4% to 62.5%**
- **Raise the proportion of the population with Level 4³ 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.**
- **Improve productivity (GDP per head) closer to the South East average.**

¹ 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.

² 3 year business survival rate, equivalent to an extra 1000 businesses

³ An additional 37,000 people

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

Supporting our Strategic Economic Plan is a £2.4bn 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 million investment plan.**
- **European Union Strategic Investment Funding of £73.6 million⁴ including private and public sector match funding.**
- **Local growth deal - a £1.38 bn proposal, including Government, public and private sector match.**

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.

⁴ Based on 86 million euro SIF at ECB reference spot rate as of June 18 2013 where 1 euro equals £0.8562.

1. INTRODUCTION

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 place us on a new growth trajectory. *Transforming Solent* seeks to harness the drivers for growth and addresses the barriers, which if not addressed, could constrain growth.

Seizing the opportunities presented by the Southampton - Portsmouth City Deal and the forthcoming 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 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. 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.

The Solent economy thus has a significance that extends beyond the locality, making an important contribution to the national economy. It is widely documented 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 jobs⁵ 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 port⁶. 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.

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

⁵ Across the City of Southampton and surrounding areas including IOW and Districts in South Hampshire

⁶ 700,000 vehicles in 2011

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. Solent also has immense natural advantages supported by, renowned heritage, countryside and coastline, and excellent transport links by road, rail, air and sea.

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. As already highlighted, the Solent's marine and maritime sector is world class and operates within a global market. Within the Solent region there is a diverse economic foundation linked directly, and indirectly, to this 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

- We have 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 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.
- 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
- The Solent is 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.

2. SOLENT'S GROWTH AMBITIONS

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 £2.4 bn⁷ 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.

⁷ Based on City Deal, the EU SIF and the Local Growth Deal

Within our broader vision, we have some clear objectives:

- **Maximise the economic impact of our (marine and maritime) 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 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 model⁸, 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%.**
- **In addition to current forecasts, increase GVA per capita by an addition £3,000 per head**
- **Increase employment rates to 80% from the current 78% and improve economic activity rates from 80% to 81%.**

⁸ 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.

- **Raise the business birth rate from 3.6% to 4.1% (and create 1000 new businesses).**
- **Improve the business survival rate⁹ from 61.4% to 62.5%**
- **Raise the proportion of the population with Level 4¹⁰ 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.**
- **Improve productivity (GDP per head) closer to the South East average.**

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

⁹ 3 year business survival rate, equivalent to 1000 businesses

¹⁰ An additional 37,000 qualified to level 4 or equivalent

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.

2.4 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 evidence development has been guided by expert panels and local and national partners. Skills and employment 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)¹¹ Joint Committee and its Housing and Planning Panel; whilst transport is overseen by Transport for South Hampshire and Isle of Wight (TfSHIoW) and the Solent Local Transport Body (LTB) Board.

However this evidence is not being developed in silos. We have also established an overarching Solent Local Growth Panel¹². Amongst other roles, its focus will be to act as a steering group for the main Solent LEP Board in relation to the development of this Plan.

As well as supporting the wider LEP strategy, the detailed evidence base has 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 this will be published alongside the final plan.

An Economic Model for Solent – a bespoke Solent model provides baseline and growth scenario forecasts for the Solent economy for the period 2013 to 2036, including implications for population, migration, transport, skills and housing¹³.

A Skills Strategy and evidence base – an extensive evidence base identifies current skills gaps, future requirements, and capital investment needs, building on earlier work in producing the EU Structural Investment Fund Strategy. This is intended to strengthen the link between skills provision and the current and future requirements¹⁴.

¹¹ 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.

¹² The Panel's role is advisory only and decisions regarding allocation of funds from the Solent Growing Places Fund, Local Growth Fund or EU Structural and Investment Fund must be ratified by the full board of Solent Local Enterprise Partnership Limited. The Solent LEP will review the objectives of the Solent Local Growth Panel on a regular basis.

¹³ 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).

¹⁴ This has been produced by the Marchmont Observatory at University of Exeter, which also produced the EU SIF and authored this Strategic Economic Plan.

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* 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) 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 - working with the TfSHIoW¹⁵ and through the Solent 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 potential¹⁶.

Valuing our natural resources - considers the flood zones within the Solent LEP boundary and highlights the strategically significant opportunities and pressures on the local environment. This includes places along the coast where the flood defences require investment.

Inward Investment – Solent LEP report on Inward Investment in the Solent¹⁷.

Solent Marine Task Force Report - the Solent Marine Task Group, established at the request of the Government in response to the announcement of loss of shipbuilding in Portsmouth, will report by March 2014. This will incorporate the work of the Solent Marine & Maritime Growth Partnership Working Group, which has developed an evidence base and smart specialisation analysis for a range of proposed strategic interventions.

Visit Solent – a report on the visitor economy within the Solent.

Southampton - Portsmouth City Deal document as agreed with government November 2013.

The European Union Strategic Investment Funds Strategy, first draft October 2013.

2.5 Consultation with our partners

This Strategic Economic Plan (SEP) is the outcome of an extensive consultation led by the Solent LEP. One hundred and ninety two organisations, large and small, actively participated in the consultation process, 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 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.

¹⁵ TfSHIoW 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

¹⁶ Atkins, Transformational Transport Investments in the Solent, Solent Local Enterprise Partnership, November 2013

¹⁷ PA Consulting Report

Allied to the more high profile events, Solent LEP has worked with stakeholders and delivery partners on an individual basis to develop evidence, harness expertise, pool funding and identify opportunities for collaboration, including with 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, third sector organisations. In addition, we will be continuing this consultation to include a series of individual meetings with local authorities, HEIs and the Hampshire and Isle of Wight Alliance to discuss this economic plan prior to submission in March 2014. We have also been in discussion with neighbouring LEPs and with LEPs linked to the Setsquared group of universities.

Consultation and engagement is providing 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 TfSHIoW, we will draw 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.
- Finally, Solent needs to be even more ambitious.

3. STRATEGIC PRIORITIES

We have set out our strategic priorities for delivering growth in Solent. Here we describe these in more detail setting out our approach and delivery.

3.1 Enterprise

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

Rationale

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 2011¹⁸, 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 births¹⁹ 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 has a high level of dependency on both large businesses and the public sector. There is a 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. 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. 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.

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 2010²⁰, 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.

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 businesses come from all sectors, include start-ups and established firms and include small and businesses.

¹⁸ ONS Business Demography.

¹⁹ as a percentage of the business stock

²⁰ Experien / BBC Local Authority Resilience Rankings, 2010. See <http://www.bbc.co.uk/news/business-11233799>

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 3000 jobs by 2026.
- To create a sustainable Business Hub²¹ 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.

Delivering the Plan

The Enterprise Zone at the Daedalus Airfield, situated on the coast at Lee-on-the-Solent, between the cities of Portsmouth and Southampton is being developed as Solent's premier location for advanced manufacturing (with a focus on aerospace, aviation and marine businesses). The first phase of development of the site has delivered 20,000 square meters of commercial development, the Centre of Excellence for Engineering, Manufacturing and Advanced Skills Training (CEMAST) and 2000 square meters of innovation centre creating 700 jobs. CEMAST has been established with a view to creating a world class training centre on the site, to provide specialist training for the advanced manufacturing

²¹ To build on the city based business hub supported by RGF Round 4 and City Deal

sector and securing the future of advanced manufacturing skills across the Solent area. Further development of the site is planned and this is a focus of our new economic plan.

We also have an extensive portfolio of Regional Growth Fund business support programmes covering the Isle of Wight, the Enterprise Zone and the defence sector as well as the Bridging the Gap fund established in 2012 for SMEs and start-up businesses, awarding grant funding to those entrepreneurs and SMEs with the best new business and growth proposals. In the first year to June 2013 under the Bridging the Gap scheme we have invested £1.2 million of RGF funds to support the creation and growth of 40 businesses supporting the delivery of 190 new jobs and additional private sector investment of £4 million. The pipeline of business support projects coming forward now indicates that we will support a further 50 businesses in the period to April 2014, delivering a further 250 new jobs and additional private sector investment in excess of £5 million.

A new business support service - the Solent Business Hub, supported by the Southampton – Portsmouth City Deal and EU Funding, will build on this and boost economic growth 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. Across the Solent, local partners will raise awareness and uptake of public and private sector support available at the local and national levels by effectively guiding businesses to the most appropriate support. At the same time, a suite of additional support services, including local schemes that promote SME business growth and enterprise, will be rolled out. There will also be provision of tailored business support programmes for high growth businesses in targeted sectors (including marine).

Further to this there is universal recognition that universities play a key role 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 establish a University Enterprise Zone as part of the pilot coming forward in 2014.

3.2 Infrastructure

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

Rationale

Place-based factors – housing, transport, digital infrastructure and planning – can facilitate or impede the growth of the local economy. With the two major cities of Portsmouth and Southampton, Isle of Wight, together with distinctive urban settlements and the presence of two national parks²² 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. It is therefore important that we take the opportunity to invest in infrastructure development that is designed to complement investment under City Deal and the EU Strategy. Infrastructure, including both transport infrastructure and digital communications, is an important enabler of economic growth and can help unlock stalled sites. 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 and which together have significant impact on the potential for growth and development across the Solent LEP area.

²² South Downs national park and New Forest national park

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 exception²³. On average, house prices are cheaper in the Solent compared with the South East, 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.

Connectivity is critical to the success of local economies. It matters to existing businesses by providing access to labour markets, customers and supply chains; it facilitates business clusters and it is a key criterion for inward investors in deciding where to locate new operations. Connectivity strongly influences the competitiveness of places, types of business that locate in the area, and future prospects. Transport and in particular the complex cross-commuting patterns between residential and employment areas is critical in Solent, and includes extensive use of the M27 for local travel. This can be mitigated by improved management of the motorway network, investment in junction capacity, by improved east-west rail links and the 'cities first' development strategy which focuses new development where possible on established urban areas offering easy access to major commercial cores by a range of travel modes.

Transport infrastructure is vital to business. In the recently published CBI/KPMG Infrastructure Survey²⁴, 98% of companies stated that infrastructure has a significant impact on their investment decision-making. 85% of businesses identified the quality and reliability of transport as having a very significant or significant influence on their investment decision-making, higher than for any other type of infrastructure.

The Solent economy enjoys relatively good connectivity with markets through good highway, rail, sea and air connectivity, but transformational change is required for the Solent to reach its economic potential. The area has thriving and internationally competitive port operations in Southampton and Portsmouth and another key gateway with Southampton airport. Our consultations with partners have generally raised two issues about access, relating to both the road and rail networks. The first was with connectivity to the principal transport networks, particularly for the port of Southampton and the need for both the local and strategic road network to receive further enhancements in line with the projected growth the port will experience in the next three years. The second is rail networks (East to West) and how they invest in the network between the two cities of Portsmouth and Southampton and the East West link to the airport to facilitate, support and promote modal shift onto rail and unlock growth linked to our key sites.

TfSHIoW predicts that, without further transport investment beyond currently committed schemes, travel conditions will deteriorate and act as a barrier to growth. Research undertaken for the Solent²⁵ shows that the 'loss' of potential GVA to the Solent area due to congestion would be at least 1.3% (£300m per annum) by 2025. It will also constrain future job creation leading to 1.7% of future output (15,000 jobs) interventions.

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

²³ Centre for Cities (2013) *Cities Outlook 2013* London: Centre for Cities Centre for Cities (2013) *Cities Outlook 2013* London: Centre for Cities

²⁴ CBI Connect more, CBA/KPMG infrastructure survey 2013, available at http://www.cbi.org.uk/media/2360768/cbi_kpmg_infrastructure_survey_16_sept.pdf

²⁵ Atkins , 2013

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:

- work 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;
- work cooperatively across the LEP area to address development constraints and mitigate environmental concerns;
- 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.

Delivering the Plan

Housing and employment sites

To deliver our growth targets, we will need to continue to plan for housing in a concerted manner across the LEP Solent area and PUSH has therefore resolved to roll forward the current **South Hampshire Strategy to 2036**. Having considered the indicators of demand in the Strategic Housing Market Assessment, the revised Strategy will take into consideration factors such as trends in housing delivery, the capacity of the house building industry to deliver, flood risk and environmental mitigation as well as the underlying economic trends and Solent LEP's aspirations for growth.

A Solent Growing Places Fund is stimulating growth by investing in infrastructure and development to support the area's economic and investment priorities. To date over £13m has been invested in two key sites, in the Solent Enterprise Zone and the major development area near Waterlooville, unlocking £20 million additional investment, 2800 jobs and 250,000 square metres of employment floorspace. This a revolving capital infrastructure fund which has unlocked jobs and homes in a way consistent with national objectives. The aim is to build on this to unlock private sector development and investment stalled as a consequence of the economic downturn and market failure. We want to further maximise the economic growth impact in the Solent area with a focus on key sites such as Royal Pier in Southampton, the planned development at Welborne and the ex Ford sites in Southampton.

The Southampton - Portsmouth City Deal will be instrumental in providing suitable employment sites for Southampton and Portsmouth's growing marine, maritime and advanced manufacturing sectors that are in close proximity to key economic assets (Port of Southampton, Portsmouth Naval Base and the Solent Marine Cluster) as well as meeting growing housing demand which are key economic challenges for the Solent. City Deal will support wider work to address these two challenges by unlocking two sites in the Solent (Tipner-Horsea Island in Portsmouth and Watermark West Quay in Southampton). There is an intention to expand the City Deal to include a pipeline of sites in each City, facilitated through a revolving fund mechanism.

These sites will be unlocked by assembling public/private sector land and agreeing funding packages to support the provision of enabling infrastructure. Both funding packages will lever in significant local and/or private sector investment. The Tipner-Horsea Island site is within close proximity to Portsmouth City Centre, the Portsmouth International Port and Portsmouth Naval Base. Unlocking this site fully will enable the provision of 2,370 new homes and 58,000 square metres of employment space for the growing marine and advanced manufacturing sectors of the Solent economy. This will help create over 3,700 permanent jobs. Portsmouth City Council has already invested £24m in infrastructure and the City Deal will allow for the redevelopment and renewal of the Tipner-Horsea Island site which, in turn, will lever in significant financial investment into the local economy.

A further critical industry within our maritime sector is the growing international cruise industry. A significant opportunity to improve the attractiveness to visitors can be found in the stalled 49,000 square metre Watermark West Quay development in Southampton. This site, which is in close proximity to Southampton Port and the existing retail offer, will maximise the economic impact of foreign tourists who visit Southampton. There is also an opportunity to expand operations, particularly vehicle handling, to the Marchwood Military Port should the land become available.

Transport

The Local Transport Board's primary role has been to decide which investments should be prioritised, and it has done this for the purpose of the Local Growth Deal. This includes identifying the following key schemes: the A27 corridor improvement at Fareham, Dunsbury Hill Farm²⁶, the Hard Interchange at Portsmouth, Southampton City Station Quarter, and the Southampton - East Cowes Ferry Link.

In addition, the Solent has identified a number of transitional transport projects which will support strategic developments and unlock development sites such as the required improvement to Junction 10 on the M27 to support Welborne, the requirement to prioritise Junction 9 of the M3 and improvements to East-West connectivity in the Solent²⁷.

Unlocking new development

Solent LEP now want to use opportunities under the growth deal to advance the delivery of strategic housing and employment sites. It has decided to prioritise Welborne for the purpose of the Growth Deal which is a planned 6000 homes development north of Fareham which will include 68,000 square meters of employment floorspace. The Area Action Plan for **Welborne** will be published for consultation in February 2014 but our proposal is to kickstart delivery by an early intervention to secure improvements to junction 10 of the M27 which will accelerate provision of new housing by 2 years, potentially increase annual delivery rates from 300 to 500 units a year and unlock a new area of commercial

²⁶ Key employment site adjacent to the A3 (M), in close proximity to the City of Portsmouth

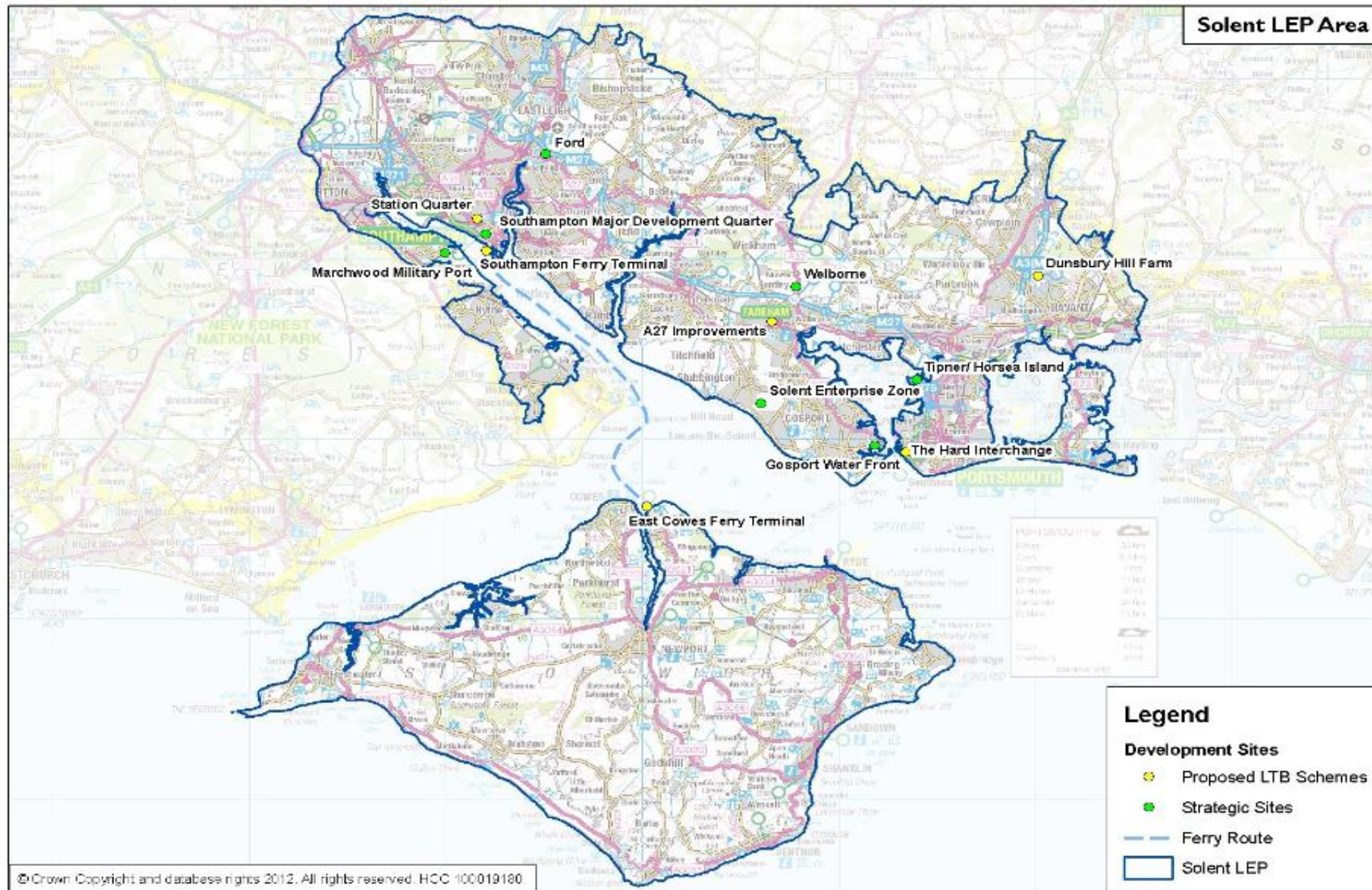
²⁷ A report undertaken by Atkins November 2013 has identified the need to prioritise improvements in rail connectivity between the two cities and the importance of looking at managed motorways to facilitate traffic flows on the M27.

development. We will also work with local authority partners and the HCA to mobilise New Homes Bonus, Community Infrastructure Levy and HCA funding to deliver affordable housing with an appropriate mix of dwellings to help meet demand.

In terms of delivering commercial floorspace, Solent LEP will continue to work within the framework of new and emerging Local Plans against the background of the PUSH spatial strategy. We will prioritise:

- city centre developments that will underpin the economic growth of Southampton and Portsmouth and support their regeneration;
- sites that require redevelopment because of business closures such as Ford in Southampton, the Royal Naval Dockyard at Portsmouth and MOD sites declared surplus to requirements such as Marchwood and sites under MOD ownership on the Gosport waterfront;
- the Solent Enterprise Zone at Daedalus;
- key employment sites that deliver high end growth or support the marine and maritime sector.

The map on the following page shows new developments that need to be unlocked, the location of the proposed transport schemes that the LTB have prioritised and other key sites.



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. Valuing our natural resources is a critical component to the delivery of our Plan as it is recognised as another unique aspect to the Solent is a strong sense of place and preserving the natural environment and green infrastructure is an important aspect to this.

3.3 Inward Investment

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

Rationale

There is a strong relationship between foreign direct investment (FDI) and economic growth. Larger inflows of 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 FDI, 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.

Work commissioned from PA Consulting²⁸ found that the number of projects fluctuates annually, but the Solent is attracting about 2% of all FDI projects entering the UK. There are recognised sectoral strengths in Software and IT Services and Advanced Engineering. The UK FDI pot is projected to increase and this will open up possibilities for the Solent to benefit but the prize could be greater. This capturing of 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.

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.

²⁸ PA Consulting Report

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.

Delivering the Plan

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 will be 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. The Single Gateway platform is established and, while further development work is needed, is working effectively as a platform for consideration of future arrangements. Moreover, the Gateway is funded largely through local authority contributions committed for an

initial period which ended in March 2013. 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.

3.4 Skills

*“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”.*

Rationale

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 and strive for success and inform skills delivery to prepare the wider population to support business growth. 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.

The area has a strong pool of skilled workers and we compare well with many areas in terms of access to intermediate skills. At the same time, the Solent lags behind the national and South East averages in terms of the proportion of the population with higher-level skills, which are evidenced as critical to growth. This, combined with low resident participation in HE, means that addressing the achievement gap at this higher level will be critical. But we must also support businesses to utilise fully the skills available through better leadership and management skills. Higher-level skills are also essential in supporting high growth sector and innovation.

With world-class universities based in the two cities and the wider Solent LEP area, there is also an opportunity to deepen the links between the academic world and the local economy to promote research that benefits the local economy and to attract and retain skilled workers.

Each year large numbers of highly-qualified graduates, with skills that are 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. In 2010/11, there were 65,900 students studying at Solent’s HEIs, of whom 28,000 were studying STEM subjects. In the same year, 16,500 students were studying subjects that are particularly relevant to our strategic sectors. The opening of the Southampton Marine and Maritime Institute (SMMI- partnership between University of Southampton and Lloyds Register) will add further to this skills-base.

The 2012 Employer Perspectives Survey found that only 27% of UK employers had recruited a young person aged 16 to 24 in the previous year and just 9% of employers had an Apprentice. Employers who take on young people often rate them highly, valuing their ability to be moulded (cited by 32% of employers), their enthusiasm (30%), and willingness to learn (20%)²⁹. Partners across the LEP are clear that more needs to be done to help young people to access work, by improving the provision of IAG and encouraging the take-up and availability of Traineeships and Apprenticeships.

²⁹ National Employer Perspectives Survey, UKCES, 2012

Unemployment rates are below the national average but youth unemployment is high and long-term unemployment is hardening. There are wards within the Solent where unemployment exceeds the national average to a significant degree. Large-scale redundancies have also been a feature of the landscape in the Solent in recent years and it is critical that the Solent has the tools to support those facing redundancy to retrain and to retain talent in the area.

Looking at future replacement demand, the pipeline of skills from young people entering the market is of concern with parts of the Solent performing significantly below average in terms of educational attainment. Looking at future replacement demand, the pipeline of skills from young people entering the market is of concern with parts of the Solent performing significantly below average in terms of educational attainment. Therefore raising aspiration is critical to our success going forward as it incentivises the skills system to deliver the skills that employers need.

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.
- We want to create a world-class workforce, by raising the skills of the resident workforce, and achieve sustainable economic growth by anticipating and meeting the employment and skills needs of employers within the area and by developing and retaining the talents of people to work within their local economy.
- Better align public and private investment in training and workforce development to growth. We want to raise private sector investment in skills and ensure that employers take a lead, signalling how the public sector and business can co-invest most intelligently to maximise opportunities for employers and people. We will, therefore, adopt a system-wide approach to meeting local employer skills demand.
- 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.
- Secure transition to employment for young people and unemployed people. We will support young people and those out of the labour market to make transitions to employment through better skills, better information, advice and guidance and through direct support in accessing jobs. Employers have an important role to play in helping young people understand the world of work and its opportunities. Employers must also see the return on investment for being involved in schools and higher/further education: capturing talent early. We want to link schools working with employers together to strengthen the vocational offer to pupils, and to raise aspirations among young people, from employers in relation to opportunities for work experience and apprenticeships, from colleges in relation to upskilling existing workers.

- Use the power of government/public sector procurement to increase skills/employment outcomes and responsiveness whilst rebalancing the economy towards the private sector.

Delivering the Plan

A Skills Revenue Fund will provide match funding support for our proposed European Social Fund Investments.

Raising the aspirations of our young people and building their skills and employment opportunities is a key priority for the Solent. Through our EU Investment Plan we will increase in the availability and take-up of Traineeships and Apprenticeships, providing young people with the skills they need to make the often difficult transition from education to work, simultaneously addressing both youth unemployment and employers' skills needs. Work has already started in this regard with the creation of Internships for young people aged 16-18 through the Solent LEP Young Consultants' programme. By hosting a paid work experience opportunity local employers can access the unique experience and enthusiasm of a young person currently studying at one of the Solent General Further Education Colleges and the scheme will be launching in summer 2014 providing valuable paid work experience opportunities for young people in the Solent area. Alongside this we have launched the Solent young entrepreneur fund focusing on young people aged 16-24 who are seeking to start up their own business. In partnership with Solent GFE colleges, the Universities, the Princes Trust and Nat West Bank we are running a grant scheme to support young people who want to run their own businesses.

Clearly, the skills infrastructure in the Solent has a long history of working together to meet the needs of local businesses and our learners. To extend this relationship, and in the spirit of collaboration, the City Deal will deliver a new three-year tripartite skills investment strategy which will identify local employer skills needs. The Southampton and Portsmouth City Deal will ensure the local skills system further responds to employer needs by establishing a local **Skills for Growth Fund**. This strategy will be supported by funding from the private sector, the seven major Further Education colleges across the Solent and the Local Enterprise Partnership's Employment and Skills Board. This funding will be aligned and placed into a single responsive Solent Skills for Growth Fund. 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.

Our aim of helping the long term and young unemployed into work will be supported by a range of measures, including 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.

We will also support the skills infrastructure providing funding to replace and upgrade the FE estate and to develop new flagship initiatives, linked to the need to improve STEM skills in the area.

We will ensure close linkages with business support programmes such as the Growth Accelerator which support businesses with their skills.

3.5 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”.*

Rationale

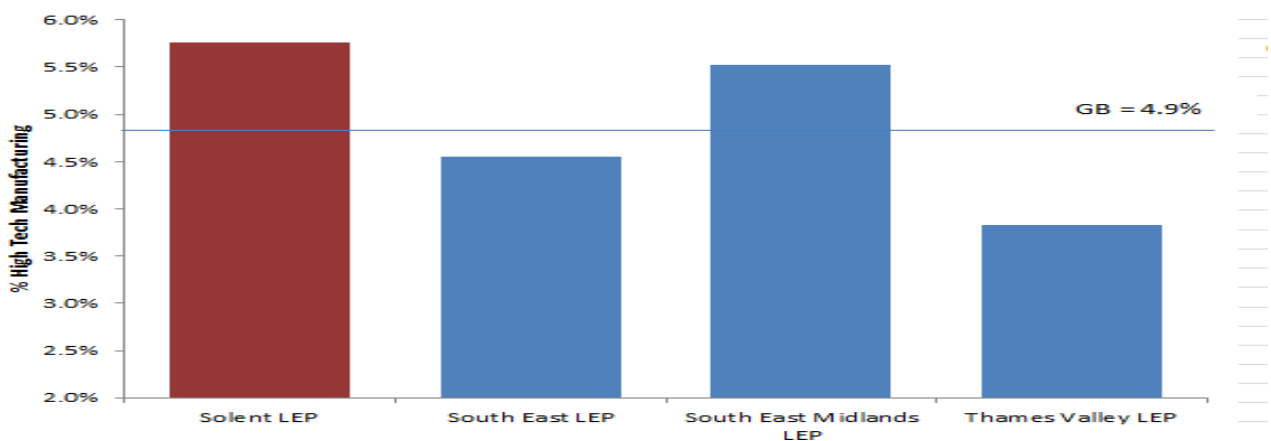
The recent announcement by BAe Systems to cease shipbuilding operations in Portsmouth Dockyard during 2014 has prompted government concerns about the maritime growth and employment prospects in the Solent area. The Minister for Business (Michael Fallon) has asked Rear Admiral Rob Stevens to bring together and chair an industry led group called the Solent Maritime Forum. The aim of the group is to produce a specific maritime supplement for inclusion in the Solent Strategic Economic Plan that will be bid for complementary government funds to improve growth and jobs in the Solent area. The supplement will be submitted by the 31st March 2014.

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 is targeted towards meeting the needs of these sectors.

The major advanced manufacturing and marine cluster in the UK is located in 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 1 shows that Solent has a higher proportion of the high tech manufacturing workforce than the national and South East average.

Figure 1 High Tech Manufacturing % comparisons

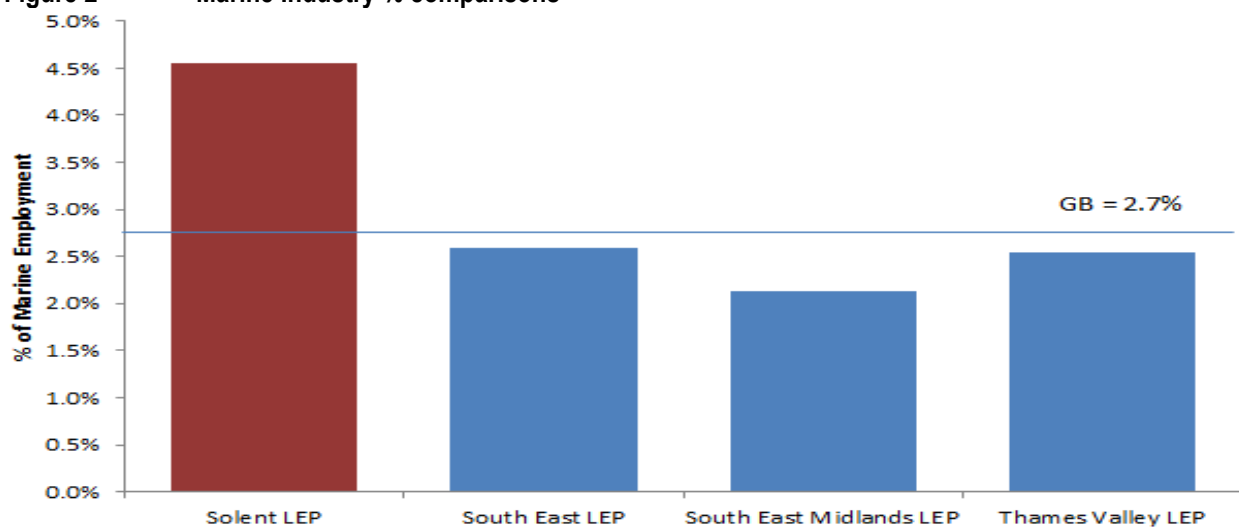


Source: Oxford Economics 2013

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 2 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 2 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.

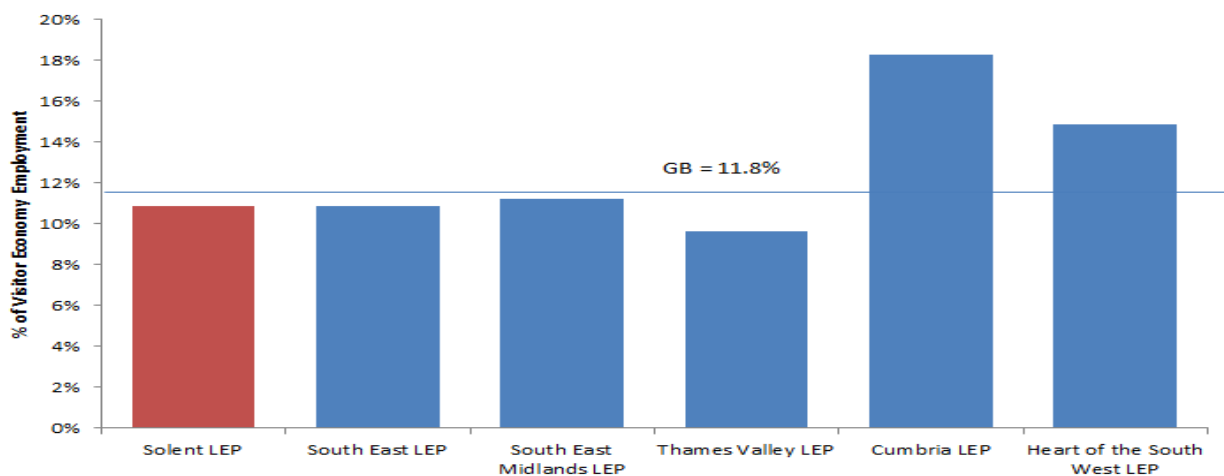
A November 2013 report by Deloitte's highlighted that the tourism economy is set to grow at 3.8% per annum – faster than manufacturing, construction and retail and that

- 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 3 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 attractions³⁰, 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.

Figure 3 Visitor Economy % comparisons

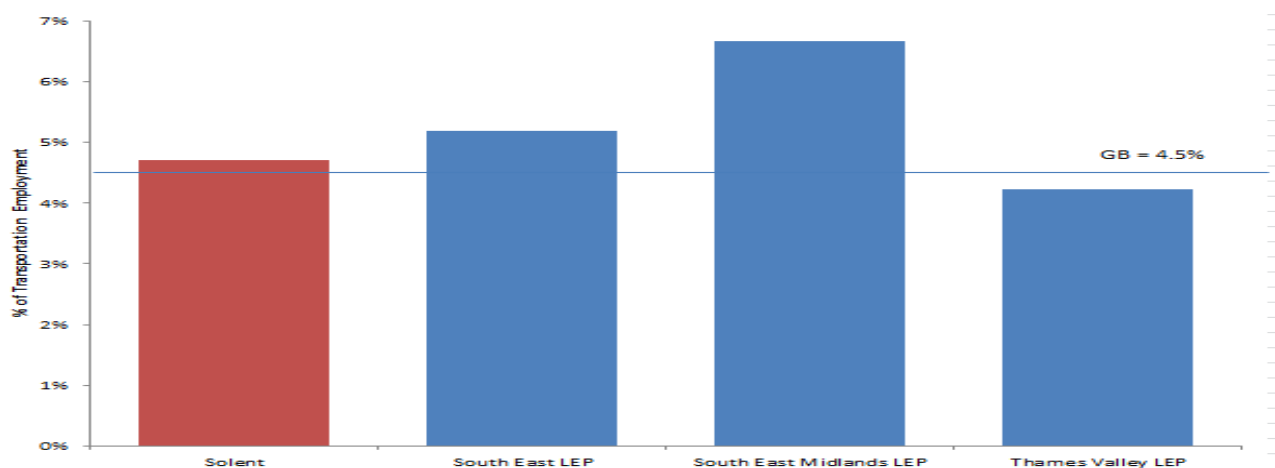


Source: Oxford Economics 2013

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 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 4 - Transport and Warehousing % comparison shows that the Solent has a higher proportion of the transport and warehousing than the national average, but under-represented in this sector in comparison with the wider South East. Given the nature of the Solent Economy, again there is scope for significant growth in this sector.

³⁰ 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 Spinnaker Tower.

Figure 4 Transport and warehousing % comparisons



Source: Oxford Economics 2013

Recent events have stressed how important it is that the Solent build 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.

Objectives

We aim to:

- Develop strategic sectors and clusters (interconnected groups and businesses) of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics and the visitor economy and creative businesses.
- Build our knowledge of the scale, nature and needs of these priority sectors to ensure that interventions are targeted and effective.
- Target our investment plans towards these existing sectors and emerging sectors.
- Compliment existing programmes.

Delivering the Plan

Initial efforts have concentrated on developing advanced manufacturing with the creation of a growth hub for advanced manufacturing businesses being created at the enterprise zone at Daedalus, supporting new and existing businesses, as well as export-led growth in high-value services and employment.

The Solent LEP needs to ensure that we are well placed to support this substantial rebalancing of the economy, securing the valuable economic assets that we have in advanced manufacturing and defence. This includes

supporting the projected growth of the Port of Southampton where it is on track to grow by 5% by 2020 creating an additional 5000 jobs. However this growth is constrained by lack of development land.

We want to be well placed to support the unlocking of new economic assets: such as the Ford sites currently being de-commissioned but which will be available from 2015; and waterfront land on the Gosport peninsula which is surplus to requirement for the Ministry of Defence but not yet released to open market and we are seeking confirmation that the MOD site Marchwood will be released onto the open market in 2014.

Our *EU Strategic Investment Funds Strategy* supports 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.

In response to the announcement by BAE Systems that it intends to cease ship building operations at Portsmouth in 2014 the Government announced the establishment of a Marine Task Force which is due to report in March 2014, building on the work of the Maritime and Marine task group.

Looking towards the 'greener' parts of our strategy, members of the Solent LEP together with PUSH are drawing up an action plan to help work towards a 'low carbon' economy for the Solent region. The development of the Solent as a Low Carbon Economy represents a significant opportunity for both the Solent LEP and PUSH to deliver not just environmental benefits, but economic growth and jobs. 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. Future Solent has key priorities:

- 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).
- Resource Efficiency in Homes and Businesses - ensuring our homes and businesses minimise waste including waste of energy, to support household disposable income and business competitiveness (see Low Carbon Hub).
- Generation of Secure, Renewable and Low Carbon Energy in the Solent Area - 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.

3.6 Innovation

*“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”.*

Rationale

Innovation and the exploitation of new knowledge by the private sector will be fundamental to future growth. The Solent is fortunate in being home to four HEIs with strengths that, if harnessed, can anchor knowledge-intensive

economic activity and employment in the area. The Universities in the Solent are engaged in a wide range of activities in support of innovation.

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 (SMMI) Institute 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 are aware of, have affordable access to, and harness 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.

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.

Objectives

We aim to ensure 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 through the creation of a Solent University Enterprise Zone

Delivering the Plan

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. 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. 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.

The nature of innovation is such that it is difficult to predict. Over the Plan period, new technologies and new applications of existing technologies will emerge, with potentially major rewards accruing to those enterprises, HEIs, clusters and regions that bring them to market first. The Solent LEP sees the need for a flexible grants programme, to support promising RTD initiatives on a case-by-case basis and supported by **Innovation Vouchers**.

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.

Building Solent’s Low Carbon Economy will create a pathway for the development of low carbon marine technologies in the Solent area, providing funding, through grants, to universities, businesses and other enterprises for: new research and testing facilities; research and technological development; larger-scale demonstrator projects; and supply chain collaboration. A **Low Carbon Construction Hub** will be a centre of excellence for the development and adoption of low carbon construction, waste energy reduction and renewable energy production techniques across the Solent (see Future Solent above).

The Solent University Enterprise Zone will support entrepreneurship and business growth. It will focus on interaction between businesses and our local universities. Where our existing Enterprise Zone at Daedalus offers

discounted business rates and high speed broadband, the Solent will seek to build on this and support a University Enterprise Zone with funding for space for small businesses.

3.7 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.

Table 1: 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	✓		✓	✓	✓	✓
Unlocking Key Sites	✓	✓	✓	✓	✓	
Valuing our natural resources		✓				
Invest Solent			✓	✓		
Visit Solent				✓		
Skills Capital Investment Fund	✓	✓	✓	✓	✓	✓
Skills Revenue				✓	✓	
Solent Innovation	✓			✓		✓
Solent Low Carbon Economy	✓			✓	✓	✓
Solent Marine Arrowhead Projects	✓	✓		✓		✓

