



**SOLENT
LOCAL
ENTERPRISE
PARTNERSHIP**

**SOLENT LEP
EU STRUCTURAL & INVESTMENT FUND STRATEGY
2014 – 2020**



CONTENTS

Contents.....	2
Executive Summary	5
1. The Local Area.....	10
1.1 The Solent Local Enterprise Partnership Area	10
1.2 The Solent Economy Overview	12
1.3 Solent Strengths, Weaknesses, Opportunities and Threats Analysis	17
1.4 Drivers and Barriers to Growth.....	31
1.5 The Solent Growth Vision	34
2. Policy Themes and Strategic Activities	42
2.1 Strategic Activities – Distribution of Funding.....	42
2.2 Strengthening Research, Technological Development and Innovation.....	44
2.3 Enhancing the Competitiveness of SMEs	48
2.4 Supporting the Shift Towards a Low Carbon Economy.....	58
2.5 Climate Change Adaptation/Protecting and Enhancing the Environment	62
2.6 Investing in Education, Skills and Lifelong Learning	62
2.7 Promoting Employment.....	74
2.8 Promoting Social Inclusion and Combating Poverty	77
3 European Agricultural Fund for Rural Development.....	86
3.1 Key challenges.....	87
4. Alignment of European Funds.....	94
4.1 European Social Fund (ESF)	95
4.2 European Globalisation Adjustment Fund (EGF).....	95
4.3 The Progress programme	95
4.4 The European Progress Microfinance Facility (EPMF)	95
4.5 Horizon 2020.....	95
4.6 INTERREG V	96
4.7 Rural Development Programme (RDP).....	97
4.8 Erasmus+	98
4.9 LIFE 2014 - 2020	98
4.10 Other Programmes.....	98
5 Delivery Arrangements.....	100
5.1 Financial Instruments	100
5.2 Community-Led Local Development.....	100

5.3	Cross-LEP Collaboration.....	101
5.4	Proposed Governance	102
5.5	The Consultation Process	105
5.6	Cross-cutting themes	106
5.7	Social Innovation.....	113
5.8	Community-Led Local Development (CLLD).....	114
Annex 1 - Organisations participating in the Solent LEP Consultation Process.....		115
Figure 1:	Map of the Solent LEP area	11
Figure 2:	Five Principles of Sustainable Development.....	112
Table 1:	Solent Economy Overview	12
Table 2:	Annual budget per Activity(Sterling).....	43
Table 3:	Balance between ERDF and ESF by Activity.....	44
Table 4:	'Priority Sector' students at Solent LEP HEIs, 2007/08 - 2010/11	56
Table 5:	Ten wards with the highest unemployment rate, Solent LEP	78
Table 6:	Usual resident population, area and population density, Solent LEP area, 2011.....	86
Table 7:	Employment by Occupation and Gender, Solent LEP, 2012	110

Executive Summary

EXECUTIVE SUMMARY

Solent Local Enterprise Partnership (LEP) has been given strategic responsibility for the delivery of £36.9m (€43.1 m) of European Social Fund (ESF) and European Regional Development Fund (ERDF) funding over the 2014 – 2020 period, alongside £2.49m (€2.9m) from the European Agricultural Fund for Rural Development (EAFRD). This European Structural & Investment Funds (EU SIF) Strategy forms part of a wider local growth plan for the Solent LEP area. It sets out: how Solent intends to invest EU growth funds in the area; how this will contribute to our ambitions for local economic growth; the rationale for our proposed investments; how the Strategy will be delivered; and the anticipated impact.

In order to maximise the impact of the EU funds on the Solent economy, it is essential that the EU funds work in support of our overall growth ambitions and are aligned with existing and planned private and public sector investments. Thus, the overarching driver for this Strategy is *Transforming Solent - Solent Strategic Economic Plan*.

Transforming Solent sets out a plan for sustainable growth which will see us build on our strengths, and work together towards an ambitious vision. We believe that it holds the key to successfully growing the Solent area in the period ahead, and can place us on a new growth trajectory. *Transforming Solent* recognises and builds on our strengths, harnesses drivers for growth and addresses the barriers that will constrain Solent's contribution to the UK economy if left un-tackled.

The vision set out in *Transforming Solent* is to create an environment that will generate employment and private sector investment in the Solent. It will assist this globally-competitive area to reach its full potential, enabling existing businesses to grow, become more profitable and to be greener. It will enable the creation of new businesses, attract new businesses to the region, support strategic clusters, deliver export-led growth, and generate high value employment, whilst also supporting areas that are economically vulnerable and reducing high levels of welfare dependency.

Alongside the *Transforming Solent* strategy, the content of our EU SIF Strategy has also been driven by:

- extensive consultation with stakeholders, involving more than 223 organisations;
- an extensive evidence base, which identifies the needs and priorities of the area and the activities that will have most impact;
- existing commitments and plans (e.g. City Deal);
- our local growth deal aspirations;
- EU requirements, as articulated in the guidance from the Government.

Our proposals build on the considerable strengths of the Solent area. Solent LEP has secured cross-partner support for a strategic focus on the Marine and Maritime sectors (including the key sub-sectors of marine engineering, renewable technologies, life sciences, logistics, shipping, marine leisure and boat building) which we believe are critical to maximising the impact of EU funding in this economy. Building on a detailed understanding of the drivers and barriers to growth in Solent, we have sought to capitalise on our locational and competitive advantages, addressing the European Commission's 'smart specialisation' agenda.

Whilst investment in Marine and Maritime is critical, we also recognise the importance of investing in emerging and high-growth sectors and the role that employment-rich businesses play in linking local people to local growth and jobs.

Solent LEP has already succeeded in stimulating local growth, attracting over £18 million through the Growing Places fund, £24 million through the Regional Growth Fund and the Enterprise Zone in the Gosport peninsula. The Southampton and Portsmouth City Deal¹, agreed in November 2013, will unlock £953 million of investment into the Southampton and Portsmouth areas, creating more than 17,000 jobs. This will be supplemented by the Local Growth Fund² which will provide the LEP with a role, alongside other partners, in prioritising and funding growth and infrastructure projects from 2015. These interventions, combined with EU SIF investments, will allow partners in Solent to deliver a long-term growth plan for the area, based on its economic realities and needs. We recognise the role of our EU Strategy as a key contributor to this wider local growth plan, and have focused it to maximise local synergies, whilst at the same time delivering the national and European priorities.

In the period to 2020 we will create an additional 15,500 new jobs in the Solent LEP area and achieve GVA growth of 3%. In addition to current forecasts, we aim to increase GVA per capita by £3,000 per head; to increase employment rates to 80% from the current 78%; and to improve economic activity rates from 80% to 81%. We aim to raise the business birth rate from 3.6% to 4.1% (creating 1,000 new businesses) and to improve the business survival rate³ from 61.4% to 62.5%. We aim to raise the proportion of the population with qualifications at Level 4⁴ and above to 36% of the working age population from the current 32%, and to raise the education attainment rates to above the UK average. Finally, we aim to increase inward investment into Solent, attracting at least 5% of FDI projects entering the UK; and to improve productivity (GDP per head) closer to the South East average. In doing this, 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 that leverage private sector investment in skills and employment. To achieve this, there is a need to make the best use of the area's outstanding assets of highly-skilled people, world-class businesses, outstanding Further and Higher Education (FE and HE), the natural environment and a good quality of life.

We recognise that full employment and social inclusion are both critical to achieving a sustainable and vibrant Solent that supports innovation and attracts inward investment. It is vital therefore that local people both contribute to and benefit from future growth. Thus, whilst there is an emphasis in this Strategy on innovation and higher-level skills, we link this to delivering the education, training, skills and employment support required to tackle social exclusion and worklessness. The Strategy is structured to deliver multiple pathways, with a range of outreach activities, entry levels, progression opportunities into both supported and unsupported employment, traineeships, Apprenticeships, graduate placement and higher-level training opportunities. The Strategy also seeks to build the social capital of the Solent LEP area through community grants and intermediate labour market measures which connect individuals and communities to opportunities in the wider economy.

¹ <https://www.gov.uk/government/publications/city-deal-southampton-and-portsmouth>.

² At the time of writing, a draft local growth plan has been submitted to government

³ Three- year business survival rate, equivalent to an extra 1,000 businesses.

⁴ An additional 37,000 people.

Solent Proposed EU Investment Framework

The tables below set out how Solent LEP plans to invest the three EU Growth Funds in the area, what they will deliver and how they will be delivered. Activities highlighted in green are predominantly funded by the European Regional Development Fund (ERDF). Activities in orange are funded via the European Social Fund (ESF) and Activities in blue are funded through the European Agricultural Fund for Regional Development (EAFRD).

EU Thematic Objective	Proposed Activity	Proposed EU funding 2014-2020	Matched Funding & Source	Outputs	Delivery Mechanism	Form of Tendering
Strengthening Research, Technological Development & Innovation	Activity 1 – Solent Innovation Grants & Outreach	3,596,040	HEIs: 1,198,680 Private: 2,397,360	Enterprises Supported: 56 Enterprises co-operating w/ research entities: 56 No. of new products to market: 16 No. of new to firm products: 40	Bridging the Gaps' model. Major Grants signed off by Local Growth Panel. Budget held by LEP. Delivery by HEIs.	Open call for businesses to submit proposals
Enhancing the Competitiveness of Small and Medium Enterprises	Activity 2 - The Solent Business Hub	6,892,410	Private, Wave 2 Business Growth & Possible opt-ins	Enterprises supported: 1,000 Enterprises accessing ICT services: 200 Employment increases in Enterprises: 600	Co-ordinated via Solent Business Hub. Delivery through multiple business support providers	Contracted by Hub or 'voucher' based reimbursement of costs, as appropriate
	Activity 3: Access to Finance for start-ups and SMEs	2,397,360	Private: 2,397,360	Enterprises receiving support: 112 No. new enterprises supported: 112 Jobs Created: 200	As per Bridging the Gaps	Open call to businesses
	Activity 4 – Graduate Innovation Placements	2,217,558	Private: 2,217,558	Enterprises Supported: 315 Enterprises co-operating w/ research entities: 315 Employment Increase in enterprises: 315	Managed by the Solent Business Hub Delivered by HEIs	Open call to businesses
Supporting the shift towards a Low Carbon Economy	Activity 5: Building Solent's Low Carbon Economy	4,375,182	Private: 2,140,500	Enterprises co-operating w/ research entities: 80 No of new to market products: 20 No of new to firm products: 40 No. unemployed participants trained: 100 Employed participants trained: 180	Major Grants signed off by Local Growth Panel. Budget Held by LEP. Low carbon construction hub delivered by HEI / College Provider(s)	Major Grants - Open call to businesses
			Public: 2,234,682			Low Carbon Construction Hub - Contracted to single provider

EU Thematic Objective	Proposed Activity	Proposed EU funding 2014-2020	Matched Funding & Source	Outputs	Delivery Mechanism	Form of Tendering
Investing in Education, Skills & Lifelong Learning	Activity 6: Support for young people	4,495,050	Public: 4,495,050 SFA Opt-in, Local Authority & Solent City Deal	Unemployed participants: 4,050 Inactive participants: 820 Employed participants: 105	SFA Opt-in for AGE Grants	Traineeships & Apprenticeship Grants - Competitive tendering via Providers IAG - Potential Commissioning to partners (e.g. EBPs, NCS provider)
	Activity 7: Employer responsive skills	5,265,630	Public: 2,697,030 City Deal, SFA Opt in Private: 2,568,600	Employed Participants: 2,300 Unemployed Participants: 750	Solent Skills for Growth Fund / SFA Opt-in	Commissioning / Delivery Contracts via key providers (under discussion)
Promoting Employment	Activity 8: Support for Unemployed Adults	2,697,030	Public: 2,697,030 SFA Opt in	Unemployed participants: 3,400 Employed participants: 800 (response to redundancy)	SFA Opt-in	Competitive tendering
Promoting Social Inclusion & Combating Poverty	Activity 9: Community Grants	1,541,160	Public: 1,541,160 Hants & IoW CF	Unemployed participants: 1,200 Inactive participants: 1,200	Managed by Hants & IOW Community Foundation for 1st 2 years, then reviewed.	Open calls for grant applications
	Activity 10: Solent Jobs Pilot	3,424,800	Public: 3,424,800 City Deal & local partners	Unemployed participants: 1,140	Contracted to public & private providers	Competitive tendering
EU Thematic Objective	Proposed Activity	Proposed EU funding 2014-2020	Matched Funding & Source	Outputs	Delivery Mechanism	Form of Tendering
European Agricultural Fund for Rural Development - Enhancing the Competitiveness of Small and Medium Enterprises	Activity 11: Building Knowledge and Skills in Rural Areas	499,165	Private: 499,165	People Trained: 500	Contracted to public & private providers	Open call for applications
	Activity 12: Funding New and Developing micro and small Enterprises in Rural Areas	1,246,627	Private: 1,246,627	Jobs Created: 80	Grants to SMEs	Open call for applications
	Activity 13: Support for Tourism Activities in Rural Areas	747,957	Private: 747,957	Jobs Created: 50	Grants to SMEs and Projects	Open call for applications

1. The Local Area

1. THE LOCAL AREA

1.1 The Solent Local Enterprise Partnership 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 has a significance that extends beyond the locality, making an important contribution to the national economy. With about 95% of the total volume of UK import and export trade arriving by sea, the maritime services sector is vital to the UK. The Solent has an important role to play in this regard. At just 20 nautical miles from the international shipping lanes in the English Channel, the Port of Southampton provides a sheltered haven with unique double tides that allow the world's largest ships easy access. The mass market of mainland Europe is less than 100 nautical miles from the Port of Southampton, which lies in close proximity to the UK's motorway network and has direct links to the national rail network. The Port of Southampton is one of the largest, busiest and most diverse ports in the UK, providing a wide range of passenger, freight and cargo functions. It provides, directly and indirectly, 15,000 jobs⁵ in the Solent, contributing over £1.2bn of output per annum. It is a hub for the country's thriving motor industry, exporting 750,000 vehicles per annum, more than any other port in the UK. It is also the country's busiest cruise port, home to the UK P&O, Cunard and Carnival cruise fleets, the latter being the largest cruise operator in the world.

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

Our maritime and marine research base is also amongst the best in the world. We have a robust knowledge infrastructure with strengths in key economic sectors, internationally-renowned companies, world-class universities and a network of high quality Further Education (FE) colleges.

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

Figure 1: Map of the Solent LEP area



The Solent is a mixed economy with strengths in knowledge-based business sectors; creative industries; advanced technologies; financial and business services and a visitor economy founded on significant heritage and natural assets. Our Marine and Maritime sector is world class, operating successfully within a growing global market.

In summary, our key economic assets and strengths are:-

- Global connectivity characterised by the presence of two internationally significant ports and Southampton Airport.
- Outstanding natural assets, including a coastal location, and a natural locational advantage which, combined with our entrepreneurial ingenuity, delivers 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 (SMEs).
- A skilled workforce.
- A strong visitor economy with many heritage, land and water-based assets
- An attractive place to live with good housing stock.
- Land and property ripe for development.

- A leadership platform based on collaborative partnerships which extends across sectors and administrative boundaries.

1.2 The Solent Economy Overview

Table 1: Solent Economy Overview

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

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

The Solent is an economy with many underlying strengths and a host of assets ...

Solent benefits from the presence of two major urban centres that act as hubs for knowledge-intensive growth. The Centre for Cities identifies that: “the two cities are well placed to drive growth in the private knowledge-intensive industries, due to the benefits that high value businesses derive from being located in close proximity to each other and their workers”. Together, the two cities account for 37% of all highly-skilled jobs in the Solent LEP area⁶.

However it also faces many challenges... whilst economic activity is concentrated in Portsmouth and Southampton, on a range of indicators, these two cities punch below their economic weight. At the same time, the Isle of Wight, with a population of 138,253, has GDP well below the average for the Solent as a whole⁷. A draft proposal for anew Assisted Areas Map 2014-2020 has been produced and this does include some coverage on the Isle Of Wight. This together with responses to ⁸ a consultation of the draft map will inform the final Assisted Areas map which will be submitted to the Commission for approval in Spring 2014.

Economic output has grown relatively quickly in Solent, but this growth in economic output has not been accompanied by any large increases in private sector employment and our GVA lags behind the national average. The area remains more dependent on large employers and the public sector than the wider South East, making it

⁶ *Anchoring Growth, An economic assessment of the Solent area*, Centre for Cities, May 2013

⁷ In addition, it has to contend with geographic isolation. In recognition of these challenges, a case is currently being made for Assisted Area status for the Isle of Wight.

⁸ Stage 2 consultation : Draft Assisted Areas Map and government’s Response to stage 1, published December 2013 and due to close 7 February 2014

vulnerable to business failure and public sector cuts. In addition, whilst the employment rate is high compared with the UK average, this is due in part to rising levels of part-time working. Whilst this is evidenced as a national trend, it is more pronounced in the Solent area.

The Solent economy has been affected by the prolonged recession, but has weathered the downturn better than most. Still, it is characterised by areas of high public sector dependency and a decline in business stock, particularly in the SME sector. More recently, it has had to absorb the economic shocks caused by the closure of the Ford manufacturing plant in Swaythling, the contraction in defence-related activity following the Strategic Defence and Security Review (SDSR), and the announcement by BAE that they intend to cease shipbuilding operations at Portsmouth Naval Dockyard with the loss of 950 jobs at BAE Systems.

The cities of Portsmouth and Southampton, and their ports, lie at the heart of the Solent economy, providing nearly 40% of high-skilled jobs. It is critical that the Solent rebalances its local economy in favour of the private sector and revitalises its economic base, focusing on knowledge-based industries and high value-added manufacturing as a catalyst for regeneration.

Yet the area has real potential to deliver growth for the UK economy... strategies to support a sustained economic recovery in the Solent will be based on the area's real assets and strengths. These include the area's global connections through the ports and the airport, and the four universities. The Solent's Maritime sector is both nationally and internationally significant and has been identified as a key growth sector in the sub-region. With the move towards a more knowledge-intensive economy, the future growth prospects for the Solent are dependent on the ability of the cities to attract businesses by offering access to suppliers, customers, and skilled workers from across the Solent area, and to drive growth. The Solent LEP is committed to making the most of the opportunities offered by Portsmouth and Southampton, whilst also helping those cities tackle a range of challenging issues.

The Solent has a mixed economy... the industrial structure is a key factor and driver for economic growth. The Solent benefits from a mixed economy, with strengths from research through to production across a range of sectors. However, we also have unique locational and sectoral strengths that we need to build on. The Solent is home to an advanced manufacturing and marine cluster of national importance, contributing £3.6 billion and £1.9 billion GVA to the economy respectively. The Isle of Wight is home to an emerging cluster of renewable energy, composite materials and marine technology businesses. Wholesale, retail & motor trades, Health and Social work, Education and traditional Manufacturing are large employment sectors within the Solent. The Public administration & defence, Manufacturing, Health and Accommodation & food sectors account for a higher proportion of employment than the regional average. These sectors tend to be less productive. Advanced manufacturing, a more productive sector, is a strong specialism in the Solent but smaller in employment terms. The Business services and Transport sectors are large employers in the Solent but are underrepresented compared with the wider South East.

What sets Solent apart are the Marine and Maritime sectors... Solent's coastal location, clustering of businesses, its natural assets with sheltered havens and double tides, and its educational strengths place it at the heart of the UK's marine and maritime economy. The Maritime sector makes not only an important economic contribution to the Solent economy; its underlying assets are of national significance. In terms of output, the sector contributes 20.5% to the Solent's GVA. It accounts for 40,000 direct jobs or 5% of total private sector jobs in the sub-region. Supply chains serving the Maritime sector include component manufacturing, logistics, financial services and catering. Taking account of these indirect jobs, this figure rises to 48,300 jobs. Over the period to 2025, the Marine and Maritime sectors are projected to grow by 5% in the Solent region. Ensuring that the economic Strategy facilitates this growth is critically important. The Solent sub-region also plays a significant role in Advanced

Manufacturing with significant clusters linked to our key economic assets. Employment rates in this sector are significantly higher than the UK average, particularly in: Computing; Electronic & optical products; and Electrical equipment. Indeed, from 2009-11, despite the ongoing challenges facing the Manufacturing sector (contracting by 1.2% across England) locally, Advanced Manufacturing grew by almost 8%, creating 4,600 new jobs (to 58,800).

Solent's marine research assets are second to none. The Southampton Marine and Maritime Institute (SMMI), launched in March 2012, is a collaboration between Lloyd's Register and the University of Southampton. It is a unique internationally-recognised centre of excellence, bringing together a research, innovation and education community from universities, research institutes, industry and governments. In 2014, Lloyd's Register's marine headquarters will move into a brand new Global Technology Centre at the University of Southampton, chosen because it is at the heart of world-class marine engineering and naval architecture.

Solent is also becoming increasingly competitive... the Solent area has made some progress, moving up three places in the LEP rankings between 2010 and 2013, with all but two of the eleven local authority areas within the sub-region improving their competitiveness over the period. This positive picture is not, however, uniform. Gosport fell 94 places in the rankings and Eastleigh 57 places, while Fareham, the most dramatic 'climber', improved its 2013 ranking by 99 places. Gosport's poor and deteriorating competitive position is a cause of concern and it reinforces the need to ensure that the Enterprise Zone delivers on its promise⁹.

Table 2: UK Competitiveness Index, 2010 and 2013

Area	Index		Rank		Change 2010-2013	
	2010	2013	2010	2013	Index	Rank
Winchester	115.2	115.5	29	26	+0.3	+3
Test Valley	109.7	113.0	53	35	+3.3	+18
East Hampshire	105.7	110.9	76	42	+5.2	+34
Fareham	97.2	105.6	174	75	+8.4	+99
New Forest	97.2	100.4	175	117	+3.2	+58
Eastleigh	104.9	98.2	85	142	-6.7	-57
Portsmouth	95.2	97.1	205	158	+1.9	+47
Havant	95.1	96.2	206	167	+1.1	+39
Southampton	92.6	94.7	249	195	+2.1	+54
Isle of Wight	88.6	86.3	303	317	-2.3	+14
Gosport	90.0	80.6	281	375	-9.4	-94
Solent LEP	98.4	99.5	16	13	+1.1	+3

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

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

⁹ The Good growth for cities (November 2013), PWC/DEMOS's9 report on economic wellbeing in UK urban areas, places Southampton fourth in a ranking of cities for good growth and was the most improved City (in terms of ranking) since last year. The main reasons for the change in ranking includes declines in: unemployment ((6.4% to 5.3%), long-term sick (20% to 17%) and commuting times (26.4 – 24.8 minutes). At the same time Portsmouth was ranked 15th, above the UK average and 16th in terms of most improved. The Solent LEP as a whole ranks 5th in terms of the LEP Good Growth Index.

national average (9%). However, the Solent LEP also has a lower proportion of its workforce qualified to Level 4 and above (32%) than the national average (34%). Whilst the trend is upwards, the rate of growth is below the national average and there is a significant gap compared with the performance of other areas within the South East. We need to close that gap, but the pipeline of skills coming through gives us cause for concern and parts of the Solent face significant educational attainment gaps. Our Key Stage 3 and GCSE results are below the national averages and, in parts of Southampton and Portsmouth, these gaps are significant. Combined with levels of participation in Higher Education (HE) among local residents, this presents us with a challenge, particularly given a predicted growth in the future requirement for skills at Level 4 and above.

Solent also aspires to be an innovative economy¹⁰... but there is much to do. Research and Development (R&D) expenditure by businesses represented 3% of Solent's GVA in 2009¹¹, half that of some of the best performers such as Cheshire (6.5% of GVA) and East Anglia (5.9% of GVA), but better than the EU-27 average of 2% of GDP¹² and ¹³. The Solent LEP area had the 9th highest rate of patenting per 100,000 residents of all the LEP areas in 2007 (The LEP Network, 2012). Although residents of the Solent LEP area register more patents per 100,000 people (18.9 in 2009) than the national average (13.0), the level of patent registration locally is considerably lower than in leading LEPs, many of which are nearby, such as Enterprise M3 (46.3), Oxfordshire (46.2), Swindon and Wiltshire (38.1), Thames Valley Berkshire (35.3) and Coast to Capital (29.3). Given our industrial base and strategic assets, there is scope and a strong case for improving our performance.

The Solent economy is forecast to generate net growth of 40,000 jobs by 2026... There is also forecast to be a clear shift away from lower-skilled employment, outside the caring, leisure and other service occupations. The three higher-level occupations are forecast to comprise 48.5% of total employment in 2020, compared with 44.1% in 2010. However, Working Futures estimate that, once retirement and other factors are taken into account, 340,000 people will need to be recruited between 2010 and 2020 to meet both expansion and replacement demand. The net requirement for new workers will be positive across all occupations, which shows that there is a continuing need for relevant skills provision even in occupations where overall employment levels may be falling. Growth is, however, clearly skewed towards higher-level occupations, i.e. Managers & senior officials, Professional, Associate professional and Technical occupations, which is consistent with national trends and the shift towards a knowledge economy.

These new jobs will require skills at a higher level including Science, Technology, Engineering and Maths (STEM)... The shift towards higher-level occupations will generate rising demand for higher levels of skills and qualifications. The proportion of jobs requiring a degree-level qualification or higher is projected to rise from 24% in 2010 to 32% in 2020 (an additional 35,000). There is also a predicted shift towards a requirement for STEM skills, particularly linked to growth in the Aeronautical, Marine and Advanced manufacturing sectors.

However, whilst jobs will be growing, the working age population will remain static ... whilst the total population will rise by around 108,000 during this period, the working age population is predicted to remain almost static. The number of people aged 65 and over is projected to grow by around 26%. At the same time, there is a projected decline in the number of 16-24 year olds, by -9,700. This will limit the pool from which employers can

¹⁰ Very little information is gathered about levels of business investment locally although EUROSTAT publishes data on 'intramural' research expenditure – essentially research and development – which, along with 'intangibles' more generally, is an "increasingly important" form of business investment (Roger Tym & Associates, 2010).

¹¹ Eurostat data for the NUTS 2 region of Hampshire and the Isle of Wight.

¹² <http://epp.eurostat.ec.europa.eu/tgm/table.do?pcode=tgs00042&language=en>

¹³ See also <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-283184>

recruit and will have implications for the ability of the local economy to grow, unless growth is accompanied by a significant rise in productivity, economic activity and employment rates.

Meeting future skills demand will be a challenge ... the pipeline of skills coming through gives us cause for concern and parts of the Solent area face significant educational attainment gaps. Solent has an attainment gap in terms of performance at Key Stage 3 and GCSE, which raises concerns about the area's ability to meet the future skills demands. Whilst the level of educational attainment at Key Stage 3 in Hampshire is roughly in line with the national averages for English, Maths and Science, all other areas within Solent LEP lag behind the national averages. In some areas the gap is pronounced. In 2012/13, 57.2% of pupils in Solent LEP schools achieved five or more GCSEs at grades A*-C including Maths and English, a figure below both the regional and national averages of 62.0% and 58.6% respectively. Attainment in the Isle of Wight (48.5%) and Portsmouth (47.1%) was substantially below these benchmarks. In 2011/12, 42,600 people from the Solent LEP were participating in HE¹⁴. While this figure is 12% higher than in 2007/08, HE participation rates in the Solent remain low, particularly among young residents in the urban core. Just 31% of young people from Southampton and Portsmouth who entered an A Level or another Level 3 qualification in 2009/10 progressed to a UK HEI, a figure 17 percentage points below the UK average of 48%.

¹⁴ It should be noted that this data only covers HEIs, and does not include any students taking HE courses at FE Colleges.

1.3 Solent Strengths, Weaknesses, Opportunities and Threats Analysis

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

Strengths

Major urban growth centres

Solent benefits from the presence of two major urban centres that act as hubs for knowledge-intensive growth. The Centre for Cities identifies that “the two cities are well placed to drive growth in the private knowledge-intensive industries, due to the benefits that high value businesses derive from being located in close proximity to each other and their workers”. Together, the two cities account for 37% of all highly-skilled jobs in the Solent LEP area¹⁵.

Strategic Accessibility

The concept of strategic accessibility refers to the relative accessibility of an area to the major urban centres and international gateways. Solent is well placed in terms of strategic accessibility, although transport connections within the sub-region need improving, particularly within the cities and urban boroughs. Solent benefits from good road links to London and the ports play a vital role in delivering access to global markets. Solent enjoys relatively close proximity to London. Although further from London by road than other parts of the South East, it still takes less than two hours to reach the capital by train or car from most parts of Solent. This proximity supports commuting and delivers many benefits to local businesses. Solent’s attractive environment results in the economy benefiting from the wages of highly-skilled commuters into London who reside locally, enjoying the area’s quality of life.

Just 20 nautical miles from the international shipping lanes of the English channel and less than 100 nautical miles from the markets of mainland Europe, Solent provides a strategic transport hub and gateway to global markets. We have three international gateways: the Port of Southampton, the Port of Portsmouth (Commercial and Naval Dockyard) and Southampton International Airport. These key assets play a significant and anchoring role for the local economy, attracting significant volumes of freight and passenger trips from elsewhere in the UK, while also placing Solent at the centre of the UK ambition for delivering export-led growth.

Sector specialisms

Solent benefits from a mixed economy, with strengths from research through to production across a range of sectors. However, we also have unique locational and sectoral strengths that we need to build on.

Solent is home to an advanced manufacturing and marine cluster of national importance, contributing £3.6 billion and £1.9 billion GVA to the economy respectively. We have 1,750 marine-related businesses, which together contribute around 18% of the Solent’s economic output and 33,800 direct jobs. This rises to 48,300 jobs once the Maritime sector supply chains, covering component manufacturing, logistics, financial services and catering, are taken into account¹⁶.

The majority of marine and maritime activity is concentrated around the ports. Portsmouth International Port directly and indirectly supports 1,595 full time equivalent (FTE) jobs and generates an estimated £71.3 million in output to the Greater Portsmouth area economy. Portsmouth Naval Base alone provides 19,775 FTE jobs and contributes £1.68 billion of output. The Port of Southampton is one of the busiest ports in the UK in terms of both freight and the cruise industry. More than 400 cruise ships and 1.6 million passengers pass through the port each year. It is the fifth busiest UK port overall and indirectly supports 14,640 jobs in the Solent¹⁷.

¹⁵ *Anchoring Growth, An economic assessment of the Solent area*, Centre for Cities, May 2013

¹⁶ Ibid.

¹⁷ Ibid.

The Isle of Wight is home to an emerging cluster of renewable energy, composite materials and marine technology businesses¹⁸. There is potential to expand existing investments there, building on the work of companies such as BAE Systems, whose Maritime Centre at Cowes employs 250 people and which is a leader in RADAR technology. GKN has manufacturing sites at East Cowes, making parts for virtually every aircraft flying around the world today. A Composite Research Centre and Joint Venture with Rolls Royce is developing the next generation of composite fan blades and cases for jet engines.

Relatively high rates of economic activity

The Solent has a growing number of people in employment: 2.6% between 2009 and 2011, compared with 1.7% nationally. We also have a higher than average employment rate, with 73.8% of 16 to 64 year olds in work, compared with 70.9% nationally. As a result, Solent has comparatively low levels of unemployment (with 5.7% of 16 to 64 year olds out of work, compared with 8% nationally); below average numbers of claimants per vacancy (3.1, compared with 3.7 nationally and 7.0 in the North East); and below average levels of youth unemployment (with 3.6% of 18 to 24 year olds resident claiming Jobseeker's Allowance (JSA) in July 2013, compared with 6% nationally).

Strong intermediate-level skills

Solent LEP has a higher than average proportion of the population whose highest qualification is at Level 3. In 2011, 20.6% of the working age population in Solent held a highest qualification at Level 3, compared with 18.7% across England as a whole. The proportion whose highest qualification is a Trade Apprenticeship (4.2%) is also above the national average (3.4%). This reflects the sectoral structure of the economy with the emphasis on Engineering and the Marine and Maritime sectors. Positively, over time the Solent has also reduced the share of its working age population without qualifications at a faster rate than the South East (a fall of 4.4 percentage points in the Solent compared with 3 percentage points in the South East). However, in Portsmouth and Southampton, the proportion of the working age population with no qualifications fell by just 1.2 percentage points and 1.8 percentage points respectively. This is a particular concern given that the two cities have the highest proportions of people without qualifications in the Solent¹⁹.

Strong knowledge assets

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

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

¹⁸ Isle of Wight bid for Assisted Area Status.

¹⁹ *Anchoring Growth, An economic assessment of the Solent area, Centre for Cities, May 2013*

The levels of interaction between Solent universities and business are relatively high. The University of Southampton has high levels of interaction with businesses as measured by the income from businesses: the total value of Intellectual Property (IP), research and consultancy contracts is £56.5 million. The value of business interactions at the University of Portsmouth (£11 million) and Southampton Solent University (£6.7 million) was far lower but not insignificant in 2010/11. Income from business interactions was lower still at the University of Winchester in 2010/11 at £2 million, although the majority of these interactions were with local businesses.

Strong HE and FE provision

The presence of world-class universities and a network of excellent FE colleges provide an opportunity to deepen the links between the academic world and the local economy, to promote research that benefits businesses, and to attract and retain skilled workers. Skilled people are essential to securing growth. We must harness these assets, creating an environment that enables businesses to develop and train their workforces, to access the support they need to succeed and to recruit from a workforce of local residents equipped to take up the new jobs that they offer.

Effective Voluntary, Community and Social Enterprise Sector

The Solent LEP is fortunate to be host to a vibrant and expansive voluntary, community and social enterprise sector, which undertakes a huge diversity of the work, making an enormous difference to people's lives, communities and the environment across the LEP area. There are, for example, approximately 8,400 voluntary and community groups across Hampshire alone.

Analysis by the National Council for Voluntary Organisations suggests that the voluntary sector organisations contribute 0.8% of national GDP, while the work of volunteers contributes a further 1.6%. Across the Solent area, this is equivalent to contributions of £190m and £380m respectively.

Natural environment

Solent benefits from a high quality and highly-valued natural environment which includes many sites and features that have statutory protection. The strength of our natural environment has contributed to population growth, particularly in the more rural areas, with many people attracted by the quality of life and relative accessibility of major employment centres, including London. The quality of the environment also contributes to the strength of the visitor economy in the Solent. With tourism increasing in importance, the local economy needs to adapt to meet the requirements of visitors and realise the growth potential of the sector. Developing the necessary infrastructure for the visitor economy and meeting its skill requirements will be vital to the development and growth of this sector.

Weaknesses

Relatively weak productivity

Productivity in the Solent is lower than in the South East, reflecting the presence of lower-value service sectors and traditional manufacturing. Whilst the area has witnessed productivity growth, this has not been accompanied by growth in private sector employment. Employment in the Solent grew at a slower rate than in the South East and UK prior to the recession (3% compared with 5%), indicating that economic growth was not particularly labour intensive²⁰. Some of the growth in private sector employment that has occurred has resulted from the privatisation and commercialisation of defence-related expenditure.

²⁰ *Anchoring Growth, An economic assessment of the Solent area, Centre for Cities, May 2013*

Urban centres punching below their weight

Solent's cities are not fulfilling their potential as drivers of economic growth. Recent employment growth has been concentrated around the M27 corridor. Solent's cities are punching below their weight. Compared with Enterprise M3 and Coast to Capital LEP, Solent lags behind on many indicators. Employment in Portsmouth, Gosport and Havant remains heavily dependent on military spending. Any continuation of the recent contraction in the defence budget could have a significant impact on the economic fortunes of these areas.

Reliance on large employers

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

Lack of resilience to public spending cuts

Employment in the public sector is higher than the average for the South East. According to BRES, in 2011, 79% of employment in the Solent LEP area was in the private sector. Although this was in line with the England average (79%), it was significantly below neighbouring LEP areas, such as the Enterprise M3 LEP area (84%) and Coast to Capital LEP (82%). Areas within the Solent LEP, such as Gosport (73%) and Portsmouth (75%) were significantly below the national average in terms of private sector employment.

According to a 2010 analysis by Experien and the BBC, Gosport ranked 284th and Portsmouth, 290th, out of 324 local authorities nationally in terms of their resilience to public spending cuts. The main reasons for this are:

- High volumes of businesses and employees in sectors vulnerable to recession and public expenditure cuts.
- Low levels of job density.
- Low levels of self-employment (Gosport is third from bottom in this table).
- Comparatively low levels of employment in industries that often export.

Declining business stock.

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

Low Business birth rate

The business birth rate in Solent (10% of the business stock per annum) is also below the national average (11.4%) and significantly below that found in the most productive regions such as London (14.6%). Currently, business start-up rates in Solent and the Isle of Wight fall well below regional and national benchmarks. In the Solent LEP area,

14,000 jobs were created by firms born between 2009 and 2011. This equates to 6.5% of total employment, which is also below the national average (7.3%)²¹.

Slow employment recovery

The employment rate remains below pre-recession levels. 73.8% of adults in the Solent LEP area were employed in 2012 compared with 75.7% in 2007. Southampton was also hit by large private sector job losses. Net private sector employment fell by 7% in Southampton during the recession while remaining stable in Portsmouth. Between 2008 and 2011, Southampton lost 20 times more private sector jobs than Portsmouth – a net decrease of 4,900 compared with 240. Unemployment in Southampton (measured by the claimant rate) rose above the national average in 2009 as a result. Other parts of the urban core and some of the outer local authorities also lost private sector jobs during this time. East Hampshire and Winchester were the only locations to experience private sector jobs growth²².

High proportion of low-skilled employment

Solent has a higher than average proportion of employment in lower-level occupations. This is reflected in below-average earnings in Portsmouth and Southampton and the Isle of Wight. These areas ranked 244th, 254th and 256th respectively out of 324 local authorities nationally in 2010²³. At the same time, the proportion of employment in managerial occupations is below the national average, as is the proportion of the population with qualifications at Level 4 and above. In 2011, 32% of working age adults in the Solent LEP area held higher-level qualifications, compared with 33% of working age adults nationally and 36% in the South East of England.

Skills Shortages

Data on skills shortages and recruitment difficulties suggests a deficit of managerial and technical skills. Businesses report skills shortages around managerial, supervisory, technical and specific administrative skills. Skills shortages were found to be most prevalent in the Building & construction, Financial & business services, and Maritime sectors. In addition, half of firms also found it a challenge to recruit staff with the desired level of technical skills, while 33% found it difficult to recruit staff with the right managerial skills. Overall, although over 60% of firms stated that they did not have recruitment difficulties, the Engineering and Manufacturing, Maritime, Financial & business services, Transport & communications and the Creative industries were found to face particular challenges²⁴.

Nationally, the proportion of employers investing in training is falling. Research by the Centre for Cities suggests that this trend is also found locally and that businesses in the Solent are taking on fewer staff and investing less in training. It is essential to find ways of working with employers to reverse this trend.

Lack of higher-level skills

Although two-thirds of firms aim to recruit employees with graduate and post-graduate skills, a relatively low proportion of residents are qualified to this level. The proportion of the Solent's residents who are qualified to degree level or higher (32%) is lower than both the South East (36.2%) and national (32%) averages. In Winchester, Test Valley and East Hampshire, at least 40% of residents are qualified to NVQ4+. In Gosport and on the Isle of Wight, less than a quarter of residents are qualified to NVQ4+. The proportion of residents of the two cities holding higher-

²¹ *Anchoring Growth, An economic assessment of the Solent area, Centre for Cities, May 2013*

²² *Anchoring Growth, An economic assessment of the Solent area, Centre for Cities, May 2013*

²³ BBC / Experien Local Authority resilience rankings

²⁴ Hampshire County Council (2012) Hampshire Employers Skills Survey 2011

level qualifications is also below the Solent average. This is a potential barrier to future growth of high-level skilled employment²⁵.

Low resident participation in HE

HE participation rates are below the English average in 2010/11 for Solent residents, particularly in the urban core and the two cities. Around 35% of young people in Portsmouth and 36% in Southampton entered or remained in HE in 2009/10, compared with 52% nationally²⁶. Low levels of educational attainment affect the employment prospects of young people and have an impact on businesses' ability to access the skills they need. Businesses also frequently report a more general lack of employability skills amongst school leavers.

Unemployment - youth and long-term unemployment

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

Social deprivation

Whilst the Solent is not traditionally associated with levels of deprivation found in northern English cities, entrenched cyclical deprivation and long-term unemployment is evident in a number of areas. At the time of Census 2011, there were 34 Wards where the unemployment rate was 5.0% or over. Of these, 16 were located on the Isle of Wight, five were in both Gosport and Southampton and four were in both Portsmouth and Havant. Four wards had an unemployment rate of over 7%, which is far above the England average of 4.4%. Depression and anxiety are higher than previously assumed, with between 50 and 70% of people on Incapacity Benefit (IB) and Employment Support Allowance (ESA) reporting having mental health issues. Work Programme Providers comment that they are often unable to place ESA claimants in employment. 50% of this cohort has been 'workless' long term, more than five years.

There are also low levels of social cohesion in some areas. According to the British Crime Survey, the proportion of people who answered negatively when asked: "do neighbours look out for each other?" in Portsmouth and Southampton was extremely high, resulting in these cities ranking 284th and 296th out of 324 local authorities nationally.

Opportunities

Strong growth potential

Total employment in Solent LEP is projected to grow by 46,000 jobs between 2010 and 2020. This growth is projected to be almost entirely due to growth in higher-level occupations. There are expected to be 56,000 more Managerial, Professional and Associate professional jobs in Solent in 2020 compared with 2010.

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

²⁶ ONS Destinations of KS4 and KS5 leavers in 2009/10 <https://www.gov.uk/government/publications/destinations-of-key-stage-4-and-key-stage-5-pupils-academic-year-2009-to-2010>

A number of drivers for growth have been identified, including the area's global connections through the ports and the airport, and the four universities. The Solent's Maritime sector is nationally significant and is a key local growth sector. With the move towards a more knowledge-intensive economy, the growth prospects for the Solent are largely dependent on the ability of the cities to drive growth. There is an opportunity to build on the economic assets concentrated in the cities, including the universities and ports, and their sector specialisms. We need to ensure that the cities continue to be able provide quality jobs for the majority of people in the sub-region. There are clear opportunities to build on Solent's strengths in the Marine and Maritime sectors. Globally, the Marine sector is forecast to enter a period of rapid growth, driven by expansion in offshore renewables, demand in the leisure marine sub-sector driven by an expanding international middle class, and increasing international defence and high-tech exports.

National and global connections

Solent has global connections through its ports and airports, placing it in a strong position to build international links and benefit from export-led growth. Access to national road links is strong due to the presence of the M3, M27 and A3(M) motorways. National rail links are also strong with direct routes from both Portsmouth and Southampton to London (taking 106 minutes and 80 minutes respectively). Southampton Airport links the Solent to around 50 UK and European destinations and has the potential to grow rapidly, taking on excess capacity from London's airports. Ferry transport plays a key role in the local transport network, with important connections between the mainland and the Isle of Wight, and the area's peninsulas. In addition, there are important cross-channel routes from Portsmouth to France and Spain²⁷.

Solent Enterprise Zone

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

Marine and Maritime sectors' potential

The EU guidance suggests that coastal LEPs should consider the potential of their Maritime, Marine and offshore sectors in driving economic growth – especially in relation to support for innovation, SMEs and low carbon technologies. Those LEPs with an Atlantic coast can look to the European Commission's Atlantic Strategy Action Plan as a source of ideas, taking into account the broader needs of their areas.

The Port of Southampton is the largest in the region and plays a crucial role in the UK's international trade and passenger traffic. In 2010, the Port was the fourth largest UK port in terms of cargo handled, with some 39 million tonnes or 7.7% of all cargo handled by the UK ports²⁸. It provides 15,000 jobs²⁹ in the Solent (directly and indirectly) and contributes over £1.2bn of output per annum. It is a global import and export hub for the UK motor industry, exporting more vehicles than any other UK port³⁰ and is the busiest cruise port in the UK, with more than 1.6 million cruise passengers departing from Southampton in 2012.

²⁷ *Anchoring Growth, An economic assessment of the Solent area, Centre for Cities, May 2013.*

²⁸ UK Office for National Statistics .

²⁹ Across the City of Southampton and surrounding areas including IOW and Districts in South Hampshire, Southampton and Portsmouth City Deal Negotiation Document.

³⁰ 700,000 vehicles in 2011, Southampton and Portsmouth City Deal Negotiation Document .

The Portsmouth Naval Base supports almost 20,000 jobs across the sub-region (directly and indirectly) and contributes over £1.6bn GVA of output³¹. The Naval Base supports the Royal Navy surface fleet as well as the maritime services including integrated ship support, complex software engineering and advanced manufacturing solutions, equipment, management, training, and estates and logistics service.

Connecting research and innovation to support the local business base

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

Supply of land for future developments

There is a reasonable supply of land to unlock for employment and housing sites. The South Hampshire Strategy³² states that PUSH³³ authorities will provide for around 1.1 million square metres of net additional employment floorspace during 2011- 2026, split approximately equally between offices and manufacturing/distribution. That figure consciously exceeds what is likely to be built, despite the improving economy, to ensure that land supply is not a constraint on employment growth.

The Strategy states that if the economy grows faster than is currently envisaged, the figure will be reassessed and, if necessary, increased when the Strategy is reviewed (starting in 2014). In line with the 'cities first' policy, 63% of strategic supply lies within urban areas, with a further 21% in urban extensions. Growth opportunities exist along the A3(M), along the M27 between the two cities, at the Enterprise Zone on the Gosport Peninsula, the development at Welborne³⁴ and within the four following locations:

- Tipner (Portsmouth)
- Northern Quarter (Portsmouth)
- Royal Pier (Southampton)
- Itchen Riverside (Southampton)

Concentrating developments in urban areas will help reduce the currently dispersed nature of employment sites and address a number of more specific issues. For example, the plans for the regeneration of Tipner have been designed to improve the gateway into Portsmouth, while the Royal Pier development aims to transform Southampton's waterfront. Improvements to the quality of the public realm in the two city centres will make the cities more attractive to both business and residents. It will also increase opportunities for public transport to provide a greater share of journeys to work. The viability of these sites is mixed and most need major infrastructure improvements if they are to

³¹ Southampton and Portsmouth City Deal Negotiation Document

³² The South Hampshire Strategy: A framework to guide sustainable development and change to 2026, PUSH, October 2012.

³³ PUSH is the Partnership for Urban South Hampshire. PUSH is a partnership of the unitary authorities of Portsmouth, Southampton and Isle of Wight; Hampshire County Council and district authorities of Eastleigh, East Hampshire, Fareham, Gosport, Havant, Test Valley, New Forest and Winchester. PUSH authorities recognise the benefits of working together to support the sustainable economic growth of the sub region and to facilitate the strategic planning functions necessary to support that growth. PUSH has no statutory powers or functions but works collaboratively with the Solent LEP to deliver its distinct but complementary roles and objectives.

³⁴ A new housing and employment development North of Fareham with 6,000 new homes due to come on stream from 2016.

become viable. Because some of these sites and others across the Solent are publicly owned (the Ministry of Defence and Homes and Communities Agency are both significant land owners), it may take longer to bring these sites to the market than if they were privately owned.

Latent potential

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

Housing

Providing an appropriate housing offer is an important factor in attracting and retaining a skilled workforce. Provision of sufficient housing of a range of different types and tenures is an issue facing all the UK's cities and the Solent is no exception. Areas within the Solent complement each other, providing different residential offers for workers within the sub-region. On average, house prices are cheaper in the Solent than other parts of the South East, making it attractive to potential buyers. An average dwelling in the Solent cost £236,800 in 2011, compared with a South East average £276,900. However, this masks the large variations across the Solent's local authorities. The two areas with the highest house prices in 2011 were Winchester (£357,300) and East Hampshire (£319,600), while the lowest were found in Gosport (£159,300), Portsmouth (£162,200) and Southampton (£174,000). Partners are working to increase the supply of housing in the Solent, particularly in the two cities. The South Hampshire Strategy states that there will be a net addition of 55,600 dwellings by 2026, with 38% of this located in Portsmouth and Southampton. While the number of completions in 2010/11 was up on the previous year, net completions were still below target. The majority of net completions were flats (59%) and 66% were one or two-bedroom properties. Attaining the right mix of housing is also a target and, as a result, there is a desire to provide more family homes (three bedrooms or more) and more executive housing in the Solent to attract highly-skilled workers³⁵.

Strong record of partnership working

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

Threats

Strategic Defence Review

The Portsmouth Naval Base generates output of £1.68 billion and supports both 11,900 FTE jobs directly and 19,775 FTE jobs in total once indirect jobs are included. This equates to 3.5% of LEP output and 4.1% of all FTE jobs. The base is particularly important to Manufacturing, supporting nearly 7% of all manufacturing jobs in the Solent. It is estimated that every £1 million directly generated by the Naval Base stimulates an additional £750,000 of spending in the Solent economy.

³⁵ *Anchoring Growth, An economic assessment of the Solent area, Centre for Cities, May 2013*

It is widely recognised that the level of activity at Portsmouth Naval Base is likely to change following a current period of ship-building. Indeed in November 2013, BAE announced the planned end of ship-building at Portsmouth with the loss of 950 jobs. However, what is not yet known is whether a contraction will release capacity for alternative activity. Therefore the Defence sector and wider supply chain need to prepare for a transition as the emphasis moves away from ship-building towards maritime support.

There is widespread concern about the consequences of the Strategic Defence Review for naval activities in Portsmouth and the knock-on effects on the wider Solent economy. A recent Socio-Economic Impact Assessment of Portsmouth Naval Base³⁶ reviewed three possible scenarios, including one in which the reduction in ship-building activity is not offset by additional vessels moving to Portsmouth or by BAE Systems increasing the level of maintenance at the base. In this scenario, a 22% decrease in output and 20% decrease in employment was envisaged, leading to an overall loss of employment (including multiplier effects) of around 3,875 jobs. To support future growth in the Solent and avoid rising unemployment and in-work poverty, it is vital that the impacts of public sector cuts are mitigated and complementary areas of private sector growth are supported. This is likely to involve a need to up-skill and re-skill those who have held jobs in the skilled trades, which have typified traditional dockyard/marine sector employment.

Challenges to the shipping industry

The shipping industry is facing severe challenges stemming from the imminent implementation of International and EU regulations on sulphur emissions. These challenges result from a combination of factors, such as the availability and rapidly rising cost of fuel grades required by the regulations and the unavailability of adequate technological solutions at present. As a busy waterway for passenger and short-sea shipping, this is significant for Solent. It will affect many companies, resulting in cost rises and potential job losses. We will need to work hard to retain and grow shipping companies operating in the Ports of Southampton and Portsmouth and support moves towards emission reductions and adoption of low carbon fuels through research and development.

Demographic changes

Previous employment growth has not resulted in a rise in the employment rate, largely due to inward migration. Between 2004 and 2008, the employment rate fell by around 1.6 percentage points despite the volume of people in employment rising by nearly 10,000. The 'baby boom' generation is now gradually leaving employment, taking valuable skills with them. At the same time, the number of young people entering the labour market will continue to decline until 2018. These factors may combine to create labour and skills shortages, if measures are not taken to re-engage those outside the labour market³⁷.

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

Skills shortages

Businesses experience skills shortages in managerial, supervisory, technical and administration skills. Survey data suggests that half of firms find it hard to recruit staff with the desired level of technical skills, while 33% find it difficult

³⁶ Socio-Economic Impact Assessment of Portsmouth Naval Base (2012), University of Portsmouth, 2012.

³⁷ *Anchoring Growth, An economic assessment of the Solent area*, Centre for Cities, May 2013.

to recruit staff with the right managerial skills. The Engineering and Manufacturing, Maritime, Financial & business services, Transport & communications sectors and the Creative industries were found to face particular challenges³⁸ making this a key barrier to growth.

Lack of employer investment in training

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

International competition

Although the global marine sector is forecast to grow, competition for high value international markets is intensifying. Countries such as China, Brazil, India and Vietnam have made major strategic investments in the sector and are increasingly challenging for more knowledge-intensive segments of the market³⁹.

Educational attainment

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

Low skills

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

Low business density

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

Reliance on public sector employment

Employment in the public sector is higher than the average for the South East. The Defence sector is a large employer in Portsmouth. Portsmouth, Southampton and Winchester (the latter is home to Hampshire County Council's offices and Hampshire Police Headquarters) are important administrative centres. The share of employment in Health, Education and Social work is also slightly above the South East average.

³⁸ Hampshire County Council (2012) Hampshire Employers Skills Survey 2011

³⁹ *Solent Employment Zone Skills Plan*, Marchmont Observatory, 2013

Public spending cuts are also going to have an impact on the Solent's steady economic recovery. Estimates by the Centre for Cities, which looks at public sector job losses across government as a whole, suggest that 9,100 jobs (4.2% of total jobs) may be lost in the Portsmouth Primary Urban Area (PUA) by 2016. These losses are considerable; the city ranks fifth out of 63 for the highest predicted job losses. For Southampton, the estimate is 5,600 job losses (3.5% of total jobs) by 2016, ranking the city 35th out of 63⁴⁰.

Interviews also demonstrated widespread concern about the consequences of the Strategic Defence Review for naval activities in Portsmouth and the knock-on effects on the wider Solent economy.

Failure to link local people to local jobs

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

- 3,000 to Southampton, comprising 2,400 people from outside the UK and 600 people from within the UK to Southampton; and
- 3,300 to Portsmouth, comprising 2,000 people from outside the UK and 1,300 from within the UK.

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

Capacity to grow

The Port of Southampton is one of the main UK international ports. It is expected that container and Ro-Ro traffic will grow by an average annual rate of around 3% to 4%. This growth will eventually require a significant increase in capacity. According to the Port Master Plan, the availability of sufficient port capacity as well as congestion on port access routes and the wider inter-urban network are considered to be a potentially significant constraint on future economic growth.

In May 2012, Associated British Ports was given the green light by the Marine Management Organisation (MMO) for the redevelopment of Berths 201 and 202 at the Port of Southampton. This will increase the handling capacity at the port from 2 million TEU⁴¹ to 2.7 million TEU per annum. However, other ports will not stand still. The UK's largest port, Felixstowe, has just opened two new 730 metre berths, both being able to accommodate the largest maritime vessels. Additionally, a new port and logistics centre, London Gateway, is under development. Its expected capacity will be 3.5 million TEU a year. The first phase opened in early November 2013. London Gateway is expected to attract new business but will also attract existing business from other ports, mainly in England.

The Portsmouth International Port announced in June 2012 the completion of the Berth 2 extension. The longer berth allows for docking of larger cruise and ferry vessels simultaneously. However, more cooperation with surface transport providers will be needed in order to accommodate the high seasonal traffic peaks.

⁴⁰ Centre for Cities own calculations based on Office for Budget Responsibility's forecasts of 720,000 public sector jobs by 2016. Data defines the two cities based on their primary urban areas. See for <http://www.centreforcities.org/puas> for further details.

⁴¹ TFE = Twenty Foot Equivalent Units, the size of a standard container.

The potential barrier to growth is also the capacity of the existing logistics centres. With the expected growth of traffic handled through the Port of Southampton, there is a need for expansion of the logistics activities in the area. The capacity of the existing sites will need further expansion to avoid constraining regional growth. Additionally, new sites for logistics activities should be identified and the land for their development should be unlocked. There is a need for an integrated plan to address the needs of the logistics sector. The continued competitiveness and development of the Port of Southampton and the Port of Portsmouth are dependent on lifting the capacity constraints as well as on ensuring good and reliable surface accessibility.

Development pressures

The 55,800 new homes and nearly 1.2 million square metres of new employment floor space that the South Hampshire Strategy envisages between 2011 and 2026 will lead to an increase in carbon emissions from the area despite improvements in energy efficiency and standards. It is recognised that something extra will be required to prevent carbon emissions rising substantially⁴².

Solent is already the largest and most densely populated urbanised area in the South East outside London, with a density equivalent to that of some of the outer London boroughs (Hillingdon, Havering and Bromley are all around 2,000 p/sq km), whereas the national population density is just 246 p/sq km. The implications of this rapid and significant rise in buildings and population in Solent and the objective to achieve above-trend economic growth are an inevitable increased use of resources (energy, water and construction materials) and a potentially greater production of waste unless measures are pursued to improve the area's sustainability. The pressure on the green space that remains will also intensify with a greater population using a diminished resource.

Environmental threats

The exceptional development pressures facing Solent mean that there is a significant challenge to meeting national climate change targets, and the coastal position also means that the region is particularly vulnerable to the future effects of climate change. In addition, the environmental quality of our internationally, nationally and locally designated sites of biodiversity importance, make protection of these areas even more crucial.

The Solent area is predicted to be in the zone of the UK most affected by drier summers and an area of serious water stress. Solent's low lying coastal landscape is susceptible to the impacts of climate change through rising sea levels and increasing frequency of storm events. With some 270 kilometres of coastline, Solent contains some of the most vulnerable communities in England in terms of flood risk. Predicted sea level rise will increase these risks. In addition, there are river floodplains with a risk of surface water flooding and areas that are susceptible to groundwater flooding.

The vulnerability of low-lying and previously reclaimed commercial and residential land presents the prospect of a choice between the huge cost of the extra sea defence works and the economically ruinous abandonment of areas of urban land to the sea. Mitigating the effects of climate change can go some way to reducing the risk of flooding events and there is a need to future-proof new development to withstand the impacts of climate change.

Congestion

Congestion is an issue for those travelling into and out of the Solent. On the A3 (Portsmouth to London), traffic flow increased by 3% between 2005 and 2011 but delays per ten miles increased by 43%. On the M3 (Southampton to London), delays per ten miles have increased by 30% despite a decreasing flow of traffic. According to previous

⁴² South Hampshire Strategy Background document : Environmental Sustainability, PUSH, November 2012

PUSH⁴³ and TfSH⁴⁴ studies, the future prospects of the Solent economy are limited by the traffic congestion across the region. Many roads are already at or about to reach their capacity. This makes the future growth potential dependant on the changes to travel demand and the existing infrastructure which will be a necessary step in enabling the growth of the Solent economy.

1.4 Drivers and Barriers to Growth

Solent is a wide and diverse economic area ranging from the Isle of Wight, the main industrial and urban areas in the south to the rural fringe in the north of the sub-region. The diversity of the area leads to a variety of economic drivers and business needs. However, within these diverse areas, there are interconnections and common themes which also act as constraints to economic growth.

Barriers

Our evidence-based review (see above) and consultation processes have revealed the following barriers to growth:

Productivity

Despite the strengths embodied in the industrial structure of the Solent, productivity in Solent is low when compared with both the regional and national averages. Some of the main drivers for productivity improvements come from business formation and entrepreneurial activity, yet the business formation rate and self-employment both lag behind the average for the South East and nationally. Without improvements in these measures, it is likely that restrictions in productivity growth will act as a barrier to the potential economic performance of Solent.

Connectivity

Whilst Solent benefits from its proximity to the London and South East economies, in reality, connectivity is poor and distance from markets has a direct and proven correlation with productivity. Many roads are already at or about to reach their capacity (see Congestion above). This makes the future growth potential dependant on changes to travel demand and the existing infrastructure.

Skills

The aggregate labour market performance of the Solent is relatively strong when compared with national performance levels. High rates of employment and a highly-skilled workforce in parts of the Solent are driving economic growth. However, within Solent, significant disparities exist which need to be addressed to ensure that the workforce is capable of meeting current and future business needs, particularly in relation to higher-level skills. Low levels of attainment at GCSE level in parts of the Solent, combined with low resident participation in HE, point to potential problems with the skills of the future workforce. Better advice and guidance on pathways will be critical as will clear routes into HE, particularly for those wishing to enter employment in the key Marine and Maritime sectors.

⁴³ PUSH Economic Development Evidence Base.

⁴⁴ Transport for South Hampshire Evidence Base Case and Options for Intervention, Report R6, Report for MVA Consultancy, October 2012, information confirmed through the interviews.

Business infrastructure

Business infrastructure is an area of relative weakness for the Solent, particularly the availability of good quality modern sites and premises. Recent years have seen a reduction in the amount of employment land created in the sub-region which, together with the generally low quality of the existing stock of business sites/premises, has acted as something of a brake on development, particularly in the cities/urban boroughs.

Need to develop and foster innovation and business development

The nature of the business base and Solent's relatively poor performance in terms of a declining business stock and poor business formation rates constrain growth, and leaves the economy vulnerable to the fortunes of fewer larger employers. Fostering innovation and business development is, therefore, a key priority for the Solent area.

Capacity to grow

In order to enable future growth, the capacity at the main sites and gateways should not be a constraint. Existing businesses need to have the space and the possibilities for expansion. The same applies to the key trade and transport nodes. The potential barrier to growth is the capacity of the existing logistics centres. With the expected growth of traffic handled through the Port of Southampton, there is a need for expansion of the logistics activities in the area. The capacity of the existing sites will need further expansion to avoid constraining regional growth. Additionally, new sites for logistics activities should be identified and the land for their development should be unlocked. The continued competitiveness and development of the Port of Southampton and the Port of Portsmouth are dependent on lifting the capacity constraints as well as on ensuring good and reliable surface accessibility.

Demographic ageing

To be economically successful, city regions need to be able to attract people. Overall, population growth has been relatively slow across the Solent (6% from 2001 to 2011) compared with the South East (8%). The two cities and Winchester district saw the fastest population growth, between 8 and 9%, over the past decade. The ageing population will also have an impact both in terms of a significant replacement demand for skills as well as the changing nature of services and products demanded.

Worklessness and social exclusion

Economic and social exclusion present a barrier to growth through a number of well-established mechanisms. Social exclusion and deprivation have debilitating effects on the people and neighbourhoods that experience it. Stark economic and social divisions impact both the economy and society as a whole. The human, social and financial costs are significant. The Solent area has pockets of deprivation. Businesses are less likely to locate in areas where there are low average incomes and little spending power, and instead tend to locate where the most profitable customers exist. This in turn affects access to goods and services for those with no cars and communities with limited public transport. This further decreases access to goods and services and contributes to the downward spiral of a deprived area.

Need to balance environmental quality and economic development

The development pressures on the Solent economy, combined with the very real threats to the economy as a result of environmental changes, mean that there is a real need to balance environmental quality with economic development. Solent's ambitions to develop a Low Carbon economy sit at the heart of this.

Drivers

However, whilst we have barriers to growth, we also have a number of important drivers (and potential drivers) of growth that we must capitalise on in delivering our EU SIF Strategy. These are:

Existing knowledge base and innovation infrastructure

Solent has a strong knowledge base, with world-leading research and innovation activity. In terms of innovative activity, Solent performs better than the national average and that provides a good platform on which to base future growth. But Solent is a long way below the performance of other LEPs in the South East such as Enterprise M3 and thus there is much scope to improve its performance in line with competitors. A critical issue will be ensuring that these assets are better connected to support the needs of local businesses and to attract business and inward investment

Knowledge-intensive industries

The Solent area is well represented in high value-added industries, particularly advanced manufacturing. The future growth prospects of the Solent area are largely dependent on the ability of Portsmouth and Southampton to drive growth. Patterns of globalisation mean that the UK is likely to continue to specialize in higher value employment. The two cities are well placed to drive growth in the private knowledge-intensive industries due to the benefits that high value businesses derive from being located in close proximity to each other and their workers.

Growth initiatives

Solent has secured funding to support a range of growth initiatives and programmes, including:

- ***Southampton and Portsmouth City Deal*** (agreed November 2013) - activities under the City Deal will drive forward the growth of the Marine and Maritime sector across Solent. City Deal will focus on enabling Solent to: support marine and maritime assets in the area; unlock employment sites; provide new housing; provide skills to access employment in growing sectors; support SMEs; and transfer underused land from the public sector into productive private sector use. It also focuses on raising skills levels and providing access to employment to ensure that local people benefit from local growth and jobs.
- ***Solent Enterprise Zone*** – collaboration between the private sector, local authority partners and key agencies enabled Solent LEP to secure Enterprise Zone status for the Daedalus Airfield and, critically, to agree delivery of a £27 million infrastructure package for the site that will deliver more than 800 new jobs by 2015. As part of this, a growth hub for advanced manufacturing businesses is 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.
- ***Solent Growing Places Fund*** - Solent Growing Places Fund has been established with government funding to help stimulate growth by investment in infrastructure and development in a way that will support the area's economic and investment priorities. This is a revolving capital infrastructure fund capable of unlocking jobs and homes in a way consistent with national objectives. The aim of the Fund will be to unlock private sector development and investment stalled as a consequence of the economic downturn and market failure, and to maximise the economic growth impact in the Solent area, both in the short and longer term. This will support the delivery of a an investment package in excess of £25 million, unlocking 21.6 acres of land for the development of new commercial space and up to 90 new homes. This will also support the

development of 25,000 sq ft of new advanced manufacturing business space adjacent to the airfield and the CEMAST centre.

Strong aggregate labour market performance, with a good quality skill base

Whilst the area is experiencing skills shortages and gaps and there remain issues about the supply of higher-level skills, overall, the Solent area has a well-skilled workforce and this is a key growth driver for the economy.

Waterfront development

There is further potential for waterfront development, particularly given the potential increase in prime waterfront sites through Ministry of Defence (MoD) land release developments.

Strong quality of life drivers

Although less tangible than the main economic variables, the quality of life is a key economic driver for growth in Solent. Quality of life and place is an important source of competitive advantage, which will help to attract and retain businesses and skilled workers.

Strong brand identities

The Cities of Portsmouth and Southampton have strong brands/identities and are thus potentially well positioned in terms of growth and inward investment, as well as promoting the visitor economy. Solent is an important gateway for tourists travelling into and out from the UK but the area often fails to capitalise on its transport infrastructure and encourage these visitors to linger in the area. Solent has excellent natural assets in terms of the coastlines and rural areas. It also has an important maritime heritage and increasingly good retail and experience opportunities for visitors.

1.5 The Solent Growth Vision

The strengths, weaknesses, opportunities and threats facing the Solent LEP economy, together with the barriers to and drivers of growth, underpin the key strategies for the Solent area.

The overarching strategy for Solent, guiding the development of the local growth plan, is *Transforming Solent – The Strategic Economic Plan*. The vision of the Solent LEP and its partners is to create an environment that will bring about sustainable economic growth and private sector investment. It will assist this globally-competitive area to 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. Solent LEP wants to secure a more prosperous and sustainable future for all who live in the area and is committed to building a strong economy with businesses that are able to compete successfully in global markets. At the same time, a number of challenges arise as a result of the recent recession. Solent has many assets on which to build and which will support the drive for growth. Essential to this is the co-ordination of public and private sector investment to achieve this goal and the need to make the best use of the area's assets.

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 the 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 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 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 unlock investment of £953m that will help us to realise those ambitions and we are seeking further support through 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 that not only meet local needs, but which also support the ambitions set out in the National Industrial Strategy. The National Industrial Strategy covers:

- 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 to 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 to 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 our Strategic Economic Plan and EU SIF Strategy align closely with these aims and contribute to both the UK Government and EU Cohesion priorities.

Transforming Solent – Solent’s Strategic Economic Plan

Transforming Solent has six strategic priorities:

Enterprise - Enterprise is a key driver of productivity and economic growth. Recognising the relatively poor business start-up rates, Solent LEP has recognised that SMEs hold the key to a successful, private sector-led, economic recovery in the Solent area. In particular, key objectives include:

- Supporting high growth business start-ups with exporting potential and encouraging growth in existing businesses through innovation.
- Expanding enterprise programmes for young people.
- Helping businesses to create and apply new knowledge, working with employers in priority sectors such as Advanced manufacturing and Marine and supporting the development of new growth clusters.
- Encouraging business start-ups and social enterprise.

Infrastructure – Solent LEP is dedicated to delivering improved coordination of private and public investment in transport, housing, skills, regeneration and other areas of sustainable economic development, focusing on: rebalancing the local economy away from dependence on the public sector; reindustrialising the economic base, supporting the development of knowledge-based industries and high value-added manufacturing; regeneration delivering a coalition between the private, public, voluntary and community sectors to continue the renaissance of the area’s cities and urban areas, tackling deprivation, meeting the skills needs of the economy and taking a leading role in finding low carbon solutions.

A key priority for Solent LEP 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. Some of these sites require a level of investment that is on the margins of what is commercially viable; others have stalled as a consequence of the recession. There is an adequate supply of land for development but there are often constraints that prevent early delivery - this affects development of greenfield land as well as regeneration sites in urban areas that may require significant investment to make them fit for purpose. The 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, the 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.

Inward Investment – the LEP has established a single inward investment model to encourage companies to open new sites in the region, supported by effective marketing. Solent LEP’s relationship with UKTI helps ensure that businesses find a suitable home somewhere in the UK. Solent LEP will require the Inward Investment structures to support the delivery of private sector-led growth and the emerging City Deal developments.

Skills for growth – a priority is to invest in skills to establish a sustainable pattern of growth, ensuring local residents are equipped to take up the jobs that are created. The aim is to 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. Drawing on a strong pool of skilled workers and a strong infrastructure of HE and FE providers, the aim is to create the best environment in which businesses can develop and train their workforces and to strive for success, and 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. Key to the approach is to better align public and private investment in training and workforce development to growth. One of the key barriers to growth for employers is securing the skills they need and having access to a local supply of skilled labour. The Skills for Growth Fund, which brings together FE colleges from across Solent to align resources to support employer-led provision, is a key element of the strategy.

Strategic sectors and clusters – we are committed to develop strategic sectors and clusters (interconnected groups and businesses) of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics businesses – establishing the area as a business gateway, at both local and international levels. As well as developing the Solent Enterprise Zone, supporting new and existing businesses, we are committed to export-led growth in high-value services and employment. The low carbon economy will also be strengthened, reflecting the increasing importance of the sector to the Solent economy. The *Strategy for Growth* recognises these comparative economic advantages and has prioritised policy interventions that seek to promote this area as a leading location for: the Marine, Maritime and Advanced manufacturing sectors, both at home and, more importantly, in the global marketplace.

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, particularly linked to our HE excellence. 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. There is also a desire to harness the benefits of the significant numbers of R&D companies in the Solent. Coupled with the universities, there is a substantial knowledge bank on which to build, through the creation of knowledge transfer partnerships and development of spin-out businesses. Improving the connectivity across the local ‘innovation ecosystem’ through ‘open innovation’ will be essential - 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 the economy.

City Deal

The Southampton and Portsmouth City Deal has now been agreed and will contribute to local growth by:

- maximising the economic impact of the marine and maritime assets in the area;
- unlocking employment sites to enable the Marine, Maritime and Advanced manufacturing sectors of the economy to expand;
- providing new housing to support the growing workforce;
- ensuring people have the right skills to access employment in these growing sectors;
- providing effective support to the SMEs to enable them to grow – including marine and maritime SMEs; and
- transferring underused land from the public sector into productive private sector use.

In terms of the labour market and skills, the City Deal will:

- increase the ability of the skills system to respond to employer demand, including for SMEs and micro-businesses, through the creation of a bespoke marine and Maritime sector Employer Ownership of Skills programme and an employer-led Solent Skills for Growth Fund;
- deliver an innovative Solent Jobs Pilot targeting those furthest from the labour market and helping them get into sustained work using an intermediate labour market scheme;
- develop a Solent-wide economic benefit procurement model in each local authority and a pilot with a government department to demonstrate the ability to maximise local SME supply chain, skills and employment opportunities for local people linked to £500 million + per annum Solent procurement;
- establish a joint £1.2m Youth Community Legacy Fund with a private sector company aimed at increasing the employment opportunities for young people.

These are complementary to the strategic activities set out in our EU SIF Strategy and also provide a source of match funding for a number of our Activities.

Solent Enterprise Zone Skills Plan

The Solent Enterprise Zone Skills Plan recommends focusing the European Investment Strategy to:

- raise awareness of employment opportunities, through the delivery of improved Information Advice and Guidance (IAG) services;
- support the acquisition of higher-level skills (Level 3 and above) required by the Advanced engineering, Marine and Aerospace sectors;
- support people who are at risk of redundancy or who have recently been made redundant; and
- encourage retention of graduates with STEM skills.

Solent Low Carbon Green Economy

Underpinning this is Solent's commitment to generating economic and business growth together with new jobs by developing a Low Carbon Green Economy. The Solent area aims to become the national leader and internationally

recognised for its Low Carbon Green Economy. Sustainability will be at the heart of Solent's success in generating economic growth, prosperity and improving quality of life.

Key priorities are supporting:

- 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.
- 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.
- 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 developments where practical.

Solent LEP aims to ensure that its EU SIF Strategy, Local Growth Plan, City Deal, Sector and low carbon strategies are fully integrated in order to maximise and add value to agreed priorities for government funding.

Sector focus: Marine and Maritime

The LEP Board is clear that it wishes Solent's EU SIF Strategy to focus on supporting the development of the marine and maritime economy. This focus has been endorsed throughout the consultation process. The EU has asked regions to develop strategies that focus on 'Smart Specialisation', i.e. sector strengths and locational advantages. As host to a nationally-significant marine and maritime cluster, it would be odd if Solent's EU SIF did not include this focus. Recent announcements in relation to the proposed loss of ship-building in Portsmouth led the Prime Minister to announce the establishment of a Solent Maritime Forum, due to report in March 2014 (this will form part of the Solent Strategic Economic Plan). Its findings will include an analysis of Smart specialisation.

Having said that, Solent's EU SIF Strategy must accommodate a variety of policy aspirations. Some Activities, such as those focused on combating poverty and social exclusion, will need to focus beyond marine and maritime. They must be deliverable at scale, take in employment-intensive economic activities and contribute to national programme output targets.

Thus, whilst the majority of Activities are focused on a wide definition of the Marine and Maritime Sector, flexibility has been built in to respond to new growth sectors. Priority sectors are thus:

- The Marine and Maritime Sectors;
- The Wider Marine and Maritime Sectors that take in:
 - ship and boat-building and their equipment supply chains;
 - the marine renewables and environmental technologies sectors;
 - associated defence and advanced engineering activities;
 - ports and related transport and logistical activities;
 - the leisure marine and cruise industries;
 - the visitor economy, including tourism and hospitality services;
 - associated service activities, such as specialist retail and insurance.

- Other sectors – there is commitment to support a range of priority sectors identified by *Solent LEP - Strategy for Growth* and to identify newly emerging sectors with high growth potential that may emerge during the lifetime of the programme.

Spatial targeting

During the consultation, partners were asked if funds should be focused on specific geographical areas. In general, respondents warned against spatial targeting, arguing that businesses would not welcome a situation where 'eligibility' for advice, grants or support was dependent on geography. They agreed that resources and projects would need to be focused on areas where the opportunity or need was greatest.

In general, therefore, Activities are not restricted to specific areas. Instead, organisations applying for funds will be asked to identify how they will target need. These needs may be geographically focused. We expect, for example, such an approach to be widely adopted by organisations applying for Community Grants (Activity 9) to support work in deprived neighbourhoods. However, with the exception of EAFRD, which is restricted to providing support in rural areas, all the Activities set out in this strategy may be delivered in all parts of the Solent area.

2. Policy Themes and Strategic Activities

European Social fund (ESF) and European Regional development Fund (ERDF)

2. POLICY THEMES AND STRATEGIC ACTIVITIES

2.1 Strategic Activities – Distribution of Funding

The previous section sets out the evidence-base and rationale for our EU SIF investment priorities, making links to the wider growth strategy for the Solent area. The following section describes our specific investment priorities, listing each EU SIF-funded Activity under the appropriate EU Thematic Objective. It sets out how each Activity responds to local needs while also addressing national and EU priorities and specifies out the content of the Activity, planned budget and outputs, matched funding sources and delivery arrangements.

The annual budget for each of our proposed Activities is shown in Table 2 below. The budget has been back-loaded, in line with the 'expected' profile in the 'template, to take account of the need for a performance reserve. The expenditure profile for Activity 6 – Supporting Young People and Activity 10 - the Solent Jobs Pilot have also been aligned to our City Deal proposals.

Table 2: Annual budget per Activity(Sterling)

Strengthening RTD & Innovation	2014	2015	2016	2017	2018	2019	2020	EU SIF
Activity 1: Solent Innovation Grants & Outreach	214,050	428,100	492,315	492,315	513,720	684,960	770,580	3,596,040
Enhancing the competitiveness of SMEs								
Activity 2: The Solent Business Hub	727,770	941,820	941,820	941,820	941,820	1,155,870	1,241,490	6,892,410
Activity 3: Access to Finance for start-ups & SMEs	196,926	325,356	325,356	325,356	325,356	385,290	513,720	2,397,360
Activity 4: Graduate Placements	149,835	269,703	325,356	325,356	325,356	385,290	436,662	2,217,558
Supporting a shift to a low carbon economy	282,546	445,224	513,720	513,720	513,720	607,902	899,010	
Activity 5: Building Solent's Low Carbon Economy (Marine) - ERDF	214,050	342,480	385,290	385,290	385,290	385,290	599,340	2,697,030
Activity 5: Low Carbon Construction Hub - ERDF	68,496	102,744	128,430	128,430	128,430	222,612	299,670	1,078,812
Activity 5: Low Carbon Construction Hub - ESF	51,372	64,215	64,215	77,058	77,058	111,306	154,116	599,340
Investing in Education, Skills and Lifelong Learning								
Activity 6: Supporting young people	256,860	684,960	770,580	684,960	599,340	663,555	834,795	4,495,050
Activity 7: Employer Responsive Skills	513,720	599,340	727,770	727,770	727,770	856,200	1,113,060	5,265,630
Promoting Employment								
Activity 8: Support for Unemployed Adults	-	342,480	428,100	428,100	428,100	513,720	556,530	2,697,030
Promoting Social Inclusion & Combating Poverty								
Activity 9: Community Grants	119,868	222,612	222,612	222,612	222,612	235,455	295,389	1,541,160
Activity 10: The Solent Jobs Pilot	256,860	770,580	1,369,920	1,027,440	-	-	-	3,424,800
Totals	3,052,353	5,539,614	6,695,484	6,280,227	5,188,572	6,207,450	7,714,362	36,902,220

The distribution of the budget between ERDF and ESF is shown for each Activity in Table 3 below. This shows that Solent LEP requires £18,879,210 (€22.05m) from the ERDF and £18,023,010 (€21.05m) from the ESF.

Table 3: Balance between ERDF and ESF by Activity

Strengthening RTD & Innovation	ERDF	ESF	
Activity 1: Solent Innovation Grants & Outreach	3,596,040		
Enhancing the competitiveness of SMEs			
Activity 2: The Solent Business Hub	6,892,410		
Activity 3: Access to Finance for start-ups & SMEs	2,397,360		
Activity 4: Graduate Placements	2,217,558		
Supporting a shift to a low carbon economy			
Activity 5: Building Solent's Low Carbon Economy (Marine) - ERDF	2,697,030		
Activity 5: Low Carbon Construction Hub - ERDF	1,078,812		
Activity 5: Low Carbon Construction Hub - ESF		599,340	
Investing in Education, Skills and Lifelong Learning			
Activity 6: Supporting young people		4,495,050	
Activity 7: Employer Responsive Skills		5,265,630	
Promoting Employment			
Activity 8: Support for Unemployed Adults		2,697,030	
Promoting Social Inclusion & Combating Poverty			
Activity 9: Community Grants		1,541,160	
Activity 10: The Solent Jobs Pilot		3,424,800	
Totals	18,879,210	18,023,010	36,902,220

2.2 Strengthening Research, Technological Development and Innovation

During the consultation, partners expressed a high degree of support for using ERDF to promote research, technological development and innovation. They recognised innovation and the exploitation of new knowledge by the private sector as being fundamental to future growth and that Solent is fortunate in being home to four HEIs with strengths that, if harnessed, can drive knowledge-intensive economic employment and growth in the area.

Although residents of the Solent LEP area register more patents per 100,000 people (18.9 in 2009) than the national average (13.0), the level of patent registration locally is considerably lower than in leading LEPs, many of which are nearby. Our industrial base and strategic assets are such that we believe that we should perform better and that there is scope and a strong case for improving our performance.

Research by the Centre for Cities shows that the University of Southampton has high levels of interaction with businesses, generating £56.5m from Intellectual Property (IP), research and consultancy contracts in 2011/12. The University of Portsmouth generates £11 million and Southampton Solent University £6.7 million. 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. We do not wish to detract from this and wish local centres of excellence to support enterprises from across the country. However, we must also find ways of driving up engagement with local companies, generating an overall net growth in provision.

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.

We should also recognise that innovation comes in two principal forms.

- 1) Firstly, there is innovation that results in the creation of new products and services, often as a result of a scientific or technological breakthrough. Innovations of this type are often time-consuming and costly to develop and commercialise. They are frequently led by larger firms, working with their supply chains, and may require high levels of interaction and collaboration with public partners.
- 2) Secondly, there is innovation that results in the incremental upgrading of services, products and processes. This involves large numbers of enterprises, which recognise that continuous improvements in performance are increasingly fundamental to competitiveness in a global economy.

We must recognise that innovation is not cost-free. It requires considerable investment: in management, organisational costs, in research, skills and training, which can be a barrier for some companies.

We will therefore use EU SIF 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 HE knowledge base in the Solent area;
- provide grant support for projects that enable new products and business processes to be brought to the market.

Activity 1: Solent Innovation

Description

Engaging more enterprises in innovation

Solent has great strengths in HE and universities committed to extending their role as economic anchors for the region, in line with the recommendations in the Witty Review. These HEIs are increasingly working together, e.g. on collaborative Regional Growth Fund bids. Partners wish to encourage Solent's Universities to collaborate, to pool resources, and to reach out and support a greater number of enterprises, in line with their specific institutional strengths.

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

This approach is driven both by experience and by research⁴⁵ which identifies that innovation occurs at the point where people come together across departments, disciplines, institutions, sectors, industries and borders, to solve particular problems that are beyond the capacity of the department or firm itself.

*'The Best innovation systems', the research argues, 'are intensively networked. Within these systems Government takes an active leadership role ... strengthening connections between actors in the innovation system, supporting those who identify business innovation opportunities and marshalling investment resources to help business respond to global innovation challenges.'*⁴⁶

Innovation grants

The nature of innovation is such that it is difficult to predict. Over the seven year EU SIF Programming 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.

Solent LEP sees the need for a flexible grants programme, to support promising RTD initiatives on a case-by-case basis. These might be focused on proving the viability of a new concept, on the creation of prototypes or on demonstrating the commercial viability of new methods. They may be conducted with single companies or involve collaboration across extensive supply chains. They may be focused on extending the application of the 'eight great' emerging technologies or on supporting innovation in specific sectors. It is difficult to predict.

Budget and matched funding

A budget of £7,192,080 (€8.4 million) has been allocated to the development and delivery of the Solent Innovation Strategy. This includes £3,596,040 (€4.2 million) of ERDF.

⁴⁵ BIS Economics Paper No. 15, Innovation and Research - Strategy for Growth, Dec 2011
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32445/11-1386-economics-innovation-and-research-strategy-for-growth.pdf

⁴⁶ BIS, Op Cit, p. 4

The ERDF funding is notionally divided between:

- Engaging more enterprises in innovation £1,198,680 (£171,240 p.a.) (€1.4m (€200,000 p.a.))
- Innovation Grants £2,397,360 (£342,480 p.a.) (€2.8m (€400,000 p.a.))

Solent LEP reserves the right to flex this budget across these strands within the Activity to ensure the funds deliver the support that the market requires.

Matched funding will be provided from both public and private sources. Solent's HEIs will provide match funding (initially from the Higher Education Innovation Fund (HEIF)) for engaging more enterprises in innovation. Resources flowing to HEIs in the light of the Witty Review, e.g. into innovation zones, may also be used. Private sector matched funding will be provided by recipients of Innovation Grants. We anticipate that a minimum of 50% match funding will be required for all projects. Decisions will, however, need to be made on a case-by-case basis.

Outputs/results

We anticipate supporting eight enterprises/clusters/projects per annum through the Innovation Grants programme, with an average ERDF contribution of £51,372 (€60,000) per grant. The maximum ERDF grant per project will be £102,744 (€120,000). The minimum will be £25,686 (€30,000).

Over the seven years of the programme, the outputs will be as follows.

- Number of existing enterprises receiving support: 56
- Number of enterprises co-operating with research entities: 56
- Number of enterprises supported to introduce new to the market products: 16
- Number of enterprises supported to introduce new to the firm products: 40

Delivery arrangements

EU SIF for outreach, networking and engagement activities will be provided directly to partner organisations, which we anticipate will be the University of Southampton, University of Portsmouth, Southampton Solent University and relevant Marine and Maritime networks. Contracts will be developed on the basis of a partnership agreement and a series of complementary work programmes, developed collaboratively by these partners, setting out the activities that each partner is to undertake.

The Innovation Grants programme will be managed by the LEP directly. It is anticipated that projects will be originated through HEI/business collaboration. Proposals will be submitted to a LEP programme officer. They will be assessed with input from industry and external academic experts before the grant is awarded.

All Innovation Grant applications will be thoroughly assessed to ensure compliance with State Aids regulations.

We will focus Innovation Grants on our Strategic Sectors: Advanced engineering, Marine and maritime, Aerospace and Defence. Where the innovation focuses on reducing carbon emissions, projects will be taken forward under Activity 5 (Building Solent's Low Carbon Economy), which covers marine renewables, the reduction of carbon

emissions from marine transport and low carbon construction. However, we must recognise that: the level of demand from this sector is uncertain and that high-value proposals that may yield benefits in terms of growth and jobs may be received from other sectors. Where this is the case, these may be supported at the discretion of the LEP programme officer. Programme delivery will be reviewed quarterly by the three HEIs, the Solent Business Growth Hub and LEP Officer. If programme spend is behind target, the focus may be extended to include additional high value and emerging sectors.

Innovation Grants will only be awarded to support activity that complies with principles of sustainable development. Beneficiaries of grants will be encouraged to demonstrate that their activities promote equality of opportunity.

2.3 Enhancing the Competitiveness of SMEs

The Solent has a high level of dependency on both large businesses and the public sector. Business density is low, with 593 businesses per 10,000 population, compared with 693 in the South East. We need to address the fact that the number of business births, as a percentage of the business stock, in the Solent LEP area (10.0%) is lower than the national average (11.4%) and significantly below the rate found in successful economies, such as London (14.6%) which are characterised by high rates of business start-ups and deaths. Although business survival rates are broadly in line with the national average, we are concerned that, 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 2011⁴⁷.

We need to reverse this trend and to broaden the business base by fostering start-ups and the growth of existing SMEs. We need to safeguard SMEs within supply chains, helping them to diversify, reduce their dependency on the public sector and single large enterprises and to strengthen their international trade links.

These are key components of the *Solent LEP – Strategy for Growth* which prioritises:

- supporting new businesses, enterprise and ensuring SME survival and growth;
- growing clusters in priority sectors;
- supporting peer-to-peer self-help networks and business-to-business mentoring; and
- establishing a single inward investment model, supported by effective marketing.

We will deliver these priorities through three Activities under the Thematic Objective, Enhancing the Competitiveness of SMEs:

- The Solent Business Growth Hub.
- Access to Finance for SMEs.
- Graduates for Growth.

⁴⁷ ONS Business Demography

Activity 2: The Solent Business Growth Hub

Description

Business support is currently delivered by many different local and national organisations. Too many enterprises have difficulty in navigating this fragmented landscape and are unaware of the help that is available to them. During the consultation, partners expressed enthusiasm for using ERDF to increase the accessibility and depth of business support and advice.

Solent LEP is working with its partners to develop a Solent Business Growth Hub. This will bring together the services that businesses need to start up and grow and will act as a 'one-stop' shop for existing businesses, foreign investors and exporters. Supported through both ERDF and our submission to the Wave 2 Business Growth (W2BG) programme, the Solent Business Growth Hub will:

- Act as a single point of contact through which all enterprises, including social enterprises, will be able to access advice and information on local and national support programmes.
- Help enterprises to become 'finance ready', with strong business plans capable of attracting finance from banks, business angels, equity finance, our Bridging the Gaps programme and our Access to Finance initiative (Activity 3, described below).
- Make appropriate referrals, where beneficial, e.g. to the Office for Civil Society's £10m three-year Investment and Contract Readiness Fund, which supports social ventures to build their capacity to receive investment and bid for public service contracts.
- Assist new business start-ups.
- Help businesses to expand into new markets, at home and abroad, working in partnership with UKTI and others.
- Provide a focal point for inward investment through our *Invest in Solent* initiative.
- Extend the reach of, and amplify services offered through, the Manufacturing Advisory Service and Growth Accelerator.
- Help businesses to become more competitive by reducing their resource inputs through the adoption of renewable and low carbon fuels and by providing advice and support in energy efficient practice, e.g. designing out waste and the recovery of 'waste' heat energy.
- Support to the Marine and Maritime sector through networking, supply chain development, peer-to-peer mentoring and collaboration with centres of excellence, such as the Southampton Marine and Maritime Institute (SMMI).
- Assist SMEs to help develop and implement strategies focused on:
 - e-commerce and the extension of markets, nationally and internationally; and

- improving the efficiency of business processes, through the activities such as web-based invoicing, cloud computing, borderless collaboration and flexible/remote working⁴⁸.
- Maximise HEI engagement and facilitate access to innovation and RTD support, including the EU SIF-funded Solent Innovation programme (Activity 1).
- Act as a focal point for SME innovation and an access route to a range of support, including vouchers for: consultancy from academic specialists; research and development; use of specialist facilities and equipment; technical validation of a technology; innovation or technology audits; or the design, prototyping and testing of new products, services or processes.

The Solent Business Growth Hub will not replicate or replace existing services, products or networks. It will provide a neutral platform that will co-ordinate and add existing activity, no matter who is delivering it, in response to demand from individual businesses.

Budget and matched funding

Partners across Solent have agreed, through the City Deal development process, to allocate up to £5m of co-funding over three years to the development of the Solent Business Growth Hub. This will be sourced from partners' own funding and, in the short-term, from the Solent's £3.1m bid submitted for business support and innovation schemes under the Wave 2 Business Growth (W2BG) programme.

The W2BG programme includes requirements that:

- 80% of all project spend must go on bespoke business, innovation or trade support, with only 20% going to 'one-stop shop' style activity;
- Where money is spent on business, innovation or trade support, it must be matched by the private sector at a minimum ratio of 2:1 private:public.

We propose to invest £6,892,410 (€8.05m) of ERDF in the Solent Business Growth Hub, to support both the one-stop shop function and the delivery of demand-led services, determined by individual businesses. The total budget, including matched funding, for this Activity will be £13,784,820 (€16.1m).

We do not propose to break this budget down into small sums for specific strands of activity.

We recognise the valuable contribution that the UKTI, Growth Accelerator and the Manufacturing Advisory Service will make to the Solent Business Growth Hub. We recognise the need to avoid duplication of existing provision. We welcome the opt-ins proposed by these organisations and the offer of matched funding.

Solent LEP has signed a Memorandum of Understanding with UKTI making the LEP the official local coordinator of inward investment opportunities in the area. We propose to build on this start and have reached an agreement with UKTI regarding to the co-location of a member of staff at the Solent Business Growth Hub. We propose to take up UKTI's offer of matched funding and to work with UKTI towards a defined enhanced export support programme to complement the 'Invest in Solent' initiative.

⁴⁸ As this will form an integral part of its offer, we have included the delivery of ICT support activities within the Solent Business Growth Hub. To separate it out and include it as a stand-alone Activity under the EU Thematic Objective relating to ICTs would be artificial and reduce programme flexibility and operational efficiency.

We are minded to accept further opt-in offers to enhance the delivery of services under the Manufacturing Advisory Service and Growth Accelerator. However, we are not prepared to opt in to a fixed level of service at this stage. Instead, we reserve the right to continue discussions and opt in at a future point in time, subject to more detailed consideration of:

- the balance business needs and demands;
- the cost of each service;
- the nature of the support to be provided;
- the targeting of the services and their alignment with Solent sector priorities;
- co-location, marketing and delivery arrangements; and
- arrangements for the on-going oversight and management of the services.

Outputs/results

An assessment of the effectiveness of business support services in England⁴⁹ in 2008 identified the average cost to the public purse of an intensive business assist as being just above £6,000. More recent data, from the 2007-2013 ERDF Convergence Programme, puts the total cost (ERDF and matched funding) of providing intensive support to a single business at £11,000. Our City Deal proposals identify the impact of £5m investment as being the provision of additional support to 500 businesses, at a cost of £10,000 per individual business. Guidance from *England ERDF Programme 2014-20: Output Unit Costs and Definitions* (Regeneris Consulting, Dec 2013) also suggests that, for a more intensive assist, a median cost of around £10,000 is a suitable starting point.

The precise number of enterprises supported will depend on the nature of demand and what we count as 'support'. The Warwick study concluded that: *"we find no significant effects on growth from 'other assistance' but do find positive and significant employment growth effects from 'intensive assistance'"* Therefore, unlike Business Links, we only propose to include intensive assistance among our outputs.

The study also examined the impact on employment for firms receiving intensive assistance. The average employment growth increment per firm assisted was 2.0 employees over a period of roughly 18 months. However, once compared with a control group, the implied additional employment per firm was 0.454 employees. It is unclear from the guidance whether output data should be based on gross employment increases or the implied additional employment. Factors such as the state of the economy will also clearly impact on output levels. The Regeneris study of ERDF Output costs suggests a cost per job created of £25,700, a figure that is more or less in line with unit cost for implied additional employment. We have, therefore, based our output target on this figure.

With an EU SIF investment of £6,892,410 (£13,784,820 with matched funding) - (€8.05m (€16.1m with matched funding)) and a unit cost per enterprise supported of £10,274 (€12,000), we project the outputs from this Activity will be:

- | | |
|---|-------|
| • Number of enterprises receiving support | 1,000 |
| • Additional enterprises Access ICT products and services | 200 |
| • New Jobs created/Implied additional employment in supported firms | 600 |

⁴⁹ Assessing the effectiveness of Business Support Services in England, Working Paper 92, University of Warwick, 2008.

The figure for Additional enterprises accessing ICT products and services is based on €2.4m being used to intensively assist 200 SMEs to make better use of high quality ICTs. These firms are counted only once above and in the output table.

Within this Activity, we would also wish to see the delivery of 20 Innovation Vouchers per annum, at an average size of £10,000 per voucher⁵⁰.

Delivery arrangements

It is clear that the Hub must serve businesses across the Solent LEP area, providing easily accessible advice over the web and by telephone. It must engage in marketing and outreach activities and signpost enquiries to specialist centres that will design and deliver bespoke solutions.

It is envisaged that the Business Hub will incorporate:

- a central 'one-stop shop' function (providing telephone advice, marketing and signposting etc);
- an Inward investment function to be co-located with the LEP executive team;
- staff within incubation and specialist centres, such as sector-based organisations and HEIs, who will work under the auspices of the Hub, developing offers for enterprises, in line with the expertise of their organisations.

Due to the proposed size and functions of the Solent Business Growth Hub, we would propose that this development would be subject to invitations to tender. In doing so, we would seek to:

- comply with national guidance which proposes a prominent role for Chambers of Commerce in the delivery of the 'one stop shop' functions of growth hubs;
- ensure that the model builds on existing good practice; and
- ensure that the Hub incorporates the broader partnership of organisations supporting business.

Arrangements for channelling EU SIF through the Hub to providers of bespoke services to SMEs remain under development. We anticipate that some service delivery may need to be commissioned through service providers. Other funding (e.g. for Innovation Vouchers) will be channelled directly through SMEs. All support provided directly to businesses would be assessed for compliance with State Aids.

The Solent Business Growth Hub will need to demonstrate that its activities promote equality and create opportunities for groups in society that are under-represented in business in line with our cross-cutting Theme Objectives set out in Section 5.6.1. Solent LEP recognises the valuable role that Social Enterprise can play in tackling social inclusion and creating opportunities for people who are most disadvantaged in society and will encourage the Solent Business Growth Hub to develop a strand of activity focused on supporting Social Enterprise

⁵⁰ The Technology Strategy Board provides details of some 40 Innovation Voucher projects operating across the UK⁵⁰. The value of vouchers within these programmes varies from £1,000 to £25,000 depending on the objectives and sectoral focus of initiatives. Higher-value vouchers tend to be focused on highly productive sectors in which high levels of R&D and capital investment are required to maintain competitiveness. We have also examined specific examples in greater depth. For example, in the South West competitiveness area, a total of £2.2m of ERDF has been allocated to create 360 Innovation Vouchers with an average size of £6,000. Individual vouchers must have a value between £3,000 and £10,000.

activities. We recognise that there are groups in society (e.g. women and some, but not all, ethnic minorities) that are under-represented in business. We will encourage the Solent Business Growth Hub to pro-actively reach out into these communities, working with relevant partners (e.g. Women In Business). Support will be provided to businesses and for activities that are conducted in line with the principles of sustainable development.

Activity 3: Access to Finance for Start-ups and SMEs

The Solent LEP wishes to improve access to finance for new business start-ups and SMEs. There is widespread support among partners for using ERDF to establish a local revolving fund that would deliver equity, loan or mixed investment to SMEs.

Description

The Solent LEP has recently launched a number of programmes to provide finance to new business start-ups and SMEs. *Bridging the Gap* provides Regional Growth Funding in the form of grants to: new business start-ups; SMEs that will use the funding to overcome barriers to growth and create new jobs; and SMEs that require funding to mitigate potential job losses within their businesses and to facilitate business improvement. The *Solent Enterprise Zone Advanced Manufacturing Expansion Fund* provides grant funding to SMEs based on, or re-locating to, the Solent Enterprise Zone.

We propose to build on the early success of the 'Bridging the Gap' initiative by using ERDF to extend this grants programme to new start-ups and SMEs.

We will focus on supporting SMEs and start-ups in the Marine and Maritime sector, while recognising the importance of assisting all enterprises that show high levels of growth and employment potential. We are conscious, for example, of the Select Committee on SMEs' recommendations concerning the need to address difficulties that SMEs face in accessing finance when first starting to export⁵¹.

We are conscious of the potential that exists to support businesses starting up with the support of the New Enterprise Allowance. We will therefore initiate discussions with Jobcentre Plus focused on examining how EU SIF funds under this Activity can best be used to complement and add value to this initiative.

Budget and matched funding

We will allocate a budget of £2,397,360 (€2.8m) of ERDF to this Activity, creating a total budget of £4,794,720 (€5.6m) over the life of the programme.

Applications for between £5,000 and £25,000 (€6,000 and €30,000) will be considered, through the extended Bridging the Gap programme. Start-ups applying for funds via this route will need to demonstrate a minimum of 30% private sector contribution, although experience shows that in the majority of cases a higher level of private sector leverage is achieved. Matched funding will be provided via the Single Local Growth Fund.

We will also explore with Jobcentre Plus the possibility of using loan funds provided to businesses started up through the New Enterprise Allowance scheme as matched funding. Grants made to New Enterprise Allowance-scheme-supported applicants will be flexible in size. The current average New Enterprise Allowance loan is £5,400.

⁵¹ Roads to Success: SME Exports - Select Committee on Small and Medium Sized Enterprises.

Outputs/results

Outputs are based on our experience of delivering Bridging the Gap. Under this programme, the average grant to SMEs was £34,250 (€40,000) and new Business Start-Up was £31,700 (€37,000). In future, we plan to cap the grant at £25,700 (€30,000). On this basis, we project that the average loan size will fall to c £21,500 (€25,000). The average cost per Job Created is based on data provided by Regeneris in their Guide to ERDF Output costs.

Based on our experience, we anticipate that the following Outputs will be delivered as a result of an investment of £4.79m (€5.6m) over the seven-year operating period. The average cost per Job Created or Safeguarded is unchanged.

- | | |
|---|-----|
| • Number of existing enterprises receiving support: | 112 |
| • Number of new enterprises receiving support: | 112 |
| • Employment increase in supported enterprises: | 200 |

Delivery arrangements

This Activity will primarily be delivered through the infrastructure created to deliver the current Bridging the Gap programme.

In the first instance, SMEs and individuals starting new businesses will be invited to submit a simple Expression of Interest (EoI) form. A LEP Business Development Manager (BDM) will undertake initial assessment and due diligence checks (to check compliance with State Aid regulations etc). Once this is complete, EoIs will be assessed against the following criteria:

- Compliance with State Aids regulations.
- Private Sector Job Creation.
- Value for Money (cost per job created).
- Sustainability of jobs created.
- Private Sector Funding Contribution.
- Likelihood of success/strength of business plan at EOI stage/any obvious.
- Other outputs, e.g. export potential, skill level of jobs created.
- Suitability of other funding sources.
- Local area economic impact analysis.

A moderation meeting will agree a final score. Once this is complete, the EOIs and Scores are reviewed by a Bridging the Gap (BGT) Investment Panel. This panel decides whether to invite the applicant to submit a more detailed, full business case for investment, including detailed background information on the enterprise, its management and leadership, business proposals, historic and projected financial information. This is assessed using both the criteria set out above alongside assessment of:

- strength of individual applicants;
- strength of business plan;
- financial information (for existing SMEs): are the previous three years' turnover figures suggestive of sustainable business? For all, are the three-year projection figures acceptable/achievable?
- Milestones - have appropriate milestones been identified and are these in line with detail in the business plan?

Full applications are, again, assessed by Officers of the LEP and Accountable body. A second moderation meeting is held to agree final scores. A report is submitted to the BGT Investment Panel, which reviews applications, scores and decisions and makes a final recommendation to the LEP Board. The LEP Board reviews and approves the final decision of the BGT Investment Panel after which Officers progress to contracting.

A £40,000 investment by the LEP in an online grant management system will further facilitate this process, reducing overhead costs in the future.

Arrangements for delivering financial support to New Enterprise Allowance (NEA) supported start-ups will be discussed further with Jobcentre Plus. This could involve opting in to the Jobcentre Plus offer if it is necessary/advantageous to use NEA loans as a source of matched funding. If matched funding is solely provided through Bridging the Gap/Local Growth Funds, the focus will be on partnership working and adding value to new start-ups referred by NEA providers in the South East (currently YKTO and Outset).

Organisations seeking to deliver this Activity will need to demonstrate that they will do so in a manner that promotes equality and creates opportunities for under-represented groups to set up or grow a business in line with our cross-cutting Theme Objectives set out in Section 5.6.1.

Activity 4: Graduate Placements

Each year, large numbers of highly-qualified graduates, with skills important for our strategic sectors, leave Solent's four universities. All too often, they also leave the region, taking with them skills that could support the growth of local strategic sectors.

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 particularly relevant to our strategic sectors. These are shown in Table 4. The number of people studying these subjects has grown by 17% since 2007/08. This includes a 40% increase in the number of students studying Maritime Technology. The opening of the Southampton Marine and Maritime Institute will add further to this skills-base.

Table 4: 'Priority Sector' students at Solent LEP HEIs, 2007/08 - 2010/11

Subject	2007/08	2010/11	% change 2007/08 - 2010/11
(H1) General engineering	360	350	-2.8
(H2) Civil engineering	920	1,155	25.5
(H3) Mechanical engineering	855	1,200	40.4
(H4) Aerospace engineering	365	390	6.8
(H5) Naval architecture	235	325	38.3
(H6) Electronic & electrical engineering	1,360	1,550	14.0
(H7) Production & manufacturing engineering	220	265	20.5
(H8) Chemical, process & energy engineering	0	25	-
(H9) Others in engineering	255	450	76.5
(J4) Polymers & textiles	0	0	-
(J5) Materials technology not otherwise specified	0	0	-
(J6) Maritime technology	585	820	40.2
Priority Sector Total	5,155	6,530	26.7

Source: HESA

During the development of strategy, partners argued that this annual graduate cohort, and particularly our strength in producing STEM graduates, is an under-utilised asset and that steps should be taken to keep talented individuals in the area by linking them with SMEs to deliver projects focused on generating business growth. Although our focus is particularly on STEM retention, partners also recognise the importance of the support industries and the need also to encourage the retention of graduate talent in areas such as marketing, design and the creative industries that add value to industrial activities. This call for action is echoed in the Solent EZ Skills Plan and the South Hampshire Strategy, which calls for the expansion of graduate internship programmes and work placements.

Description

Graduate Placements will help SMEs across the Solent to gain access to graduate skills and knowledge, supplemented by support from the Knowledge Base. It will do this by supporting placements of between six and nine months, with expert input, focused on delivering projects that stimulate growth within participating businesses.

ERDF funding will be used to provide a package of support, involving:

- a contribution to the cost of the graduate salary;
- two hours per week of support from the knowledge base for each enterprise;
- a BDM to assist the development of a project plan and to provide on-going project management and graduate mentoring; and
- a high-quality recruitment and graduate matching service.

While this initiative will be focused on supporting business growth, it is also conceived of as a stepping stone towards more substantial engagement with the knowledge base through programmes such as Knowledge Transfer Partnerships or the Innovation Vouchers strand of this strategy. Graduate placements that support the transfer of skills into the Marine, Maritime, Offshore engineering, Renewable energy, Low carbon transport and Renewable

technologies sectors will be particularly encouraged, though placements in other sectors (e.g. support activities such as the creative, design, marketing) will also be supported.

Budget and matched funding

A budget of £2,217,558 (€2.59m) of ERDF funding has been allocated to this Activity. The total budget, including matched funding, will be £4,435,116 (€5.18m) over seven years or an average of £633,588 (€740,000) per annum.

This average annual budget of £633,588 (€740,000) is based on the calculations below.

Cost per Placement			
Graduate Salary Per Annum	17,900		
% of Year, Ave Placement Duration	0.66		
Average Salary Cost per placement	11,800		
Knowledge base input	2,500		
Recruitment and Management Costs	2,200		
Total Costs per Placement	16,500		
Number of Placements	44.85		
Total Project Cost		ERDF	Matched Funding
Graduate Salaries	529,000	158,700	370,300
Knowledge Base Costs	112,000	112,000	
Recruitment & Management	99,000	99,000	
Total Project Cost	740,000	369,700	370,300

Matched funding will be provided in the form of business contributions to Graduate Salaries.

Outputs/results

Based on the model above, we anticipate that this Activity will create 45 Graduate Placements per annum, or 315 over the lifetime of the Activity.

- Number of enterprises receiving support 315
- Employment increase in supported enterprises: 315
- Number of enterprises co-operating with research entities: 315

The budget and outputs are based on an existing graduate placement programme, 'Graduates for Growth', which is funded through ERDF to run across the South West Competitiveness area. The fact that a similar programme has been deemed eligible, and is currently funded and running with ERDF support in the UK, does not lead us to anticipate any eligibility issues⁵².

Delivery arrangements

Details have yet to be finalised. However, based on the Graduates for Growth programme, we anticipate that the delivery arrangements might be as follows:

⁵² Graduate placements can also be run with support from ESF. Unlocking Cornish Potential is an example. However, for these programmes, the emphasis is on the benefit to the individual and their progression in the labour market, rather than on the benefit to the participating companies, which is stressed in the Grads for Growth programme. We prefer the latter model, and have therefore adopted it in this strategy.

- A BDM could be appointed to manage the Activity, co-located in the Solent Business Growth Hub. He/she would be responsible for: marketing the programme; supporting enterprises to draft project specifications; ensuring compliance with State Aids regulations; advertising Graduate Placements across Solent's HEIs; liaising with the HE knowledge base to source appropriate expert input; negotiating the content of the expert input; and ongoing supervision.
- The graduates would be employees of participating SMEs. The SMEs would provide evidence of salary payments made to the graduate to the BDM, who would reimburse up to 30% of the graduate's salary costs to the SMEs (based on a Graduate Salary of £16,000 plus National Insurance). Graduate Placements will last for between six and nine months.
- HEIs providing innovation input and support to the graduates would send invoices for this work directly to the BDM. We anticipate that the cost of this input will be £45 per hour, for seven hours per month, with an average placement lasting seven months.

Organisations delivering this Activity will need to demonstrate that they will do so in a manner that promotes equality and creates opportunities for under-represented groups to set up or grow a business in line with our cross-cutting Theme Objectives set out in Section 5.6.1.

2.4 Supporting the Shift Towards a Low Carbon Economy

The *Future Solent* Strategy, focused on Creating a Low Carbon Economy, has three priorities:

1. New Low Carbon and Green Technology, capitalising on the world-class research in the sub-region into green technologies and turning these into business opportunities, growth and jobs as well as manufacturing;
2. Resource Efficiency in Homes and Businesses, ensuring our homes and businesses minimise waste;
3. Generation of secure, renewable and low carbon energy in the Solent, including tidal and offshore wind.

EU SIF will be used to take this strategy forward, focusing on two areas of investment.

Developing a low carbon Maritime sector

According to The Carbon Trust, the global market for marine renewables could be worth £340 billion in 2050, of which the UK's share could reach £76 billion. The Trust estimates that UK waters contain around 15% of the world's economically-accessible tidal resource. Solent LEP is focused on capturing a share of this market.

The Marine renewables sector includes a range of sub-sectors at various stages of development. Fixed offshore wind is operating on a commercial basis, some tidal energy solutions are at the demonstration stage, while different wave energy solutions are still emerging, moving from concept development to proof of concept and prototyping.

Investment in most marine renewables remains risky, with significant risk capital required even to get as far as a trial device. Even after prototypes have shown potential, innovators can still face a 'fiscal cliff', a moment when large sums are needed to move on to full-scale demonstration, which normally precedes commercial deployment.

The UK Government is beginning to offer incentives and capital grant funding to more proven technologies. Investment through the Green Investment Bank funding may enable large-scale demonstration and commercialisation to progress more quickly than has been possible in the past. However, if Solent is to remain at the forefront of these technologies, ERDF investment will be required, potentially at all stages of the development process.

We should also be clear that it is not just energy generation that matters. Reducing energy consumption and the carbon emissions that result from marine transport is a second critical pillar of our marine-based strategy for moving towards a low carbon economy.

New legislation and a rapid rise in the cost of marine fuels have placed energy efficiency at the heart of marine innovation and have led to a global race to drive down sulphur, carbon and other greenhouse gas emissions (e.g. nitrogen oxides) via the development of natural gas powered shipping. The Solent's location, its research strengths (e.g. in hydro-dynamics and composite materials) and national centres of excellence (such as the SMMI and the Solent Ocean Energy Centre) make investment in innovation and the adoption/uptake of low carbon marine technologies an obvious focus for EU SIF investment. This investment also aligns with the Future Solent Strategy, which focuses on: *'capitalising on the world class research in the sub-region into green technologies and turning these into business opportunities, growth and jobs as well as supporting strong manufacturing'*.

Reducing carbon emissions from the built environment

Solent is one of the largest and most densely-populated urbanised areas in the South East, with a population density equivalent to that found in some outer London boroughs. It is projected to experience a significant rise in buildings and population, with the planned development of 600 new homes at Wellborne due to come on stream from 2016, which, combined with the objective of achieving above-trend economic growth, will lead to increased use of natural resources and carbon emissions unless steps are taken. Reducing carbon emissions from Solent's built environment forms a second focus for our Activity, 'Building Solent's Low Carbon Economy'.

Energy use by the industrial and services sector has declined by around 70% and 55% respectively since 1970. By contrast, domestic energy consumption, which accounts for 46% of total CO₂ (excluding aircraft), remains relatively unchanged, at around 90% of its 1970 level⁵³. Addressing emissions from the built environment, particularly domestic buildings, is critical if the Government is to hit the UK's CO₂ emissions target of a 60% reduction by 2050.

This has huge implications for the construction industry.

Modern Methods of Construction (MMC), new approaches (such as permanent insulated concrete formworks⁵⁴), the development of composites and honeycomb materials now provide the means for meeting the Government's zero-carbon new-build target. However, methods and materials are constantly changing and becoming more efficient. We need to be at the forefront of these developments and to be working with the sector in building the skills needed for zero carbon construction. We need to train architects and designers to work with new materials and to understand the factors, such as building density, orientation of sites and buildings and local landscaping, that contribute to their efficiency. We need to up-skill and re-skill construction operatives, site managers and project managers and to encourage the adoption of MMC, new materials and low carbon construction techniques across the sector.

⁵³ Energy Consumption in the UK (2013), Department for Energy and Climate Change, 2013

⁵⁴ A building system made from interlocking hollow polystyrene elements that act as permanent formwork as well as permanent insulation

We also need to reduce carbon emissions from the existing building stock. This requires a different set of skills, such as skills in retro-fitting domestic insulation, installing energy saving equipment, replacing inefficient components such as windows and doors and improving energy controls, meters and instrumentation. And we need the skills to extend micro-generation, in fitting and maintaining photovoltaic systems, combined heat and power, ground and air source heating/cooling, micro-wind turbines and the use of renewable/bio-fuels.

Activity 5: Building Solent's Low Carbon Economy

Description

This Activity will be made up of two investments.

1. We 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;
 - proof of concept/Prototyping;
 - larger-scale demonstrator projects, and
 - supply chain collaboration.
2. We will create a Low Carbon Construction Hub to act as a centre of excellence for the development and adoption of low carbon construction, waste energy reduction and renewable energy production techniques across the Solent.

In particular, the Hub will:

- support the development, design and manufacture of materials, goods and services that reduce carbon emissions from buildings;
- provide skills required for new, low carbon construction techniques in response to demand by employers, including through Apprenticeships; and
- help people without jobs and new labour market entrants to gain accredited low carbon skills and employment, by linking with the Green Deal and the innovative Solent Talent Bank, focused on generating additional economic value and employment opportunities from public sector procurement.

Budget and matched funding

£4,375,182 (€5.11m) of EU SIF will be allocated to this Activity, made up by £3,775,842 (€4.41m) of ERDF and £599,340 (€0.7m) of ESF. The total budget including matched funding will be £8,750,364 (€10.22m).

ESF will support the delivery of skills interventions commissioned by the Low Carbon Construction Hub.

Matched funding will be provided by both the public and private sector. We anticipate that ERDF funding will be provided in the form of grants to enterprises, HEIs and partnership projects. The matched funding contribution will be agreed on a case-by-case basis, depending on the nature of the activity and the amount of ERDF required to allow each initiative to go ahead.

Outputs/results

We anticipate that the budget for this activity will be allocated as follows:

- £2,697,030 (€3.15m) of ERDF to enterprises in the form of Major Innovation Grants (see Activity 1), with an average size of £42,810 (€50,000) per grant;
- £1,078,812 (€1.26m) of ERDF for major investments, such as the Low Carbon Construction Hub or new facilities, premises and equipment within HEIs, accessed by enterprises working on low carbon marine and construction developments;
- £599,340 (€0.7m) of ESF funding to initiate skills interventions in these sectors. Note that these may also be supported through other elements of this Strategy, e.g. the Supporting Young People, Employer Responsive Provisions Activities.

Over the seven years of the programme, the ERDF outputs will be as follows.

- | | |
|--|----|
| • Number of enterprises co-operating with research entities: | 80 |
| • Number of enterprises supported to introduce new to the market products: | 20 |
| • Number of enterprises supported to introduce new to the firm products: | 40 |

Over the seven years of the programme, the ESF outputs will be as follows.

- | | |
|-------------------------------------|-----|
| • Total participants | 280 |
| • Number of unemployed participants | 100 |
| • Number of employed participants | 180 |

Delivery arrangements

Solent LEP will issue an open invitation for ERDF proposals. The nature of this activity is such that we do not anticipate large numbers of organisations being in a position to come forward for funding. There will no specific deadline for Major Innovation Grant Applications. Once received, applications will be reviewed by external experts, as part of the LEP's due diligence process, prior to commissioning.

The model for the Low Carbon Construction Hub is still under development. However, it is likely to follow a 'hub and spoke' model, with the Hub located at a central delivery point (e.g. a university/college). The budget for the Hub is front-loaded to allow for high initial start-up costs.

All investments will be assessed at an early stage to ensure that they comply with State Aids regulations.

Delivery will be co-ordinated in partnership with the Technology Strategy Board to ensure that overlap is eliminated and complementarity between funding streams is attained.

This activity will contribute directly to promoting sustainable development. Organisations seeking to deliver this Activity will need to demonstrate that they will do so in a manner that promotes equality and creates opportunities for under-represented groups in line with our cross-cutting Theme Objectives set out in Section 5.6.1.

2.5 Climate Change Adaptation/Protecting and Enhancing the Environment

Our Strategic Economic Plan recognises that there are significant areas within Solent, including urban centres on the coast at Portsmouth, Gosport Waterfront and Southampton Itchen riverside, that need significant flood risk infrastructure investment. Future management of the entire stretch of coast in the Solent including the Isle of Wight is informed by recommendations from Flood & Coastal Erosion Strategies. The Strategies provide detailed cost breakdowns of preferred improvements, derived following public consultation with local communities, statutory and non-statutory bodies. In our Local Growth Deal bid, we have identified a need for £26m of investment in 2015/16. We have requested £15.675m of Local Growth Funding (LGF), matched by £10.375m of local investment for the investments such as those listed below.

- Trafalgar Wharf (£3.075m of LGF)
- Gosport Waterfront (£3.8m)
- Itchen - Land raising on regeneration sites (£7.3m)

Climate change adaptation is a priority for Solent LEP. However, we propose to use local and national resources to address this particular priority.

We recognise that the quality of the natural and man-made environment is an important driver of economic growth. It influences the decisions of skilled people and high-value businesses (both of which are extremely mobile), when they are deciding where to live, work and do business.

We need to recognise the importance of protecting and enhancing our natural environment and we wish to see ESF used for activities such as supporting habitat restoration and schemes that foster aesthetic, touristic or environmental value. This will be taken forward through our Community Grants programme (see Activity 9).

We wish to see Local Action Groups prioritise activities that foster aesthetic, touristic and environmental value and promote the development of the rural low carbon economy through investment via the EAFRD. We will also ensure that all Activities delivered under this strategy are delivered in accordance with the five principles of sustainable development, as prioritised by our cross-cutting theme.

2.6 Investing in Education, Skills and Lifelong Learning

Activity 6: Supporting Young People

During the consultation, many employers echoed the Heseltine Review's critique that:

Unfortunately, as a whole, the system is not delivering what the economy needs. The current system does not incentivise FE providers to run the courses that deliver the greatest economic benefit... In most instances, skills funding flows to the courses that students demand and which colleges can fill. It is hardly surprising then, that there is often a mismatch between the skills being taught and the skills that employers are demanding or the jobs likely to be on offer. This either results in employers needing to retrain students, or not being able to fill vacancies⁵⁵.

⁵⁵ Heseltine, M. *No stone unturned in pursuit of growth*, BIS, 2012, p. 168

Too often young people are unaware of the diversity of jobs available in different sectors of the economy, which leads them to develop aspirations that are neither determined by their own ability nor based on a comprehensive understanding of the types of jobs available.

FE learners do not find it easy to access people who have experience of the careers or education they would like to pursue. As a result, their understanding of particular sectors is often restricted to only the most visible roles and jobs, for instance in law - barrister; in television – an actor. FE learners who decide to pursue law, or broadcasting, consequently direct their energies into attaining the most desirable, competitive and visible jobs in these disciplines as they are the only jobs they know of⁵⁶.

The report, *Nothing in common: The career aspirations of young Britons mapped against projected labour market demand*, recently found absolutely no relationship between young people's career goals and employers' projected needs. This mismatch is a significant contributor to youth unemployment.

In 2012, 7.8% of 16-18 year olds in Portsmouth were NEET, 6.3% in Southampton, 4.8% in Hampshire and 4.7% on the Isle of Wight.

Although the number of young JSA claimants has fallen in the last four years, youth unemployment remains a serious problem. In May 2013, 6,200 18 to 24 year olds were claiming JSA in Solent. According to the Labour Force Survey 9,500 or 25% of all young people in the Solent aged 16 to 19 were unemployed in 2012⁵⁷. And youth unemployment is 'hardening'. In May 2013, 2,365 people aged 18 to 24 in the Solent had been unemployed for longer than six months, compared with just 670 in May 2008.

It is essential that we support young people in making an effective transition into the labour market and, where this transition does not occur smoothly, we need to step in to prevent young people becoming permanently detached from work.

We also need to address employers' concerns about young people lacking the right skills and attitudes for work or an Apprenticeship⁵⁸. Too many have little or no experience of seeking, or being in, work. At a time when they are competing for jobs against adults with more skills and experience, young people are too often passed over.

Traineeships and Apprenticeships are invaluable in helping young people make this transition, addressing simultaneously both youth unemployment and employers' skills needs.

However, 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. In countries such as Germany and Austria, where over a quarter of employers provide Apprenticeships and nearly 50% of young people enter work via an Apprenticeship, the difference between the youth and adult unemployment rate is minimal. In the Solent, in May 2013, the JSA Unemployment rate for 18- 24 year olds was nearly 80% higher than that for people aged 25 to 64.

⁵⁶ Norris, E. 2011. Not enough capital. Exploring Education and Employment Progression in Further Education. London: Royal Society of Arts.

⁵⁷ The Labour Force Survey defines people as being unemployed if they wish to work, are looking for work, but are without work. It can therefore be applied to young people, often seeking part-time employment, who are not eligible for JSA.

⁵⁸ National Employer Perspectives Survey, UKCES, 2012

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%)⁵⁹.

In response to the challenge of youth unemployment, in April 2012, the Government launched a £1 billion Youth Contract creating nearly half-a-million new opportunities for 18-24 year olds up until March 2015, including apprenticeships and voluntary work experience placements. However, beyond March 2015, the shape of the support that will be available for young people is uncertain, not least because of the forthcoming general election.

As part of the City Deal negotiation, partners in the Solent LEP will establish a Young Person's Fund. This will design and deliver new demonstration projects for people aged 18 to 24, focused on tackling youth unemployment. Projects will build on what we already know works in helping young people back into work. Partners across the LEP have also been clear during the consultation process - we need to focus ESF on helping young people to make the transition into work, a) by enhancing current Information, Advice and Guidance services; b) by ensuring that Traineeships are attractive to all young people; and c) by securing and growing the future supply of Apprenticeships.

Description

Information Advice and Guidance

A better match between skills supply and demand is unlikely to be delivered by 'rationing' places on popular courses. Raising the participation age may, perversely, result in pressure to run more courses that young people find engaging. A better match must be achieved by increasing young people's understanding of the labour market and the range of employment opportunities available.

People aged 19 and over can now access face-to-face guidance via the National Careers Service (NCS). This support is not available to young people aged 16 to 18. Young people can only access online, text and telephone-based help via NCS and rely on the support provided by schools and colleges. A recent House of Commons Education Committee expressed '*concerns about the consistency, quality, independence and impartiality of careers guidance now being offered to young people*' citing '*a worrying deterioration in the overall level of provision*'. It argued that '*Urgent steps*' should be taken '*to ensure that young people's needs are met*'.⁶⁰

Good practice exists in other parts of the country, such as in Bradford⁶¹, Gloucestershire and Wiltshire, where local authorities have established partnerships with schools and colleges to provide enhanced, impartial careers guidance and support for young people.

We need to address employers' concerns regarding young people's lack of preparedness for the world of work and to address attitudinal and cultural barriers that influence employers' perceptions of young people. We need to increase young people's interest in engineering and science-related industries, to address out-dated perceptions, and to promote progression into careers in our strategic sectors.

Solent LEP will, therefore, target ESF to:

⁵⁹ National Employer Perspectives Survey, UKCES, 2012

⁶⁰ House of Commons, Education Select Committee, Careers guidance for young people: The impact of the new duty on schools <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmeduc/632/632.pdf>

⁶¹ The Bradford initiative was cited as good practice in the Education Select Committee report, referenced above. Under this initiative, each school contributed £10,000 with a matched contribution by the local authority. This single guidance fund, across the Authority, was used to acquire enhanced IAG services for participating schools and colleges, achieving greater depth of service, impartiality as well as economies of scale.

- improve young people's understanding of the local labour market and the variety of job opportunities it offers, particularly in the Solent's priority sectors, and
- support young people aged 15 and 16 as they make learning and career choices and prepare to enter the labour market.

We will foster closer links between employers, schools and colleges through activities such as:

- getting more employers involved in the delivery of IAG;
- extending the availability of careers workshops, workplace visits, year-group discussions or gender-based sessions focused on specific occupations and industries; and
- creating more opportunities for work experience.

While the activities described above will be available to all young people aged 15 to 24, we will focus support on:

- young people at age 15/16 who:
 - are unclear about their progression pathway and/or
 - are in danger of failing to make an effective transition from school to further learning or work with training; and
- young people who, having initially progressed into further learning/work with learning, drop out (because they have selected the wrong course, for example) and become transitionally NEET.
- people aged 18 to 24 supported through our City Deal programme of activity.

The support provided will be tailored to individual need, including:

- personalised face-to-face guidance;
- work tasters and trials;
- engaging in personal and social development activities;
- taking part in challenging team-based activities;
- improving key skills such as interview skills, customer service, raising awareness of the qualities needed by employers;
- accessing work and community volunteering experience; and
- Ongoing 'key worker' support to exit the programme into a higher level training course or work with training.

In line with existing good practice⁶², contracted activities will be complementary to the existing SFA/ESF funded 14 - 19 NEET Support programme and existing school-based provision.

Enhanced Traineeships

August 2013 saw the launch of the national Traineeships programme. Traineeships help 16-24 year olds to develop the skills they need for employment and Apprenticeships by combining a defined core (work preparation, a work-

⁶² Such as the Wiltshire Skills 4 Success programme.

placement of up to 26 weeks and English & Maths) with a high degree of flexibility. Providers and employers can add content to the programme to reflect the needs of the labour market and individual participants. This could include IAG, tasters in one or more sectors, additional skills training or ongoing support and job search for people while in placements.

The National Framework for Delivery⁶³ states that: *'Traineeships aim to help the intermediate group, providing the skills and experience they need to move into sustainable employment. **Traineeships are not intended for the most disengaged young people, who require very intensive support***'.

Based on our successful pre-Apprenticeship programme on the Isle of Wight, Solent LEP will use EU SIF to create Enhanced Traineeships for young people who are further from the labour market than those in the 'intermediate' group targeted by the national Traineeship programme.

Our target group will be young people on the NEET register who face significant barriers to work. While precise eligibility criteria have yet to be agreed, we anticipate that participants will include care leavers, ex-offenders, young people with disabilities, those affected by drug misuse and those who come from disadvantaged neighbourhoods. People in equalities groups, prioritised in our cross-cutting themes, will make up significant proportion of the participant cohort. Our target group (those who are more disengaged who require more intensive support) will be clearly differentiated from the Intermediate Group on whom Traineeships are targeted. As a result, this initiative will complement and not adversely affect the delivery of the national programme.

EU SIF funding will be used to increase the flexibility of the Traineeship offer, adding components such as: work tasters; short-periods of skills training; retention support; encouragement/help with continuous job-search while in placements; and a payment of £56 per week⁶⁴ to young people aged 16 and 17 participating in Enhanced Traineeships. It will be termed 'Enhanced Traineeships' in order not to confuse employers and to provide a seamless offer.

This initiative builds on the existing Pre-Apprenticeship programme on the Isle of Wight, recently extended across the Solent⁶⁵, in which 16 and 17 year olds were paid the minimum Apprenticeship wage while on a work placement lasting up to 26 weeks. Between November 2011 and June 2013, it supported 170 placements. 84.5% of the young people completing the programme progressed to a full Apprenticeship, employment or further education and training. 43.6% progressed onto Apprenticeships.

This initiative on the Isle of Wight, which has helped 170 NEETs so far, is an important factor in maintaining low levels of youth unemployment on the island. In 2012, just 4.7% of 16 to 18 year olds, or 220 individuals, on the Isle of Wight were NEET. This is much lower than the rate found in Portsmouth (7.8%) and Southampton (6.3%). It is even lower than the rate found in the prosperous country of Hampshire (4.8%), which has a much lower incidence of overall unemployment.

⁶³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223591/Traineeships-framework-July2013.pdf

⁶⁴ This is equivalent to the Jobseekers Allowance that is, very rarely, paid to young people aged sixteen and seventeen. At this age, young people are expected to be supported by their parents. Traineeships that feel like work without pay may be a barrier to participation.

⁶⁵ The extended Solent Programme was launched in December 2012. So far it has helped 42 young people into placements. Early signals are promising, but as 31 of young people remain in placements it is too early for a proper evaluation.

An earlier and larger evaluation of subsidised employment⁶⁶, covering 1,773 employers and 3,348 New Deal for Young People (NDYP) recruits, found that 60% of NDYP recruits had been retained at the end of the subsidy period and 51% remained with their NDYP employer after nine months.

The fact that progression into employment was higher for the NDYP than the Isle of Wight programme is unsurprising. The Isle of Wight programme targeted 16 and 17 year olds, while NDYP targeted 16 to 24 year olds. Progression into education is more common for young people.

The main barriers to success for young people on the NDYP programme were identified as low levels of pay and a tendency to cease active job search activity while in work.

Traineeships do not offer a wage. They are periods of work experience with associated support and training for people on benefits. 16 and 17 year olds cannot normally claim benefits. Their families are expected to support them. Our experience suggests that many 16-17 year old NEETs may be deterred from participating in extended periods of unpaid work, regardless of the quality of the support offered. We will therefore use EU SIF funding to level the playing field and bring the incomes of 16 and 17 year olds in line with those of the incomes that 18 to 24 year olds participating in the programme will receive through benefits.

The intensive IAG provision and the Enhanced Traineeships both provide an onward referral route for young people engaged through our Community Grants outreach programme (Activity 9). Where appropriate, young people engaged in the IAG programme may also be referred into Enhanced Apprenticeships.

Apprenticeship Grants for Employers

The Solent LEP, in its Strategy for Growth, has identified the 'Promotion of the apprenticeship agenda, including... Apprenticeships Grants for Employers' as a priority.

At the moment, a national Apprenticeship Grant for Employers (AGE) of £1,500 is available to employers with fewer than 1,000 employees who are new to Apprenticeships or who have not enrolled an Apprentice in the previous 12 months. This has been raised to £3,000 in London. The AGE grant will be available until December 2014. It is unclear whether a national programme will exist after that date.

Solent LEP will use EU SIF to manage the supply of Apprenticeships, prioritising technical and higher-level frameworks (at Levels 3 and 4) and areas where there are identified skills shortages. Our precise investment plans will depend upon future national policy (i.e. whether the current national AGE programme is extended) and the results of both the AGE and the London Apprenticeship Grant programmes.

We will also take account of the evaluation of the 2009 Apprenticeship Grant for Employers⁶⁷ which offered £2,500 to employers taking on young unemployed people aged 16 or 17. This found that:

- providers reported that recruitment of employers was easier as a result of the grant;

⁶⁶ Hasluck, C. and Green, A. (2006). What works for whom? A review of evidence and meta-analysis. Leeds: Department for Work and Pensions/Corporate Document Services. (DWP Research Report no. 407).

⁶⁷ An evaluation of the Apprentice Grant for Employers (AGE) programme Prepared for: National Apprenticeship Service Prepared by: June Wiseman, Philip Roe, and Emma Parry, BMG Research, 2011

- 54% of employers were new to Apprenticeships;
- there was no difference in the quality and performance of grant-assisted apprentices;
- the completion rate was equivalent to that of standard apprentices, at 70% or a little above;
- 82% of apprentices had a positive experience with significant career benefits;
- deadweight, i.e. the proportion of employers who would have taken on an apprentice without the grant, was around 16%-21%;
- there was some displacement effect, with 38% of employers saying they would have taken on older apprentices if the grant had not encouraged them to take on young apprentices instead;
- the majority of employers said they would have participated if the grant had been £1,250 (rather than £2,500).

Based on these findings, we do not propose to offer any early increase in the grant size (as has been done in London). As stated, we will await the evaluation of that programme and a decision on the future of the current AGE programme.

We will not pay for Apprenticeship training as sufficient resource is available from the SFA for this purpose and we do not see this changing in the short or medium term.

Budget and matched funding

A total budget of £4,495,050 (€5.25m) of ESF has been allocated to this Activity. The total budget, including matched funding, is £8,990,100 (€10.5m).

It is important to note that the focus and budget may need to shift between these headings, to take account of:

- City Deal delivery in 2015 to 2017;
- Whether current ESF/SFA funded NEET provision is extended (using national resources) beyond July 2015 or whether it comes to an end; and
- National policy on Apprenticeship Grants for Employers.

For the purposes of calculating outputs, the annual ESF budget has been distributed as follows across the three main elements of the Activity:

• IAG	£128,430 (€150,000)
• Traineeships	£256,860 (€300,000)
• Apprenticeship grants	£256,860 (€300,000)

Matched funding will be provided from public sector sources, such as Local Authorities and the two Education Business Partnerships in the Solent area. £700k of the matched funding is being provided through the Solent City Deal. We also wish to reserve the right to opt in to matched funding arrangements offered by the SFA for elements of the programme, such as the delivery of Traineeships and Apprenticeship Grants. In the event we feel we need to refocus the IAG strand of this activity when the current SFA/ESF-funded NEET Support programme comes to an end

in July 2015, we may wish to extend our use of the SFA opt-in offer. The budget has been weighted toward 2015 and 2016 to take account of our City Deal agreement.

Outputs/results

IAG

We expect IAG activities to involve large numbers of people. However, the practicalities of collecting administrative data from people who are engaged only for short-term periods (e.g. through employer visits) need to be considered. We have, therefore only included participants who will benefit from more one-to-one or extended group support in our outputs.

Based on an average cost of £856 (€1,000) per participant, we estimate that this activity will deliver the following Outputs.

• Total participants	2,100
• Number of unemployed participants	420
• Number of inactive participants	420
• Number of employed participants	105

Work with the majority of participants will start at age 15/16, as they prepare to enter the labour market. As the intervention is focused on preventing youth unemployment, the percentage of participants who are unemployed⁶⁸ is correspondingly low, at 20%. This low percentage reflects the challenging target we have set for the success of these IAG activities.

Enhanced Traineeships

The average cost per Enhanced Traineeship will be £2,150 (€2,500). This is based on payment of £60 per week to individual participants, plus £30 per week to enhance the scope of the provision. With placements lasting an average of 22 weeks, the cost per Enhanced Traineeship is £2,000 (or €2,500).

• Total participants	1,700
• Number of unemployed participants	1,300
• Number of inactive participants	400

As stated, participants will be young people who are on the NEET register. In line with current experience, we anticipate that 70% of participants will progress into employment or, more often, an Apprenticeship or further learning. On average, this Activity will therefore result in 170 young people removed from the NEET register per annum.

As of March 2013, there were around 1,000 young people NEET in Portsmouth, Southampton and the Isle of Wight, and a further 1,700 across Hampshire County (the majority of which is outside the Solent LEP area). The Activity will be particularly focused in areas where there are high levels of NEET population. We anticipate that the action will

⁶⁸ The Labour Force Survey definition of unemployment must be applied here as very few people under the age of 18 are eligible to claim JSA.

have the impact of reducing the proportion of young people who are NEET in the Solent by around 15%. This is equivalent to a reduction from 7.8% to 6.6% in Portsmouth, from 6.3% to 5.3% in Southampton and from 4% on the Isle of Wight.

Apprenticeships

On the basis that the AGE grant is maintained at its current level (£1,500), a budget of €1,800 will be required per new Apprenticeship.

A budget of £3.6m (€4.2m) (including matched funding), divided equally between these two activities, can be expected to result in the following Outputs over the seven year programming period.

- Total Participants 2,330

- Unemployed Participants 2,330

These figures are in line with our expectations. The budget per participant under Priority 1 in the current South West Competitiveness region was higher than this, at £3,425 (€4,000) per participant, although the actual number of beneficiaries has turned out to be higher than expected.

Delivery arrangements

We will contract the delivery of these Activities through a competitive tendering process. The exact arrangements will depend on future agreements, e.g. relating to the SFA Opt-in.

We anticipate that only a limited number of organisations (e.g. Education Business Partnerships and Adult Careers Service providers) will be in a position to deliver the IAG activities. If this is found to be the case, we may consider commissioning this strand of the Activity.

Payments of allowances to young people participating in Enhanced Apprenticeships will be made by Enhanced Traineeship providers. They will be paid in arrears, to reduce risk and reflect normal employment practice. Enhanced Traineeship providers will recover these payments from the LEP or a designated authority appointed to manage the delivery of the programme.

Organisations delivering this Activity will have targets for supporting people in disadvantaged groups and for promoting equality in line with our cross-cutting Theme Objectives set out in Section 5.6.1. Many of the activities will be specifically focused on supporting disadvantaged groups and addressing labour market inequalities, e.g. promoting women's interest and entry into highly gendered occupations and industries through improved IAG.

Activity 7: Employer Responsive Skills

Solent LEP is committed to working with partners to identify how the skills system can be refined to enable employers to take greater ownership of skills and to enable provision to become ever more responsive to need. We are particularly focused on encouraging the development of collaborative approaches to meeting the skills needs of our strategic sectors: Advanced engineering, Marine and Maritime, Aerospace and Defence.

Technological advances and changes to the occupational structure are driving up skills levels and requirements in our priority sectors. Workforce ageing and retirement is generating a shortfall in technicians and highly-skilled engineers. 70% of engineers who are made redundant never work in engineering again.

Research by the British Marine Federation suggests that 20% of employers in the Marine sector have difficulties filling a vacancy. The vacancies that they found most difficult to fill are identified as being marine engineers, although significant numbers of employers also have difficulty filling vacancies for '*electrical and electronic fitters, laminators, spray painters, commercial controllers, sales and marketing, apprentices and skippers*'⁶⁹.

It is essential that the skill supply responds, not just to the changing needs of established sectors, but also to the needs of emerging sectors, such as marine renewables. These can change rapidly. Many current jobs in marine renewables are currently at postgraduate level, but these are likely to shift to an emphasis on advanced and technician level employment, to underpin manufacturing capacity, in future. Future jobs growth is seen as focusing on:

- Power systems and electrical engineers
- Design/Consultant engineers
- Operations and Maintenance Technicians
- Project/Construction Managers
- Offshore qualifications
- Manufacturing – fabrication, composites, hydraulics, electrical
- Marine & environmental sciences⁷⁰.

We need to build the pipeline of skills. We need to generate interest in technical occupations and to develop progression routes that allow people to move along a pathway, from the age of 15, through Advanced and Higher Apprenticeships, undergraduate and post-graduate study into the jobs that employers are looking to fill, today and tomorrow. Solent is home to first class FE and HE infrastructure, including the new £12m CEMAST centre at the Daedalus Enterprise Zone and the proposed 'Composites Shed'⁷¹, giving us an excellent basis on which to build and deliver this provision.

We need to address the gender imbalance that exists across manufacturing, STEM industries and our priority sectors (see Section 5.6.1. on Equalities) and to encourage under-represented groups to consider employment in these industries, e.g. through taster courses.

At the less technical end, in the leisure marine sector, partners have identified scope for building new areas of provision with employers, such delivering multiple skill-sets needed by employees in marinas, where employees need to be capable of yacht and powerboat berthing, maintenance, repair, refuelling and servicing.

We also need to support people who are already in work, but who are dependent on in-work benefits to progress to raise their skill levels, to increase their earnings and, over time, to reduce their reliance on the Universal Credit.

⁶⁹ Industry Trends Results, British Marine Federation, November 2011 – May 2012

⁷⁰ Regen SW

⁷¹ Proposed in the Solent Strategic Economic Plan and bid for local growth funds.

We have a long history of working together to meet the needs of businesses and employers, but we need to do more. We need flexibility to respond to the market failures that are creating these skills shortages and to drive demand for the skills, particularly the higher-level skills, that are increasingly critical to our strategic sectors.

Description

Solent LEP is committed to extending our culture of working together to meet the needs of local businesses and learners. We recognise that progress has been made nationally through employer ownership of skills programme. We wish to build on this good practice at the local level and to extend the University Technical College model, which enables employers to influence provision directly, ensuring it meets the needs of the local economy.

Under this Activity, our focus will be on delivering the skills needed by our strategic sectors, on driving the quality, relevance and value of provision, on securing the skills pipeline, and ensuring the availability of higher level skills.

To foster this collaboration, we have agreed, as part of the Southampton and Portsmouth City Deal, the creation of a new tripartite skills investment vehicle, the Solent Skills for Growth Fund, which will be used to lever private sector investment from employers (individually and collectively) and to align skills provision across the eight major colleges in the Solent LEP area. As part of this arrangement, we are agreeing specific flexibilities to be gained through the use of the SFA Innovation Code, which will enable individuals to undertake a wider package of flexible learning, in line with employer needs, provided that this supplements a full qualification or framework. The Skills for Growth Fund will become operational in 2014 and will consist of £4m, including £1m of ESF, over an initial two-year period.

This Activity will extend beyond the Skills for Growth Fund, in both time and scope, supporting a range of employer-led higher-level skills initiatives, delivered by both FE and HE, including:

- outreach activities, taster courses and summer schools, co-designed with industry, to increase participation in areas where there are current and/or predicted skills shortages;
- financial and bursary support for course-related costs, where these are demonstrated as being a barrier to accessing learning that is required by our priority industries/sectors;
- Increasing the interest and participation of under-represented groups, particularly women, in the STEM occupations and learning that is critical to our priority sectors⁷²;
- Funding the costs of specific modules (that are additional to the core programme modules) that increase the effectiveness of people who have recently secured employment in our priority sectors/industries, particularly where the beneficiaries are employees of SMEs;
- Funding the development costs and contributing to the delivery costs of vocational short courses designed:
 - to enable people with STEM skills to progress onto higher level courses or to access good quality employment within our priority sectors;
 - to enable low-skilled employees to progress to higher value employment, particularly where this reduces reliance on Universal Credit; and

⁷² Additional funding would supplement and complement existing government grants and loan schemes, learning and learner support packages, as allowed in the Information note to LEPs – using ESF to support Higher Level Skills.

- Developing the skills needed for innovation, e.g. for the introduction and application of new technologies and production methods in companies, particularly where these align with ERDF-supported activities and LEP priority sectors.

In keeping with national strategy, employers (individually and collectively) will co-own and co-design initiatives supported by the through this Activity.

Budget and matched funding

A budget of £5,265,630 (€6.15m) of ESF has been set aside for this Activity, creating a total budget of £10,53m (€12.3m) including matched funding. The funding has been front-loaded, to align with our City Deal proposal.

Matched funding will be provided:

- through the SFA/Adult Skills Budgets held by colleges;
- through demand-side contributions from individual learners and employers; and
- through HEIs participating in the programme.

We are discussing the matched funding arrangements with the SFA and the fit with SFA Opt-in proposals. It is currently anticipated that 60% of the matched funding drawn into the Solent Skills for Growth Fund will be through the SFA opt-in.

Outputs/results

Based on the average cost per participant under Priority 2 of the existing Competitiveness programme, we have allowed a budget of €4,000 per participant. In keeping with our City Deal proposal, we anticipate that 70% of participants will be employed. 30% will be full-time students or people who are out of work but focused on entering/re-entering employment through programmes designed by and for employers.

• Total Participants	3,050
• Number of Employed Participants	2,300
• Number of Unemployed Participants	750

Delivery arrangements

The Solent Skills for Growth Fund will promote collaboration across a consortium of the eight major colleges in the Solent LEP area. We anticipate that one college will act as lead partner on behalf of the consortium.

Funding for all proposals under this Activity will be only offered on a 'where needed' basis. Under this approach, we expect consortia of employers and training/learning providers (HE and FE) to approach the LEP for funding for a specific, collaborative proposal. Employers and their provider partners will need to demonstrate the existence of market failure and that the skills/flexibilities required cannot be delivered through 'normal' funding routes.

Proposals will be reviewed by a management team, including the LEP, SFA, and key partners (e.g. sector bodies) against a set of key criteria to include: fit with the Solent Strategic Sectors, employer financial contribution, employer input into curriculum, cost per learner and the proposed outputs.

Where proposed provision meets the relevant criteria, we propose that it be commissioned by the LEP. All funding will be drawn down in line with demand.

Where SFA matched funding is being provided via the City Deal (or used to extend City Deal flexibilities to other areas of the Solent), this will be done through the SFA Opt-in. Where this is the case, delivery and management arrangements will be as outlined in the SFA Opt-in prospectus.

Where matched funding is provided from other sources, e.g. solely by employers, through HEIs or other funding sources, contracts will be let and project management will be undertaken directly by the LEP.

We wish to reserve the right to extend our level of SFA Opt-in, beyond the initial City Deal agreement, subject to a review of the success of both this and of alternative approaches to delivery.

Organisations delivering this Activity will have targets for supporting people in disadvantaged groups and promoting equality in line with our cross-cutting Theme Objectives set out in Section 5.6.1. This Activity will also encourage greater participation by women in STEM study and STEM-related occupations.

2.7 Promoting Employment

Activity 8: Support for Unemployed Adults

The ESF-funded *Skills Support for the Unemployed* programme currently helps people with low skill and qualification levels to address the skills gaps preventing them from entering the labour market.

This intervention has been highly effective. It fills a gap in the support normally offered by DWP and the SFA, in that intensive DWP support normally starts after a person has been unemployed for six months or longer (by which time they may have lost confidence and motivation); while SFA provision is predominantly focused on the delivery of qualifications and, increasingly, on Apprenticeships.

The use of ESF to provide short sharp periods of assistance to people shortly after they have lost work is a long-standing element of the national strategic response. People who are unemployed are eligible for free training via the SFA, but they are not entitled to this support. There is no guarantee that funding will be available. With SFA funding being increasingly focused on Apprenticeships, this valuable area of provision is likely to cease or be substantially reduced if the ESF that currently pays for it is withdrawn.

There are particular groups in society who may need particular support. For example, with the rise in the State Pension Age, a growing number of people will need to remain in work for longer. A growing number of older people are likely to find that they are unable to continue in their usual job, due to its characteristics or physically demanding nature. These older adults will need to re-skill and build confidence to enter new areas of employment.

Solent LEP has a high level of employment in sectors that are vulnerable to public sector cuts. The 2010 Strategic Defence Review has committed the MOD to budget cuts of 8%, resulting in fewer surface warships. A recent Socio-Economic Impact Assessment of Portsmouth Naval Base⁷³ reviewed three possible scenarios, including one in which the reduction in ship-building activity is not offset by additional vessels moving to Portsmouth or by BAE Systems increasing the level of maintenance at the base. In this scenario, a 22% decrease in output and 20% decrease in employment was envisaged, leading to an overall loss of employment (including multiplier effects) of around 3,875 jobs.

Response to Redundancy provision is currently ESF-funded. It can be highly effective. The ESF-supported multi-agency taskforce working with the Ford plant in Swaythling has recently helped to ensure that, of 700 people who received assistance, just 29 signed on for redundancy. Therefore, as well as supporting those who have recently lost their jobs, Solent LEP will use ESF to provide flexible skills and job-search support for people who are threatened with redundancy.

Description

This Activity, 'Support for unemployed adults', has two strands.

Skills Support for the Unemployed

Solent LEP will use ESF to assist unemployed adults who are claiming JSA, who are not eligible for support under the Work Programme, and who need a short period of skills support to help them enter the labour market.

The training provided will respond to individuals' needs and will be delivered in the context of a personalised skills training action plan. It will be designed to help move people into sustainable work, Apprenticeships or self-employment and to meet the needs of local employers or the labour market. It may be part-time or full-time (subject to benefit conditions), delivered on a roll-on, roll-off basis, year round and may include, but will not be limited to:

- Vocationally and occupationally-specific skills training in recruiting sectors, with embedded job search or IT skills, where appropriate, to help individuals to participate in interviews and work trials.
- Basic Skills and ESOL, as appropriate to the needs of the individual.
- Employability skills, confidence-building and other activities that will enhance an individual's chances of gaining employment such as team working and developing communication skills.

Delivery partners will be expected to form links to Apprenticeship providers. They will work in close collaboration with Jobcentre Plus, will ensure that participants have access to Matrix-accredited careers advice through the Adult Careers Service; and will make sure that the training provided is aligned to deliver the outcomes/goals emerging from the careers advice process.

Organisations delivering Skills Support for the Unemployed will forge links with those delivering Community Grants as we see this strand of activity as a valuable point of referral for those initially engaged through Community Grant delivery.

Skills Support for Redundancy

⁷³ Socio-Economic Impact Assessment of Portsmouth Naval Base (2012), University of Portsmouth, 2012,

A second strand of this Activity will be to provide training opportunities for people who: are under consultation or notice of redundancy; have been notified by their employer that they are likely to be directly affected by downsizing or company closure locally; or have recently been made unemployed as a result of such a closure.

Funding will be used to enable a coordinated response to redundancies and downsizing, to support development activities within the pre-redundancy or closure period.

This will be a short, sharp intervention, focused on up-skilling or re-skilling individuals to improve their employment opportunities in line with the needs of employers offering recruitment opportunities. Delivery will be tailored to meet the needs of individuals. It may include, but will not be limited to:

- production of a Training Needs Analysis and supporting Individual Learning Plan;
- Skills for Life diagnostics (including ICT) and delivery of Basic Skills training as appropriate;
- assessment of generic employability skills needs;
- training to improve job search and job application skills;
- access to or provision of careers advice and individual learner support;
- pre-employment training to provide skills to enter a different occupation or sector;
- training to update skills needed for a specific employment sector; and
- training in preparation for self-employment.

Delivery partners will need to maintain strong working links with public and private sector employers, Jobcentre Plus, National Careers Service and Apprenticeship providers. They will also need to ensure that access to Matrix-accredited careers advice is provided by making links with the Adult Careers Service.

Budget and matched funding

A budget of £2,697,030 (€3.15m) of ESF (£5,394,060 or €6.3m including matched funding) has been set aside for this Activity.

Both Skills Support for the Unemployed and Skills Response to Redundancy provide up to £1,500 of funding per individual supported. Actual payments are based on the number of guided learning hours delivered, supplemented by a progression payment for those who achieve a job outcome that is sustained for at least four weeks. Travel, childcare and other essential learner costs may also be met where Jobcentre Plus is not able to provide the required support.

We anticipate that matched funding will be provided by the SFA for this Activity under the Opt-in arrangement.

Outputs/results

Outputs are calculated using an average cost per participant of £1,280 (€1,500), a figure 20% below the current maximum sum payable per participant. This 'discount' is based on current average payments to providers participating in the Programme, with allowances for inflation.

We therefore expect the following outputs:

- Total number of participants 4,200
- Number of unemployed participants 3,400
- Number of employed participants 800

The outputs of this Activity are based on a notional budget split, with 80% of the funding allocated to Skills Support for the Unemployed and 20% to Skills Response to Redundancy. Response to Redundancy programme participants are identified as being employed, although their employment must be under clear threat⁷⁴.

Delivery arrangements

We propose to opt in to SFA co-funding for this Action. We will work in partnership with the SFA in identifying specific skills needs and resource levels (e.g. to respond to any major redundancies), in the development of invitations to tender and on the appraisal and evaluation of bids. The SFA will issue contracts, source matched funding, manage audit requirements and monitor performance, reporting to the LEP, in line with the arrangements set out in the Opt-in Prospectus.

We understand that the contracts let for the delivery of Skills Support for Redundancy and Skills Support for the Unemployed in the Solent areas both run to July 2015, though it is not clear what proportion of the funding under these contracts remains unused. We have, therefore, profiled delivery under the 2014-2020 EU SIF to start from 2015.

Organisations delivering this Activity will have targets for supporting people in disadvantaged groups and for promoting equality in line with our cross-cutting Theme Objectives set out in Section 5.6.1. A specific strand of this activity will focus on supporting older people to retrain and remain in employment. However, equalities groups are expected to be over-represented across the Activity.

2.8 Promoting Social Inclusion and Combating Poverty

Activity 9: Community Grants

Solent LEP supports the principal of Community-Led Local Development (CLLD), which involves focusing on supporting groups of people with specific needs and delivering opportunities in small local areas, typically through community-based projects. Unfortunately, the volume of EU funding available in the Solent is not sufficient, in our opinion, to warrant adopting the full administrative architecture inherent in the CLLD approach across the LEP area.

We recognise that there are communities within the Solent that have exceptional needs. At the time of Census 2011, there were 34 Wards where the unemployment rate was 5.0% or over. Of these, 16 were located on the Isle of Wight, five were in both Gosport and Southampton and four were in both Portsmouth and Havant. Four wards had an unemployment rate of over 7%, which is far above the England average of 4.4%.

The ten wards with the highest level of unemployment are shown below.

⁷⁴ Currently, Response to Redundancy is funded under Priority 1, which supports the unemployed. Guidance may be required as the employment status of beneficiaries under notice of redundancy.

Table 5: Ten wards with the highest unemployment rate, Solent LEP

Ward	Number	% Rate	Authority
Ryde South	255	8.2%	IoW
Ryde North East	215	7.7%	IoW
Grange	281	7.7%	Gosport
Charles Dickens	979	7.0%	Portsmouth
Warren Park	353	6.8%	Havant
Newport East	138	6.6%	IoW
Battins	319	6.5%	Havant
Barncroft	291	6.4%	Havant
Bondfields	292	5.9%	Havant
Shanklin South	140	5.9%	IoW

Source: Census 2011

Low levels of social cohesion are also evident in some areas. According to the British Crime Survey, the proportion of people in Portsmouth and Southampton who answered 'no' when asked: 'Do neighbours look out for each other?' was extremely high. As a result, Portsmouth and Southampton ranked 284th and 296th out of 324 authorities nationally against this measure.

We recognise that, in addition to generic neighbourhood-based approaches, there is a need to support people in particular communities of interest, who share and need to address common barriers to economic and social inclusion. We recognise that the needs of individuals within such communities can be diverse; that people may face multiple forms of disadvantage; and the role that community-of-interest and self-help-based projects run by communities of interest can play in promoting social inclusion.

We wish to support and encourage local communities and communities of interest in creating projects, developed from the bottom up, that address exclusion by engaging local people in improving their own lives and that of their areas.

Description

The Solent Community Grants programme will provide up to £15,000 for small projects, led by citizens' groups, voluntary and third sector organisations that help people to acquire skills needed to progress towards employment. Projects may be focused on supporting people living in areas of deprivation and/or those who experience significant barriers in the labour market, including:

- people with disabilities or health conditions, including those with learning difficulties, mental health issues or drug and alcohol dependency problems;
- people aged 50 or over and seeking employment;
- people from ethnic minorities;
- women;
- lone parents
- people from neighbourhoods and estates where there are high levels of unemployment and deprivation.

Solent LEP recognises that many people participating in these projects will be some distance from the labour market and will need support to make small steps towards work in the first instance. We anticipate that projects will focus on

achieving 'soft' outcomes, involving progression towards work (e.g. through volunteering and participating in community-based activities) rather than jobs or full qualifications.

The funding will therefore be used to support a range of activities including:

- first contact engagement activities, e.g. arranging events in places that people feel comfortable to visit;
- involvement in community-based projects and volunteering;
- activities that improve confidence, motivation and social integration, such as sport and creative activities;
- developing local networks and groups to support people to get a job or access learning e.g. Jobs Club or Learning Champion type activity;
- softer skills development e.g. assertiveness, anger management and motivation;
- basic skills support; and
- job search assistance.

Onward referral routes will be developed, including to ESF-funded Skills Support for the Unemployed provision, described in Activity 8 of this strategy. Where young people are engaged in Community Grants, onward referral may be to Enhanced Traineeships along with other provision under the wider Youth Guarantee.

Solent LEP believes that the quality of the natural and man-made environment is a key factor in economic growth. We will welcome proposals that engage people through activities such as habitat and built heritage restoration, and enhancement schemes that foster aesthetic, touristic and environmental value.

Budget and matched funding

A budget of £1,541,160 (€1.8m) of ESF funding, or £3,082,320 (€3.6m) in total including matched funding, has been allocated to this Activity.

Hampshire and Isle of Wight Community Foundation has offered to act as a provider of matched funding for this Activity.

We have had discussions with the Big Lottery and recognise the value that they bring via their Opt-in offer. However, in the first instance, we prefer a locally-developed approach, working with the Hampshire and Isle of Wight Community Foundation. We would, however, like to reserve the right to evaluate our approach after two years and to opt in to the Big Lottery offer at that time if, on review, it appears preferable.

Outputs/results

Outputs are based on the experience of the delivery of Community Grants under the current programming period. The average grant size in the East Midlands, for example, was £6,000, with a target of 10 participants per project, although average recruitment was lower. Allowing for inflation, a slightly larger average project size (the maximum project size in the East Midlands was £10,000), we anticipate awarding 300 grants of £8,563 (€10,000) each for projects with an average of eight participants each.

Working on these figures, and allowing for management costs of £51,000 (€60,000) per annum, we anticipate the following outputs.

- Number of participants 2,400
- Number of unemployed participants 1,200
- Number of inactive participants 1,200

The evaluation of the East Midlands programme⁷⁵ found that 66% of participants progressed into positive outcomes (employment, other learning or training provision or volunteering opportunities). This was considerably in excess of the programme target of 40%.

The evaluation of the West Midlands programme⁷⁶ found that community grants: *'successfully engaged with a range of disadvantaged individuals and has reached out to people not using mainstream employment services or who are at risk of becoming dependent on benefits'* and had *'overwhelmingly achieved a number of soft outcomes, such as "distance travelled" – which might include increased levels of confidence and motivation to find employment.'*

Delivery arrangements

We anticipate that the delivery arrangements will be similar to those under the previous programme. Assuming this is the case, it will involve the appointment of a lead body, such as Community Action Hampshire, which has had experience of managing similar programmes in the past.

The availability of the grants will be widely publicised, along with the eligibility criteria and the types of activity/expenditure that will be supported. A series of open calls for applications will be made. Selection will be competitive, with applications scored against a simple framework. An appraisal panel, with staff from the lead body, the LEP and the third sector, will assess applications. The recommendations of the panel will be endorsed by the Local Growth Panel.

Projects that contribute to improving our natural environment will be actively encouraged under this Activity. Projects will also be selected on the basis that they promote equality and address barriers to social and economic inclusion faced by disadvantaged groups in line with our cross-cutting Theme Objectives set out in Section 5.6.1.

Activity 10: The Solent Jobs Pilot

Rationale

Solent LEP is concerned to prevent the recession leaving a legacy of exclusion and long-term unemployment.

In May 2013, 6,000 people across the LEP had been claiming JSA for over a year. This compares with a figure of 1,750 in 2007, a rise of around 250%. In addition, there were 10,600 people in the LEP area who had been on Incapacity Benefit or ESA for over a year.

⁷⁵ Phythian. M, ESF Community Learning and Skills Grants, 2011-2013 Interim Evaluation, Enable, 2012.

⁷⁶ Sahota. I, An Evaluation Study of the Impact of the European Social Fund Community Grants, 2010.

The Work Programme provides support for long-term JSA claimants and ESA claimants who are capable of work. The latest outcomes data, released in June 2013, shows that, since it started in 2011, 132,000 people have found sustained jobs through the Work Programme, a success rate of 13.4%. This represents a considerable improvement on its first year. However, outcomes for some groups remain extremely low. For example, just 5.5% of people who have been moved to the programme from ESA found work. These are some of the most disadvantaged members of our community who require intensive support.

Economic analysis undertaken to support the Southampton and Portsmouth City Deal suggests that almost 10,000 jobs will be created in the two cities over the next decade. Solent LEP is committed to opening up economic growth and opportunity across the Solent to people who are socially excluded and who face multiple barriers to finding and sustaining work. This includes people on Incapacity Benefit and ESA and those on JSA who have health conditions.

We need to tackle the barriers faced by people in this group in a holistic way, which will include support with caring responsibilities, drug or alcohol dependency, life skills, debt management or homelessness. We also recognise that, for some, conventional job-search will have failed and that more needs to be done in order to enable them to attain the confidence and employability skills required to compete in the open labour market.

Description

The Solent Jobs Pilot will provide intensive integrated health, employment and wider support to people who are not on the Work Programme and receive Income Support, ESA or JSA with health conditions.

It will comprise three main elements:

- pre-employment support, IAG and employability training;
- a subsidised job, for up to 25 hours per week for up to six months, paid at the national minimum wage, alongside caseworker support, skills and job search/ enterprise support;
- intensive post-placement support and job matching.

We will target people whose needs are such that they have not been able to find work through mainstream provision. This will include people affected by mental health issues, learning difficulties, health conditions and loss of confidence. Participants will be identified predominantly from Jobcentre Plus and will, in the main, be those who have left the Work Programme without finding employment.

The support provided will be based on each individual's needs. It could, for example, include accompanying participants to work in the first instance, helping them to integrate and develop confidence and gradually scaling back this support as they feel increasingly comfortable.

Supported jobs will be concentrated on entry to private sector roles.

Budget and matched funding

£3,424,800 (€4.0m) of ESF has been allocated to this activity, creating a total budget, including matched funding, of £6,849,600 (€8.0m).

The Solent Jobs Pilot is part of the Solent City Deal to be delivered from 2014 to 2018. Matched funding will be provided both by central Government and local partners.

Subject to evaluation of the initial pilot, EU SIF may be used to extend delivery to the Isle of Wight and other 'rural' areas, to expand delivery within the urban core or to extend the duration of the Activity through to 2020. Matched funding for such an extension may either be provided through local partners or sought through the DWP Opt-in.

The primary delivery costs will be:

- Participant salaries. Participants will be paid the national minimum wage (currently £6.31) for 25 hours work a week for a period of 26 weeks. This equates to roughly £4,281 (€5,000) per participant.
- Behavioural and motivational support programmes.
- Case workers, who will be appointed to be responsible for around 40 participants at a time. The Case worker cost is estimated at around £1,284 (€1,500) per participant.
- Office, travel and support costs of around £428 (€500) per participant.

Matched funding for the delivery of the Solent Jobs Pilot in Solent's urban core is being provided by Government (through the Cabinet Office's ring-fenced City Deal budget), as agreed in the Solent City Deal. Matched funding for delivery in the Isle of Wight and in Solent's rural fringe will be provided by partners' resources, including local authorities. We reserve the right to explore the scope for securing additional matched funding through DWP, if required, via the opt-in process.

Outputs/results

On the basis of the figures above, which equate to a cost of £5,993 (€7,000) per participant, we anticipate the following outputs.

- Number of unemployed participants 1,140

A Joseph Rowntree Foundation-funded review of independent evaluations of Intermediate Labour Markets (ILMs)⁷⁷ under the New Deal found that:

- Around 20-30% of people dropped out before completing the contact period and without having other employment to go to, compared with up to 50% in comparison groups in adult training programmes and the New Deal.
- More than 60% of ILM participants left to get a job, compared with below 40% for comparable target groups.
- More than 90% who gained a job via ILMs were in work after six months compared with fewer than 40% in other programmes; and
- The longer-term earnings of ILM participants were higher (by about £1,500 per year) than the earnings of leavers from comparable programmes.

⁷⁷ Marshall, B. The intermediate labour market. Joseph Rowntree Foundation, 2010.

More recent research by Inclusion⁷⁸ derived an estimated job outcome rate of 43% for the Future Jobs Fund. It should be noted that, unlike the Future Jobs Fund, the vast majority of Solent Jobs Pilot participants will be employed in the private sector. We believe that this will add to the employment outcomes and sustainability of the outcomes achieved through the Solent Jobs Pilot.

Delivery arrangements

Delivery arrangements for this Activity are still under discussion, including the potential to cash match through DWP to enable delivery of the Jobs Pilot to be extended to further numbers in the urban core, on the Isle of Wight and Solent rural fringe. If this approach is adopted, it may be delivered with DWP under a City Deal Opt-in arrangement. This may be the preferred route. However, the decision is still subject to further discussions about the availability of cash matched funding from Solent's local authorities/other public sources.

Current thinking on the delivery of the Solent Jobs Pilot/ILM under the City Deal is that it will involve the following measures:

1. Participants identified, predominantly by Jobcentre Plus, from:
 - a. JSA claimants over six months unemployed with a health condition (not currently on the Work Programme);
 - b. ESA customers not currently on the Work Programme;
 - c. Lone parents on Income support, not currently on the Work Programme.
2. Triage - Needs Assessment/Health Audits undertaken to ensure that appropriate assistance is in place.
3. Identification of barriers and activities arranged with local providers to ensure these are addressed.
4. Preparation for entry into the ILM – e.g. pre-employment training, cognitive behavioural therapy support, Sector-Based Work Academies and skills activities.
5. Subsidised employment for six months via a menu of work placements developed and offered through the programme activities, including via procurement/Section 106 agreements.
6. In-work support throughout the period of employment.
7. Support with transition into full-time work with the existing or a further employer.

We anticipate that delivery of the activity will be contracted to third sector and private sector partners. Southampton City Council is agreed, within the City Deal agreement, as the Lead Accountable Body for the City Deal Programme.

The LEP will require host employers to be selected on the basis of their commitment to HR development and to supporting potentially vulnerable new members of staff, the opportunities they offer and the match of these to individual participant needs. They will not be charged or paid for hosting participants, nor will they make a financial contribution towards participant salaries. Participant salaries will be paid by the delivery partner or public authority responsible for managing the Activity.

⁷⁸ Fishwick, T et al, Future Jobs Fund - An independent national evaluation, Centre for Social and Economic Inclusion, July 2011.

We are aware of the EU regulations on wage subsidies and are discussing the potential impact on this activity with the Cabinet Office. Cabinet Office staff have indicated that they wish to support this initiative and are willing to approach the European Commission to ensure that it can be accommodated within EU regulations. These discussions are ongoing.

During the consultation, partners stressed:

- the significant role that environmental improvement, i.e. creating an environment where people want to live, work and do business, plays in economic development; and
- the need to address sustainable development as a cross-cutting theme within as many Actions as possible.

Provided it aligns with or does not compromise individual participants' employment aspirations, we will promote a focus on environmental remediation and carbon reduction within the delivery of this Activity. There is scope, for example, to link this activity to Energy Company Obligations/Green Deal retrofit and insulation programmes. Contractual obligations written into public procurement contracts delivered by the private / social enterprise sector that stipulate the employment of very long-term unemployed customers may also be used to generate opportunities.

This Activity will be focused on those who are most disadvantaged in the labour market and those in equalities groups. Organisations delivering this Activity will have clear targets for supporting people in disadvantaged groups and promoting equality in line with our cross-cutting Theme Objectives set out in Section 5.6.1.

3. European Agricultural Fund for Rural Development (EAFRD)

3 EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT

Analysis of 2011 Census data (based on wards falling completely or partly within the Solent LEP area) shows that Solent LEP includes 231,135 people living within areas that have a population density lower than the England average (4.1 people per hectare). Of these, at least 60% (138,265 people) live on the Isle of Wight. The true percentage will be higher as this data includes the whole of 13 mainland wards⁷⁹ that fall only partly within LEP area. Table 6 also shows that the wards in the New Forest District that lie within the Solent LEP boundary have a population density of more than twice the national average. Although it is important to support areas within Solent's mainland rural fringe, the Isle of Wight is clearly the Solent LEP's principal rural area.

Table 6: Usual resident population, area and population density, Solent LEP area, 2011

Area	All usual residents	Area (Hectares)	Density (number of persons per hectare)
Portsmouth	205,056	4,041.14	50.7
Southampton	236,882	4,988.93	47.5
Gosport	82,622	2,532.09	32.6
Havant	120,684	5,536.97	21.8
Eastleigh	125,199	7,977.76	15.7
Fareham	111,581	7,423.27	15.0
New Forest - Solent LEP	75,688	8,272.73	9.1
Isle of Wight	138,265	38,016.10	3.6
East Hampshire - Solent LEP	17,226	5,016.56	3.4
Test Valley - Solent LEP	31,494	12,072.43	2.6
Winchester - Solent LEP	44,150	25,002.34	1.8
Solent LEP 2011 Wards	1,188,847	120,880.32	9.8
South East	8,634,750	1,906,964.91	4.5
England	53,012,456	13,027,842.85	4.1

Source: 2011 Census

The Rural Economy Growth Review⁸⁰, carried out in 2011, looked at the steps that need to be taken to support growth in rural areas. It concluded that:

In general the same drivers of growth operate in a rural and urban setting, and there is certainly no dichotomy between them. Capital investment, skills, enterprise and innovation are vital components in rural and urban areas. However, one fundamental difference is that rural areas tend to be more distant from economic mass and the associated productivity benefits (or agglomeration economies) for businesses. These benefits include knowledge transfer, thick labour markets, and access to supplier and customer markets.

Solent LEP recognises that geographic clustering can and does occur in rural settings. Good ICT connectivity can extend the geographical reach of positive agglomeration effects and virtual networks can reduce the negative

⁷⁹ Within East Hampshire, the Test Valley and Winchester

⁸⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/86100/Rural_Economy_Growth_Review.pdf

impacts of distance. Effective networking, collaboration and partnership between businesses on a geographical, sectoral or cross-sectoral basis can achieve economies of scale, generate sustainable demand and bring about some of the agglomeration economies enjoyed by urban businesses.

The impact of rurality should not, however, be underestimated. Research by Defra into rural innovation (2009) found: *“a number of aspects of the context for innovation which are more disadvantageous in rural areas as compared to urban areas. For example, the labour pool is smaller and less diversified in rural areas as compared to urban areas; there is limited availability of finance; markets are often lacking in critical mass; rural businesses are further removed from markets, higher education institutions and networks; and their access to them is constrained by distance and a lower quality of ICT infrastructure”*.

Solent LEP is committed to working with partners to address these issues. We recognise the importance of ensuring that enterprises in our rural areas have access to all forms of support delivered through our EU Growth Funds and the role that the EAFRD can play in addressing the additional challenges that exist for enterprises in rural areas.

3.1 Key challenges

While all rural areas share challenges, there are specific issues that face the Solent's major rural area, the Isle of Wight.

Productivity levels and wages on the Isle of Wight are among the lowest in England. In 2013, average weekly pay was £450, a figure significantly below that found in other largely rural districts in Solent such as the New Forest (£545), East Hampshire (£600), Winchester (£605) and the Test Valley (£520).

Unemployment on the Isle of Wight is significantly higher than the LEP average. In November 2013, 3.7% of people aged 16 to 64 on the island were unemployed, compared with 2.0% across the LEP as a whole. Employment is also highly seasonal. In February 2012, the unemployment rate was 5.0%, a figure 50% higher than the summer average. The Isle of Wight differs from many other rural areas in England, in having higher levels of unemployment than urban areas.

Across the UK, output from the Agriculture, forestry & fishing sector grew by just 5% between 1997 and 2011, a period during which the whole economy grew by 82%. Although the agricultural economy fared somewhat better locally, recording 40% output growth across Hampshire, Southampton, Portsmouth and the Isle of Wight, this was still significantly below the growth rate for the economy as a whole (72%). Raising output and productivity in rural areas is a major challenge. It is a particular challenge in the Isle of Wight, where land-holdings are smaller than UK average and far smaller than those of the large-scale producers who are driving down commodity prices on international markets. These competitive pressures mean that we need to be focused on diversification, adding value to primary products and supporting rural businesses in getting nearer to market.

Diversification

The national Farm Business Survey suggests that 50% of farm businesses now include diversified activities which, in total, generate 20% of their income. More than a quarter of diversified farms state that their income from the diversified activities exceeds that from the remainder of the farm business. The main diversification activities are letting out buildings, food retailing/processing, sport & recreation and tourism. Successful diversification requires

capital, a business strategy and a range of skills including market research, business planning, accessing finance, marketing and sales skills (including the development of on-line and niche marketing).

Visitor Economy

Tourism is vital to the Solent's rural economy. On the Isle of Wight, it supports more than 20% of employment and generates £500m of direct and indirect expenditure. Solent LEP is committed to building on the natural assets and the heritage offer of the area to attract new visitors, encourage visitors to stay longer and to visit the wider Solent area. We are committed to delivering a comprehensive destination management and marketing approach that builds brand awareness around internationally-renowned events such as Cowes Week, the Isle of Wight Festival and long distance races, such as the Global Challenge round-the-world yacht race. This strand of our strategy needs to be supported at the local level, within rural communities. Local businesses need to work together to create a joined-up visitor offer that adds value for both visitors and themselves, for example through collaborative marketing or by creating better links between food producers and the tourism/hospitality industry.

Business skills

Rural businesses are predominantly small, run by owner/managers who require a high level of business skills (e.g. development of business models, building a business case, sourcing finance, negotiating and contracting) to both build their existing business and to diversify. There is a need to support new entrants with the development of business models, access to finance, cash-flow and cost control and in areas such as contract negotiation with purchasers and suppliers.

ICT

ICTs are increasingly critical to rural enterprises, helping to circumvent problems associated with distance. There is a clear correlation between technology take-up, both company size and the age of the owners/decision-makers in the organisation. Smaller organisations and those run by older people are much less likely to embrace technology, and need more targeted support to improve their ability to operate in the digital economy. Companies that do not adopt digital technology miss out on the productivity and competitiveness benefits it offers⁸¹.

Website, on-line marketing, ordering/booking systems and customer relationship management skills are also required to support business diversification, direct sales and businesses seeking to get closer to markets.

ICTs can also extend the labour market opportunities to people living in rural areas by enabling home and remote working. Home and remote working can make a contribution to reducing greenhouse gas emissions, but depend on individuals having appropriate IT user skills such as tele- and video conferencing skills, the ability to synchronise devices, to manage files using Virtual Private Networks and, increasingly, to use cloud-based systems.

Networking and group learning

Many rural businesses place significant emphasis on sharing ideas, seeing what others are doing, learning from each other and spreading best practice. Collaborative learning - in networks, groups or at one-off events - offers the opportunity to exchange one-to-one support in different, often informal, formats. Groups can be built both around common interests or geographies that help to forge solidarity, enthusiasm and to prevent isolation. They can be focused on supply chains, guaranteeing consistency of products or meeting quality standards. They can also provide

⁸¹ e-skills uk, 2009, p. 41

a basis for networking and collaboration with centres of research and specialist expertise, and can support the exchange of ideas and approaches between generations.

Consultation

Solent has consulted widely in the development of this element of our strategy. We have interviewed LAGs and representatives of rural interests. On 14 January 2014, we ran a workshop in partnership with the Isle of Wight Local Action Group, attended by 40 representatives of rural businesses and other interested parties who helped to identify priorities for EAFRD expenditure and to define the Activities set out below.

Activities

The Supplementary Guidance identifies that LEPs will be able to use EAFRD to fund four types of activity:

- Building the knowledge and skills in rural areas.
- Funding new and developing micro and small businesses.
- Funding small-scale renewable and broadband investments in rural areas.
- Support for tourism activities in rural areas.

During the consultation, rural partners recognised the importance of broadband investment and connectivity. However, they also identified that this was subject to major investment (e.g. a £3m+ scheme on the Isle of Wight) by Broadband Delivery UK. It was unclear how an EAFRD investment in broadband would add value to this existing programme and, given limited sums available (equivalent to c£400k per annum), partners felt that the priority should lie elsewhere. Support was, however, expressed for supporting rural enterprises to acquire the knowledge and skills needed to take advantage of broadband delivery.

Similarly, partners recognised the value of small-scale renewable energy generation, but felt that uptake should be driven by the market and national policy designed to influence the market, notably feed-in tariffs. We therefore propose to focus on the following three activities.

Activity 11 – Building knowledge and skills in rural areas

Partners identified a need for advice and assistance to be provided to support the creation and development of micro and small rural businesses.

Solent LEP will ensure that business support and advice available through the Solent Business Hub (Activity 2) is available across the LEP and in rural areas. However, partners have stressed that there is a need to enhance this in rural areas, by providing access to specialist advice and support for organisations that are diversifying, starting-up, or focused on enhancing existing production.

There is also a need to ensure that businesses have access to the skills they require to take advantage of ICT and broadband and a need to encourage the sharing of best practice, knowledge-exchange and innovation across enterprises engaged in similar areas of business and within supply chains.

There is a need to provide this support in flexible formats that may not be fundable through mainstream provision. Programmes to support rural enterprises in gaining skills and building knowledge must be tailored to respond to their specific needs and preferred modes of learning and business support, e.g. through collaborative learning - in

networks, groups or at one-off events - that offer the opportunity to share ideas, see what others are doing and adopt effective practice (e.g. farm walks). There may also be value in enhancing existing peer-to-peer mentoring services.

Activity 12 – Funding new and developing micro and small rural businesses

Solent LEP recognises the important role that LEADER has played in providing funding for new and developing micro and small businesses. On the Isle of Wight, the current LEADER programme has directly supported more than 70 businesses, creating 140 FTE jobs through investments in support of diversification, the uptake of new and improved business practice and technologies. Participants in the consultation stressed the value of this Activity and the importance of using EAFRD to continue or expand such support.

Solent LEP will, therefore, allocate 50% of its EAFRD to providing funding to new and developing micros and SMEs across all sectors. The funding may be provided either to individual businesses or to businesses working together. We will, for example, encourage collaboration and applications from groups of enterprises, those seeking investment in shared facilities.

Activity 13 – Support for tourism activities in rural areas

Solent LEP is committed to building on the natural assets and heritage of the LEP area, to attracting new visitors, encouraging visitors to stay longer and expanding shoulder and out-of-season tourism. We need to join up and foster awareness of the local tourism offer.

We will therefore allocate 30% of EAFRD funding to supporting tourism, recreation and leisure activities, destination development and marketing activities.

While support may be provided to individual enterprises, we will encourage collaborative initiatives that bring enterprises together to create an enhanced visitor offer, including those that work cross sectorally, e.g. by better linking local food suppliers into the Hospitality sector.

Budget and matched funding

Solent LEP's total EAFRD is £2,494,111 (€2.913m). On the basis of our consultations with partners, which included a quantitative exercise to support the distribution of funding across potential priorities, we will allocate:

£499,165 (€583k)	Building the knowledge and skills in rural areas
£1,246,627 (€1,456k)	Funding new and developing micro and small businesses
£747,957 (€874k)	Support for tourism activities in rural areas.

Matched funding for EAFRD-funded activities will be provided by the private sector⁸². The proportion of matched funding to be provided will be dictated by EAFRD regulations relating to relevant Articles of the programme.

Outputs

Based on experience of delivering the existing LEADER programmes, we anticipate that our EAFRD-funded Activities will generate the following outputs.

⁸² Matched funding provided by social enterprises and other not-for-profit groups are included within this definition of 'private'.

Activity 11 Building Knowledge & Skills in Rural Areas

- People Trained 500

Activity 12 Funding New and Developing Micro and Small Rural Businesses

- Number of existing enterprises receiving support 60
- Number of new enterprises receiving support 12
- Jobs Created 80

Activity 13 Support for Tourism Activities in Rural Areas

- Number of existing enterprises receiving support 35
- Number of new enterprises receiving support 8
- People Trained 50
- Jobs Created 50

Outputs for Jobs Created are based on the average cost per job created under the current Isle of Wight LEADER programme (€17,500) and the average output costs released by Defra for Axis 3 of the current programme (€17,700).

The number of enterprises supported is based on experience of delivering the LEADER programme on the Isle of Wight, under which the average grant size to businesses was €20,500 (£17,000). We anticipate setting a maximum grant size per single businesses of €50,000.

The average cost per person trained is expected to be €1,150. This is higher than the average cost under the current programme, as we wish to reach out to harder-to-reach enterprises, engage in more innovative and tailored support and to allow scope for delivery on a one-to-one and peer learning basis.

Delivery Arrangements

Solent LEP recognises the role that the Fieldfare, New Forest, Winchester and East Hampshire, Three Harbours and Coastal Plain and Isle of Wight Local Action Groups (LAGs) have played in supporting the delivery of Rural Development Programme for Rural England (RDPE) funds over the 2007 - 2013 programming period.

Of the five LEADER/LAG areas that have a presence within the Solent LEP, four cover only small parts of our urban fringe, on the mainland. The Isle of Wight is the only LEADER area with a substantial presence in Solent and which falls entirely within the Solent.

We propose to work in partnership Natural Enterprise, on the Isle of Wight, on the delivery of the EAFRD in the Solent. This decision follows consultation with partners, who have pointed both to the time it has taken for LAGs to become established and to the potential value of setting up a single delivery body for the management of both EAFRD and LEADER programmes. We therefore propose to ask Natural Enterprise to take on the role of managing the delivery of Solent's EAFRD to rural enterprises and projects across rural areas within the Solent, alongside their role in delivering LEADER within the Isle of Wight.

Complementarity between funds

Solent LEP is aware of the importance of ensuring complementarity between funds and ensuring that EAFRD-funded activity adds value to the other Activities within this strategy. This awareness has informed our proposed delivery arrangements and our provisional agreement⁸³ with partners on the Isle of Wight, that LEADER should take the lead role on initiatives targeted specifically at land and forestry-based enterprises and on improving the delivery of basic services in rural areas.

In line with recommendations from partners, we have committed to ensuring that the vast majority ERDF and ESF-supported Activities are delivered across the LEP area (see section 1.5 - Spatial Targeting). This includes delivery of business advice and financial support to SMEs through Activities 2 and 3. Natural Enterprise will be responsible for guiding rural enterprises towards the most appropriate source of support and, working with the LEP, for ensuring that EAFRD is used in a way that adds value to core services that are available across the LEP area. This principle also applies to the availability of skills support, particularly that provided through Activity 7 (Employer Responsive Skills).

⁸³ This is subject to the release of further guidance from Government, release of details of LEADER allocations and the consultations that will take place in the run-up to the development of LEADER priorities in July 2014.

4. Alignment of European Funds

4. ALIGNMENT OF EUROPEAN FUNDS

The Solent European Structural and Investment Funds Strategy seeks to complement existing and emerging European programmes through a direct focus on the European Commission's 2020 Strategy for smart, sustainable and inclusive growth. This section explores what is known of the key European Commission's 2014 – 2020 programmes and highlights central themes where it is envisaged that this proposed EU Strategy will complement and add value. It is recognised that, by 2020, nearly 35% of all jobs will be classified as 'high-skill' and consequently this Strategy includes considerable emphasis on the creation of high-quality jobs and the support for young and older workers to become equipped with the skills to meet the future demands of the labour market. In delivering this Strategy, Solent LEP will work to achieve both the national and European 2020 targets. Solent will seek to boost the numbers of 20-64 year olds in work; increase the levels of investment in R&D; boost the Low carbon sector and reduce greenhouse gas emissions; reduce the rates of early school leaving and move people out of the risk of poverty and social exclusion.

The 2013 European Commission's recommendations for the United Kingdom⁸⁴ stress six themes, and of these, four are tackled directly through our Strategy, notably:

1. Tackling youth unemployment and the need to improve the vocational training offer and enhance the skills of young people.
2. Supporting low income households and giving more women, who wish to, the opportunity to take up full-time work.
3. Access to finance for businesses needing credit, notably SMEs.
4. Investment in infrastructure particularly in relation to energy and transport.

In response to 1., the proposed Solent EU Strategy is committed to increasing apprenticeship opportunities for young people and supporting the development of higher-level skills for priority sectors. In response to 2., we have established gender as a cross-cutting theme within the Strategy and will monitor and target our activities to ensure that women seeking to return to the workplace receive suitable and appropriate support (50% or more). In response to 3., the Strategy seeks both to establish a new Business Hub and to boost access to finance for start-ups and SMEs. In response to 4., the needs of the low carbon agenda and the critical role of the Marine and Maritime sectors are central to the Strategy's actions and targets.

The Solent area already has a long and successful history of engagement with European funding streams and, through the LEP and its associated delivery partnerships, it now has a greater chance to achieve a new level of sub-regional, cross-programme joined-up delivery.

Critical elements of some 2014-2020 programmes have yet to be confirmed, but we already recognise the complementarity that exists between a number of programmes. These are dealt with below, together with some examples of relevant previous projects.

⁸⁴ http://ec.europa.eu/europe2020/pdf/nd/csr2013_uk_en.pdf

4.1 European Social Fund (ESF)

This strategy forms a part of the planning for the 2014 – 2020 delivery of ESF within England. The Solent EU Strategy recognises the need to collaborate where appropriate with neighbouring ESF providers and LEPs and with other ESF provision, notably the provision of ESF to support those out of work that will be delivered through the Work Programme and in partnership with training providers and others within the LEP area.

4.2 European Globalisation Adjustment Fund (EGF)

EGF funds one-off, time-limited individual support geared to helping workers who have suffered redundancy as a result of globalisation. If necessary, the LEP will collaborate with agencies delivering EGF in the Solent area, in particular seeking to add more strategic, longer-term support to help people back to work, and to link with our ESF-funded activities in support of those facing redundancy.

4.3 The Progress programme

Progress is a financial instrument supporting the development and coordination of EU policy in the following five areas: Employment; Social inclusion and social protection; Working conditions; Anti-discrimination and Gender equality. Where opportunities for the LEP exist to provide good practice and make a positive impact on EU policy in these areas, it will support applications from within its area to this programme.

4.4 The European Progress Microfinance Facility (EPMF)

Progress Microfinance increases the availability of microcredit – loans below €25,000 – for setting up or developing a small business. Progress Microfinance does not directly finance entrepreneurs, but enables selected microcredit providers in the EU to increase lending. The strategy recognises the critical need for access to finance for start-ups and SMEs and has this as a critical strategic activity for the Solent EU Strategy. Should the opportunity arise to engage with the EPMF to complement activity in this area, it will do so.

4.5 Horizon 2020

In developing its proposed EU Strategy, Solent LEP has engaged with all HEIs and other major research organisations (private sector and other) as part of its consultation. HE will play a critical role in driving the establishment and development of the knowledge-based industries needed for Solent to achieve its growth targets.

Horizon 2020, as the primary financial instrument for the delivery of EU-funded research and development, will be crucial in delivering the innovation needed to create new growth and jobs in Solent. The proposed support for research and innovation under Horizon 2020 will:

1. Strengthen the EU's position in science. This will provide a boost to top-level research in Europe, including the very successful European Research Council.
2. Strengthen industrial leadership in innovation. This includes a major investment in key technologies, greater access to capital and support for SMEs.

3. Provide money to help address major concerns shared by all Europeans such as climate change, developing sustainable transport and mobility, making renewable energy more affordable, ensuring food safety and security, or coping with the challenge of an ageing population.

The Strategy has, in particular, recognised the crucial role that Horizon 2020 will play in tackling societal challenges by helping to bridge the gap between research and the market by, for example, helping innovative enterprises to develop their technological breakthroughs into viable products with real commercial potential. This market-driven approach complements that already taken by Solent's HEIs to creating partnerships with the private sector.

The Strategy will engage through its HEIs (whilst encouraging their partnering of Solent-based enterprises) in the three key Horizon 2020 fields:

- **Excellent Science** - Horizon 2020 will raise the level of excellence in Europe's science base and ensure a steady stream of world-class research to secure Europe's long-term competitiveness. It will support the best ideas, develop talent within Europe, provide researchers with access to priority research infrastructure, and make Europe an attractive location for the world's best researchers.
- **Competitive Industries** - The Competitive Industries objective aims at making Europe a more attractive location in which to invest in research and innovation by promoting activities where businesses set the agenda. It will provide major investment in key industrial technologies, maximise the growth potential of European companies by providing them with adequate levels of finance and help innovative SMEs to grow into world-leading companies.
- **Tackling Societal Challenges** - Horizon 2020 reflects the policy priorities of the Europe 2020 Strategy and addresses major concerns shared by citizens in Europe and elsewhere. A challenge-based approach will bring together resources and knowledge across different fields, technologies and disciplines, including social sciences and the humanities. This will cover activities from research to market with a new focus on innovation-related activities, such as piloting, demonstration, test-beds and support for public procurement and market uptake. It will include establishing links with the activities of the European Innovation Partnerships (EIP).

As part of the delivery of this Strategy, and particularly through the delivery of Activities 1 and 5 of this strategy, we will encourage enterprises in the Solent to engage with the Horizon 2020 programme. This engagement will be both:

- Upstream – by building the capacity of SME's to engage with innovation and the Horizon 2020; and
- Downstream – by using EU SIF to commercialise the findings of Horizon 2020 projects.

4.6 INTERREG V

Though details of INTERREG V are still emerging, it is reasonable to assume at this stage that it will seek to stimulate cooperation between member states of the EU on different levels. Funded through ERDF, one of its main targets has traditionally been to diminish the influence of national borders in favour of equal economic, social and cultural development of the whole territory of the EU. It seeks to strengthen economic and social cohesion throughout the EU by fostering the balanced development of the continent through cross-border, transnational and inter-regional cooperation.

The INTERREG cross-border programme will be governed by the European Territorial Co-operation Regulation. As currently drafted, it proposes a number of important changes to the way cohesion policy is designed and implemented. It proposes that programmes should concentrate funding on a smaller number of priorities which are better linked to the *Europe 2020 Strategy*. The focus of programmes will be on results, with better monitoring of progress towards agreed objectives and simplified delivery.

The INTERREG programme will be based on the 11 funding priorities mentioned in the EU regulation concerning the ERDF that aim to promote intelligent, sustainable and integrated growth (EU 2020 Strategy) and to connect economic, environmental and social issues. These mirror the proposed Solent EU Strategy priorities and consequently significant added-value can be achieved by linking INTERREG delivery with the strategy (ERDF and ESF) delivery. The Solent area has a clear driver for its engagement with INTERREG V in relation to its marine priority sector and this can reasonably be expected to continue in the new programme along with other new thematic areas that the programme identifies.

As well as engaging through the larger geographic themes such as INTERREG IVc and INTERREG NWE, Solent T organisations are experienced in both the Trans-Manche and Two Seas Programmes:

- **INTERREG IVA – Two Seas Project Examples from Solent** - INTERREG-VIVID Project - Southampton Solent University worked with partners Avans University, House of Visual Culture, NHTV University, Pôle Images, Les Recontres Audiovisuelles, SPKVZW and City of Breda, researching the creative industries and fostering education, industry and local government to work closely together.
- **Tackling Social Inclusion Project** - this brought together the three cities of Gent (B), Rotterdam (NL) and Southampton (UK) to look at innovative methods of tackling social exclusion; keeping cities accessible for all, getting those furthest from the labour market into employment and improving the quality of services for people with disabilities and/or disadvantaged groups.

INTERREG IVA – Trans-Manche Project Examples from SOLENT:

- **CHARM 3 Project** – The CHARM 3 project contributed to the Channel marine resources preservation by enhancing marine resources knowledge and providing new tools to improve a sustainable management of the Channel area.
- **20M Project** – Sought to support public policy launched regarding offshore wind farms, including their life cycles, to provide a common strategic framework for decision-makers in terms of offshore investments.
- **BRIDGE Project** - developed and implemented an integrated maritime strategy in the Channel area.

4.7 Rural Development Programme (RDP)

The EU has an active rural development policy to achieve valuable goals for its countryside and for the people who live and work there. The Solent EU Strategy recognises that the Europe 2020 priorities are just as relevant for Solent's rural areas as for its urban areas. England's Rural Development Programme is the instrument by which the UK Department for Environment, Food and Rural Affairs (Defra) fulfils its rural development obligations in England, as set out by the EU. The Solent EU Strategy will seek to complement RDP provision, both to drive competitiveness and growth but also to address the significant inequalities and social exclusion issues that can accompany rurality.

4.8 Erasmus+

Erasmus+, as currently envisaged, would bring together all the current EU and international schemes for education, training, youth and sport, replacing seven existing programmes with one. Up to five million people, almost twice as many as currently, could get the chance to study or train abroad with a grant from Erasmus+. Among them would be nearly three million HE and vocational students. Full-time Master's degree students would also benefit from a new loan guarantee scheme set up with the European Investment Bank Group.

Erasmus+ is based on the premise that investing in education and training is the key to unlocking people's potential, regardless of their age or background. The programme will support three main types of action:

1. Learning opportunities for individuals, both within the EU and beyond.
2. Institutional cooperation between educational institutions, youth organisations, businesses, local and regional authorities and NGOs.
3. Support for policy reform in Member States and cooperation with non-EU countries, with a focus on strengthening the evidence-base for policy-making and exchange of good practices.

Two completely new elements will be part of Erasmus+:

1. A loan guarantee scheme to help Master's degree students to finance their studies abroad and to acquire the skills needed for knowledge-intensive jobs.
2. The creation of 400 'knowledge alliances' and 'sector skills alliances'.

All of the Solent area's HEIs are currently engaged in Erasmus activity and this is anticipated to continue. Similarly, many organisations from differing sectors have engaged with the existing Lifelong Learning Programme (Leonardo da Vinci, Grundtvig, and Transversal) as well as the Youth in Action and Sports Programmes which will all be incorporated within Erasmus+. The Solent EU Strategy is committed to delivering the social inclusion elements required by the ERDF and ESF and, to this end, Erasmus+ offers the ideal vehicle through which to share lessons and good practice and to learn from other similar activities within the EU.

4.9 LIFE 2014 - 2020

The likely *LIFE Programme for the Environment and Climate Action* has been designed to build on the success of the existing LIFE+ Programme. The current proposals introduce innovations to strengthen LIFE's structure, enhance its strategic role and simplify operations through greater flexibility. The current LIFE+ components are expected to be replaced by 'sub-programmes' covering *Environment* and *Climate Action*. The Solent EU Strategy will support engagement with this programme through large territorial-scale approaches to the planning and management of its nature, water, waste, air, and climate, through partner agencies such as the Environment Agency and others.

4.10 Other Programmes

Other EU Programmes, such as ESPON, complement strategy activity within the broader Europe 2020 goals and will be considered as their details emerge, with the emphasis always on adding value to delivery and building critical mass to achieve programme objectives and deliverables in line with approved strategies.

5. Delivery Arrangements

5 DELIVERY ARRANGEMENTS

LEPs are asked to set out, in the narrative parts of their European Structural and Investment Funds Strategies, early thoughts on their preferred methods of delivery for their proposed activities.

5.1 Financial Instruments

During consultations, partners expressed considerable enthusiasm for setting up a 'revolving fund' that would support SMEs by providing loans or taking an equity stake in investments.

We are conscious that the guidance acknowledges that improving access to finance is: *'likely to be a priority activity in the majority of LEPs'* and advises LEPs to collaborate across broader economic areas to undertake this activity.

Solent LEP is fortunate to have already secured Regional Growth Funds to provide grants to SMEs and start-up businesses through its Bridging the Gap (BTG) programme. We wish to build on the early success of BTG, by allocating EU SIF and single local growth funding to this priority. While BTG is currently a grants programme, we are exploring the potential for converting it into a loans-based programme.

We understand the concerns, expressed in the guidance, regarding the potentially high administrative, legal and expert costs involved in establishing a complex (equity/loan/mixed) Financial Instrument and the advice to work with other LEPs. During the consultations, we have not, so far, identified a multi-partner financial instrument that appears capable of accommodating our aspirations. We would be pleased to discuss this further, to see if a suitable collaborative arrangement can be found. Alternatively, we would be happy to proceed on a 'go it alone' basis, using the infrastructure and processes that already exist to deliver the BTG programme. This is running effectively and we do not find the overhead/administrative costs prohibitive for a grants-based intervention. We have, therefore, based our Activity, Access to Finance for SMEs, on the current BTG programme, but would be pleased to discuss this further with national authorities and other LEPs and to examine how this might be adapted/converted to a loan-based intervention in future.

5.2 Community-Led Local Development

Solent LEP supports the principle of Community-Led Local Development (CLLD). We recognise that there are communities within the Solent that have exceptional needs or that face specific opportunities. We also recognise that there are advantages to enabling local areas to develop strategies and to manage the delivery of funding through small community-based projects.

Unfortunately, however, the volume of EU funding available in the Solent is not sufficient, in our opinion, to warrant extending the administrative architecture inherent in the CLLD approach across the LEP area.

We recognise the role that the LAGs operating within the Solent have played in supporting the delivery of Rural Development Programme for Rural England (RDPE) funds during the 2007-2013 programming period. Of the five LEADER/LAG areas that have a presence within the Solent LEP, four include only small parts of the urban fringe on

the mainland. The Isle of Wight is the LEADER area with a substantial presence in Solent and which falls entirely within the Solent.

We therefore propose to work in partnership with the Isle of Wight LAG on the delivery of the EAFRD in the Solent. This follows consultation with partners, who have pointed both to the time it has taken for LAGs to become established and to the potential value of setting up a single delivery body for the management of both EAFRD and LEADER programmes. We therefore propose to ask Natural Enterprise to take on the role of managing the delivery of Solent's EAFRD to rural enterprises and projects across rural areas within the Solent, alongside their role in delivering LEADER within the Isle of Wight.

5.3 Cross-LEP Collaboration

Solent LEP recognises that collaboration with other LEPs has the potential to deliver bigger impact, to exploit synergies and achieve economies of scale.

We recognise that we are not the only LEP to have a strong business base and internationally-renowned businesses in the marine and maritime industries. The sector has a strong presence along the south coast with Dorset, Heart of the South West (Plymouth) and Coast to Capital also hosting excellent research, development and training facilities. Solent LEP has been working and will continue to work with these neighbouring LEPs to identify opportunities for collaboration focused on exploiting synergies, avoiding duplication, achieving economies of scale and opening up a wider range of opportunities for local businesses.

In common with these other LEPs, we recognise the mobility of labour, particularly highly-skilled labour, and that it is important for enterprises in the Solent to draw on the full range of talent available to it, regardless of the specific area in which employees or potential employees live. We have, therefore, agreed that support under Activity 7 – Employer Responsive Skills – should be available to any individual, not just those residing in the LEP area. We will be seeking reciprocal arrangements with neighbouring LEPs.

We have also been in discussions with the SETsquared group of Universities and the other host LEPs (Heart of the South West, West of England, Enterprise M3 and Solent) to understand how, through our EU Strategy, the world-class knowledge base of the partner institutions can be made more accessible to enterprises across our LEP areas. SETsquared is a collaboration between the Universities of Bath, Bristol, Exeter, Southampton and Surrey focused on collectively supporting the growth and success of new business opportunities through spin-outs, licensing and incubation. These discussions are still at an early stage and will be pursued further following submission of the draft Strategy. While we are focused on improving the ties between local businesses and the local HE knowledge base, we also recognise the importance of ensuring that Solent's enterprises can access innovation support from national centres of excellence and will be working with the SETsquared group to secure reciprocal support arrangements to that effect.

We have discussed collaborating on the delivery of the EAFRD programme with neighbouring LEPs. There are five LAGs that deliver within the Solent LEP area⁸⁵, only one of which (Isle of Wight LAG) lies wholly within the LEP boundary. We have agreed that we will work with neighbouring LEPs to ensure that EAFRD support for rural areas delivered via the Growth Funds complements that which is delivered through the LEADER areas.

⁸⁵ Fieldfare, New Forest, Winchester and East Hampshire, Three Harbours and Coastal Plain, and the Isle of Wight LAGs.

5.4 Proposed Governance

The Solent LEP is a partnership organisation between the business community, the FE and HE sector, the VCSE Sector⁸⁶, three unitary authorities, eight district councils and one county council, all of which are actively working together to secure a more prosperous and sustainable future for the Solent area.

The Solent LEP, which has been registered as a company limited by guarantee, was incorporated on 18 March 2011. In keeping with the Articles of Association and in accordance with company law, the Board of Solent Local Enterprise Partnership Limited is fully-elected from 15 boards of directors from the area's key business, education and local authority communities. Its composition and Articles ensure that a robust, transparent and accountable delivery structure is in place. It has guided the development of the EU SIF, and reviewed and agreed the proposed Strategy. All members of the Board are committed to its delivery.

In December 2012, the Solent LEP published *Solent LEP - A Strategy for Growth*, which set out five priority areas of work for 2012-2015:

- Strategic Sectors
- Skills for Growth
- Infrastructure
- Enterprise
- Inward Investment

For each of these five strategic priorities, there is a sub-Board panel and architecture responsible for proposing strategy and policy for consideration by the main Board and for the development and delivery of relevant programmes. Each Panel/Board is sponsored by a Board member.

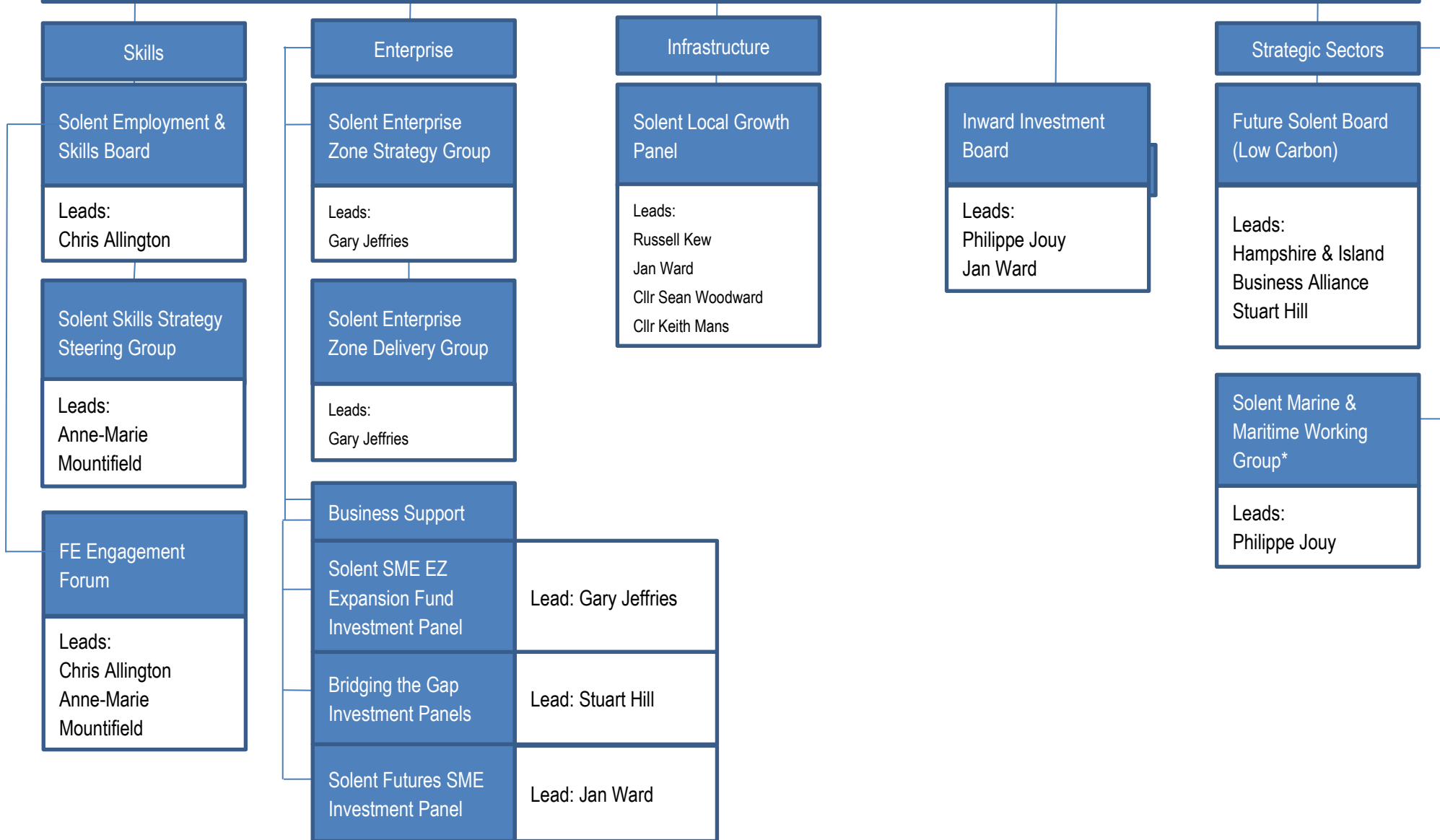
In response to the new responsibilities on the LEP for developing an EU Strategic Investment Framework, and with the creation of a Single Local Growth Fund and Growth Deals, the LEP has further developed its governance arrangements, creating a 'Local Growth Panel' in July 2013.

The Solent Local Growth Panel's key role is to act as a steering group for LEP Board in relation to delivery of the Strategic Economic Plan, Growing Places Funding, EU Structural and Investment Funding and Local Growth Funding. It also provides expert advice in relation to the development and delivery of the overarching strategy. The Panel's role is advisory. All final decisions regarding allocation of funds are ratified by the full board of Solent LEP.

The diagram on the following page shows the current governance and decision-making structure for the Solent LEP.

⁸⁶ The VCSE Sector is currently represented on the LEP Board by the Wheatsheaf Trust - <http://www.wheatsheaftrust.org/>

Solent LEP Board of Directors



The Solent Local Growth Panel will be responsible for overseeing delivery of this strategy. It will be supported in this role by the LEP Executive team, which will lead on monitoring and account management.

Based on reports received from the LEP Executive, the Growth Panel will:

- Review the performance of each of the Activities set out in this strategy, including financial performance (e.g. towards N+2 targets).
- Monitor expenditure against both Activities and Thematic Objectives, making decisions on the virement of expenditure between Activities and Thematic Objectives if required.
- Monitor the delivery of Output targets set out in the Solent EU Strategy and the local contribution to national programme targets.
- Review the contribution of the Actions against EU SIF cross-cutting themes, Equality and Sustainability.
- Identify areas of potential synergy between Activities, including links between ERDF and ESF interventions.
- Review changes in national policy to determine how EU funds can continue to complement and add value to national programmes.

Given the significant role of the Growth Panel in relation to the delivery of EU SIF Strategy, we are recommending an extension to the membership of the panel, to include the VCSE sector and Trades Union. This will be in addition to the VCSE representation on the LEP Board, which will ratify all decisions regarding allocation of EU SIF funding.

Conflicts of interest

Recognising the need to have very strong arrangements for transparency and accountability, Solent LEP has a well-established register of interests which is completed by the following individuals:

- All Solent Local Enterprise Partnership Company Directors (Including Business, Public/Civic, Higher education and Executive Directors).
- Section 151 Officers and Chief Executive Officers of any accountable body/organisation operating on behalf of the Solent LEP.
- All Chairs and Members of dedicated delivery sub-panels of the Solent LEP.
- Any other persons with significant influence over the activities of the Solent LEP (for example, senior Solent LEP employees and senior points of contact at accountable bodies/organisations such as legal and financial contacts).

Members of the Growth Panel are required to declare all interests on this register and to declare interests in the course of meetings and the wider conduct of business. Failure to declare an interest appropriately will result in their removal from the Panel.

5.5 The Consultation Process

Consultation Section

The proposal presented here is the outcome of a process of extensive consultation led by the Solent LEP which began in the late spring 2013. In the process of the consultation, 223 organisations, large and small, actively participated (see Annex 1). Solent LEP took the decision early on that it wished to consult widely and openly across its community. The Marchmont Observatory at the University of Exeter was contracted to manage the consultation process to ensure that it was independent and open.

Consultation began in April 2013 on receipt of the initial guidance when the LEP contacted a wide range of stakeholders about the need to develop a Strategic Investment Framework and inviting views. In June 2013, the LEP considered the issue at length and provided initial guidance in support of the consultation process. In particular, and in line with *Solent LEP – A Strategy for Growth*, the LEP Board took the view that it wished the Investment Strategy to prioritise the wider Marine and Maritime sectors.

A major consultation event was organised for the end of July 2013. Invitations were sent out widely to voluntary and community organisations, businesses and trade associations, local authorities, colleges and training providers, universities, rural organisations and trades unions. 144 delegates attended the first consultation event which took place in the Ageas Bowl. There was full representation in terms of geographical coverage and a good spread of organisational types, including representatives of voluntary and community sector organisations. Delegates were invited to consider the priority themes identified by the EU and the UK Government in the supplementary guidance issued in July 2013. Views were then sought on the priority needs of the Solent LEP area, within the context of the *Solent LEP – A Strategy for Growth*, and how these should be translated into a set of strategic activities for the Solent area. The discussion was organised around priority themes to ensure that each priority was debated in full and to ensure that all sections of the Solent LEP community were able to express their views.

Alongside this, the Marchmont Observatory undertook 49 in-depth telephone interviews with key partners and stakeholders, including the SE TUC, social housing providers and VCSE organisations such as the Prince's Trust, Wheatsheaf Trust and Community Action Hampshire. Interviewees were asked to identify key priorities for their sector/organisation as well as the wider Solent area. The interviews sought to understand synergies with existing initiatives, gaps in provision and effectiveness of currently delivery. Interviewees were also asked for their views on the nature of the activities to be supported and indicative budgets.

In addition to the interviews, an online survey was made available via the Marchmont and Solent websites, with an open invitation to submit views. 47 detailed responses were received. This survey was widely publicised, including to members of VCSE organisations, a number of whom provided responses.

The outcome of the first consultation event and the survey was developed into an outline proposal which was submitted to the ESB at its meeting on 11 September 2013. This also formed the basis of a further consultation event which took place on 12 September at the Naval Dockyard in Portsmouth. The event attracted a further 120 delegates, where the initial proposals were further debated and refined. Again, this consultation included representatives of VCSE organisations, as well as businesses, education and training providers, the TUC, social housing providers and others.

A further consultation was held in Southampton on 4 August 2014 with the Funding and Development Forum (formerly the Southampton EU Funding Forum). This meeting attracted some 35 delegates, the majority of whom were from VCSE organisations and small community-based training providers.

The draft proposal was discussed by the LEP Board on 20 September 2013 where further guidance was issued and acted on.

Following receipt of government feedback on the draft strategy, we further consulted with partners to clarify queries.

Following receipt of details of our EAFRD allocation on 19 December 2013, we focused on identifying priorities for EAFRD investment. This involved research, interviews with specific partners and a workshop attended by 42 representatives of rural enterprises and specialist rural interests, held on the Isle of Wight on 14 January 2014.

Revisions to the initial draft were submitted for discussion to the Solent Employment and Skills Board meeting on 14 January, to the Local Growth Panel meeting on 15 January and to the Solent LEP Board on 24 January 2014. Additional revisions were made in response to comments received from these forums.

The consultation process has been extensive, robust and transparent.

5.6 Cross-cutting themes

European Regulations governing use of the European Structural and Investment Funds stipulate that the Funds should promote sustainable development and equality. In drawing up this document, Solent LEP has consulted with equalities experts and assembled evidence from across the LEP area. In particular, we have worked with partners to identify:

- differences in employment, education and skills opportunities for different groups;
- barriers to participation and under-representation, e.g. in ownership/management of local businesses, labour market and higher level occupations; and
- gaps in existing provision.

As well as being a tool for driving growth and generating jobs, the Solent EU SIF Strategy must also be a vehicle for driving social inclusion, equality and supporting a more sustainable economy.

5.6.1 Equalities

Solent LEP recognises the important role that EU SIF funds play in promoting equal opportunities and helping people to overcome barriers that they face to economic and social inclusion.

We recognise that:

- the factors that contribute to 'exclusion' or 'inclusion' cannot be looked at in isolation;
- the needs of individuals who may make up different communities of interest are diverse;
- individuals may face multiple forms of disadvantage; and

- in addition to the nine groups protected by equalities legislation, there are others who face significant barriers to inclusion, such as ex-offenders, people affected by homelessness or drug and alcohol abuse.

We recognise the importance of encouraging a culture of enterprise and entrepreneurship across all parts of the community and the role that ERDF can play within this.

Below we provide an analysis of the extent and nature of some of these disadvantages, before highlighting how our Strategy addresses these and how we will monitor performance. It is important to note that some disadvantaged groups are better served by the data than others, particularly at the local level

People with disabilities

People with a disability have much lower levels of economic activity than the population as a whole. According to Census 2011, just 29% of people in the Solent whose day-to-day activities are limited 'a little' and 10% of those whose activities are limited 'a lot' were in employment, compared to 69% of people whose activities were not limited.

The proportion of people with a disability who are unemployed is lower than that for the population as a whole, due to the large proportion of people with disabilities who are outside the labour market and unable to look for work. However, there also those who would be capable of taking steps towards work, if they had the appropriate support.

There is also a strong correlation between disability and level of qualification held. Under 50% of people in the Solent area, whose day-to-day activities are limited a little, do not have a qualification at Level 2 or above. This compares with 28% of those whose activities are not limited. The fact that younger people with a disability are much more likely to have higher-level qualifications than their older counterparts demonstrates that progress can and is being made where provision includes appropriate support.

Older People

Whereas around 83% of people aged between 30 and 54 in the Solent are in work, the proportion of people who are in work falls rapidly from age 55 on. In the Solent, 75% of people aged 55- 59 are in work and just 50% of people aged over 60. This is not due to a rise in the unemployment rate for older people. Unemployment actually declines with age. Instead, it is due to: a rapid rise in the proportion of people leaving the labour market between the ages of 45 and 59 due to being 'sick' or 'disabled'; and a rapid rise in retirement among those aged 60 or over. The rise in the proportion of older people leaving the labour market as a result of being sick or disabled is partly due to people being unable to continue in the jobs, particularly physically demanding jobs, that they previously occupied. This is an issue we address through Activity 6.

Although they may be highly skilled, older people are much less likely to hold qualifications than younger people. In the Solent LEP area, the highest qualification held by 34% of people aged 50 to 64 is below Level 2, compared with 21% of 25 to 34 year olds. The proportion of older women with low level qualifications is particularly high.

Research by The Age Employment Network suggests that older workers can need additional support to overcome resistance to change and in acquiring the skills needed to adopt new techniques or technologies. On the other hand, older workers also have distinct labour market strengths, including: greater experience of work and life, better coping skills and reliability; Loyalty, attendance, enthusiasm, motivation; and higher level communication skills.

Young people

As noted in Section 1.3 (SWOT Analysis), while youth unemployment has fallen over the last four years, there remain around 6,200 18-24 year olds claiming JSA in Solent. The extent of the difficulty that young people face in gaining entry to the labour market can be seen in the Census 2011 data. This showed that, while around 3.5% of people of prime working age (35-55) in the Solent were unemployed, the rate for 16-19 year olds was 13.5%; for 20-21 year olds, it was 10.1%; and for 22-24 year olds, it was 7.5%.

Mirroring the sharp national decline in part-time working by young people (sometimes referred to as the 'Death of the Saturday job'), the number of 16-19 year olds in Solent who are working fell from 38,000 in 2007 to 28,000 in 2012. This trend is exacerbating employer concerns about a lack of work experience and work-readiness among young people. Supporting young people in gaining experience, making informed labour market and training choices and in gaining the skills that they need to sustain and progress in work is a major emphasis within this Strategy.

Ethnic Minorities

Ethnicity has a significant impact on labour market behaviours and opportunities.

At Census 2011, people in the Solent who described their ethnic group as 'Black' were significantly more likely to be economically active than the population as a whole (71% compared to 63%), were more likely to be employed (61% compared to 59%); but were also significantly more likely to be unemployed than the overall population (10% compared to 4%).

People who identified themselves as being 'Asian/Asian British' had very similar economic activity levels to the population as a whole; were more likely to be unemployed (5% compared to 4%); and, where they were 'inactive,' were much more likely to be looking after family/home, as opposed to being inactive due to being 'long-term sick or disabled'. That said, there are significant differences within Asian/Asian British group. People who are 'Indian' are more likely than average to be in employment than average (65%) while those who are Pakistani (50%) or Bangladeshi (55%) are less likely to be in employment and more likely to be unemployed, (7.7% and 6.9% respectively).

Employment levels are also low for people who identified themselves as being 'White: gypsy or Irish Traveller' (40%) and 'Other ethnic group: Arab' (30%).

The differences in the data below are partly a reflection of social attitudes and the choices made by members of different ethnic groups. However, they also reflect differences in the opportunities and role that discrimination continues to play in determining access to and opportunities to progress in the labour market.

For example, it is interesting to note that, in 2011, the ethnic group with the lowest qualification levels was 'White'. While 34% of people who were 'White' had a highest qualification at below Level 2, the equivalent figure for people who were 'Black/African/Caribbean/Black British' was 19% and for 'Asian/Asian British' people, it was 24%. Conversely, the proportion of 'White' people with a qualification at Level 4 or above was 27%, compared with 37% for both 'Asian/Asian British' and 'Black/African/Caribbean/Black British' people.

Additional research also shows that, across the UK, people from ethnic minorities remain more likely to live in deprived areas, be poor, suffer ill-health, live in housing, experience harassment/discrimination and are over-represented in the criminal justice system

Gender

The Solent and UK labour market remains highly gendered. This can be seen in the overall data. It is also particularly apparent in the data for specific industries and occupations.

In the Solent, the proportion of men who are in employment is higher than the proportion of women at all aged over the age of 21. Whereas 88% of men aged 30 to 45 are in work, the equivalent figure for women is six percentage points lower, at 82%. The gap narrows above this age, as fewer women have care responsibilities, before widening again from age 60 onwards.

A slightly higher proportion of men in the Solent (4.6%) are unemployed compared with women (3.9%), and men are very slightly more likely to be out of work due to being sick or disabled.

Women's pay continues to lag behind men's pay rates by a considerable margin. According to the Annual Survey of Hours and Earnings, in 2013, Gross Annual Pay for men working in Hampshire was 75% higher than it was for women. In Portsmouth it was 60% higher and in Southampton 57% higher. This is due a range of factors, including choices of occupations/industries, the impact of the career breaks and discrimination.

The highly gendered nature of many occupations in the Solent LEP area can be seen in table below. It shows that 98% of people working in Skilled construction and building trades are male, that 83% of Science, research, engineering and technology professionals are male and that 70% of Corporate managers and directors are male. By contrast, women are heavily over-represented in Secretarial, Administrative, Caring and health-related occupations.

Solent LEP recognises the advantages that can accrue to employers who recruit the best talent from across the potential labour pool. Addressing this gender imbalance, through, improving understanding of the full range of labour market opportunities, by providing opportunities to gain first-hand experience through Traineeships, Apprenticeships and other opportunities, is a cross-cutting theme of our strategy.

Table 7: Employment by Occupation and Gender, Solent LEP, 2012

	%	%
Male Dominated Occupations	Male	Female
Skilled construction and building trades	98%	2%
Skilled metal, electrical and electronic trades	97%	3%
Transport and mobile machine drivers and operatives	93%	7%
Skilled agricultural and related trades	85%	15%
Science, research, engineering and technology professionals	83%	17%
Protective service occupations	82%	18%
Process, plant and machine operatives	80%	20%
Elementary trades and related occupations	79%	21%
Science, engineering and technology associate professionals	74%	26%
Corporate managers and directors	70%	30%
Female Dominated Occupations	Male	Female
Teaching and educational professionals	30%	70%
Leisure, travel and related personal service occupations	27%	73%
Health and social care associate professionals	26%	74%
Administrative occupations	25%	75%
Health professionals	22%	78%
Caring personal service occupations	13%	87%
Secretarial and related occupations	6%	94%

Source: Annual Population Survey, 2012.

We also recognise the need to support female entrepreneurship and to address the fact that larger multiple-management enterprises are less likely to have women as directors/partners than micros. According to the Small Business Survey (SBS) 2012, nationally, women-led businesses are more prevalent in micros (20%) than in small (15%) or medium-sized businesses (11%). Census 2011 reveals that, within Solent, 13.8% of males are small employers or self-employed compared with just 5.6% of females.

Universal Credit, Local Support Services Framework

Solent LEP is conscious of role that EU SIF funds could play in supporting the roll-out of the Universal Credit, Local Support Services Framework. This Framework focuses on helping claimants with complex needs – such as people with mental health issues, learning difficulties, drug or alcohol addiction, and homeless claimants - to manage within the ‘digital by default’ Universal Credit system. We are committed to helping these groups and would be supportive of aligning Activities 8 and 9 to this agenda, e.g. by including a focus on budgeting and digital literacy.

Implementation & Monitoring

Sustainable development and equality will be promoted at strategic, Activity and project levels, through:

- monitoring against cross-cutting Theme Objectives and
- targeting provision to address under-representation and sustainability targets.

Solent LEP will make provisions to ensure that all bids submitted for funding through this Strategy address sustainability and equality themes within their proposals. Guidance on what will need to be considered as part of the bidding process will be clearly defined and communicated. Applicants not satisfactorily addressing equalities and sustainability aspects within their applications will not receive funding.

Solent LEP is committed to monitoring the contribution that each of the Activities in this Strategy is playing in promoting equality of opportunities. We have sought to involve equalities and sustainability experts within the creation of this Strategy and will seek to involve them throughout the delivery period of the SIF.

We will ensure that partners collect proportionate evidence demonstrating how their activities promote equality in the Solent area. Organisations that are responsible for managing or contracted to deliver each Activity will be given appropriate targets for engagement with key equality groups. The targets will need to be determined on a case-by-case basis. They will take into account national programme objectives (e.g. for the proportion of female/older participants etc). They must also take into account the fact that there are certain Activities within this Strategy that are specifically focused on promoting social inclusion and creating employment opportunities for those most disadvantaged and others, such as innovation, where the primary focus is elsewhere. Delivery against these targets will be reviewed by the Solent Local Growth Panel.

The LEP Executive Team will be responsible for monitoring the effect that this strategy and wider economic/social trends are having on equalities and the fortunes of the disadvantaged groups highlighted above. This meta-level analysis will be reported to the Solent Local Growth Panel, to inform the targeting of EU SIF at the mid-programme review.

Other groups

Solent LEP recognises that, in addition to the above, there are other groups in society who face significant barriers to economic and social inclusion, such as lone parents, ex-offenders, people affected by homelessness or drug and alcohol abuse.

We recognise that there is a huge variation in the needs of each of these groups, that it is important to avoid preconceived ideas of their circumstances or their problems and the related nature of many of the issues that may need to be addressed.

We recognise, for example, the close relationship that can exist between homelessness, drug-use and offending and that these issues need to be addressed alongside, and sometimes prior to, other steps focused on supporting people to gain skills and employment.

We recognise that there are troubled families, where worklessness may combine with other barriers in a manner that is cyclical or inter-generational. In such cases, a systemic approach may be required to address issues that affect multiple members of the same family.

We are committed to using EU SIF funding, particularly through our Community Grants programme, to reach out to these communities. We are also committed to taking the opportunities inherent within localism to encourage partnership working and foster links between statutory, voluntary and community bodies to provide holistic solutions for people with complex needs at the local level.

5.6.2 Sustainability

The Solent Strategy concurs with the European Commission's definition of sustainability: Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainable development therefore comprises three elements - economic, social and environmental - each of which will be considered within the delivery and monitoring arrangements of the Solent LEP. Solent LEP is fully committed to sustainable development. Proposals for activities that compromise any of the five principles of sustainable development will not be supported.

The five principles of sustainable development are outlined in the UK Framework for Sustainable Development, *One future - different paths*, agreed by the UK Government (including Northern Ireland). The principles form the basis of national sustainable development strategies and action plans. These principles helped formulate the Northern Ireland Sustainable Development Strategy and these principles should be used to assess all policies and actions. The five principles are set out in the figure below:

Figure 2: Five Principles of Sustainable Development



Applications for ESF and ERDF are already assessed against the sustainability/quality of jobs created and against their contribution to the local economy. In future, we propose to take this further, assessing potential investment decisions against their contribution to wider sustainable development objectives, e.g. their contribution to the low carbon economy. BREEAM Standards (Excellent for new buildings / Very Good for refurbished buildings) will be applied, with schemes that do not support these standards only being considered on an exceptional basis, where strong justification is provided as to why the required standards cannot be achieved.

To support organisations applying for funding, Solent LEP will devise a Sustainability Framework against which projects submitted for funding will be assessed. This will be made available to applicants prior to submission of bids and will be based on the five principles identified above. This will be a useful tool in enabling the LEP to monitor its EU SIF programme, ensuring the sustainability of its deliverables and outcomes.

The LEP Executive team will be responsible for ensuring that all Activities within this strategy are delivered in accordance with sustainable development objectives, drawing on expert support where required.

Solent LEP is committed to developing a Low Carbon Green Economy and has ambitions to become the national leader and internationally recognised for its Low Carbon Green Economy. Sustainability will be at the heart of the sub-region's success in generating economic growth, prosperity and improving quality of life. Solent's priorities in this respect are:

- Supporting 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.
- 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.
- The Generation of Secure, Renewable & 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.

While these objectives are a specific focus of Activity 5, we recognise the important role that many other Activities within this strategy can play in their delivery – e.g. through delivery of appropriately focused innovation and business support activities, through higher-level skills programmes and intermediate labour market measures.

Solent LEP also recognises the role of SU SIF in developing the capital that lies at the heart of sustainable communities and a strong and just society. We will support projects that make the most of social capital - the network of relationships and values that connect individuals and groups - on which collective action and the wellbeing of communities depend.

5.7 Social Innovation

Solent LEP proposes to adopt a socially-innovative approach to the delivery of much of its ESF activity through aligning the work to the 'Solent Talent Bank'.

This initiative, set out in our City Deal Negotiating Document, will use the leverage available through procurement to secure best economic value for partners across the Solent. We will do this by creating opportunities for work experience, Traineeships, Apprenticeships and supported employment under the Solent Jobs Pilot via public authority tendering and contracting procedures.

To take an example, in May 2013, Southampton City Council launched its ECO and Green Deal Delivery Schemes, providing up to £1 billion for retrofit, insulation, smart-metering and behavioural change programmes across a wide range of public bodies, including registered housing providers, NHS, police, fire and ambulance services. This initiative provides ample scope to bring together Activity under the Low Carbon, Supporting Young People, Employer Responsive Skills and Solent Jobs Pilot priorities set out in this Strategy.

We understand that procurement has been used to lever training opportunities in the Construction sector in the past. However, the Solent Talent Bank takes this further. It will extend this approach further into new sectors. It has also informed our selection of Activities within this Strategy as it is our intention that these be brought together with the leverage secured through the procurement process, to create opportunities and secure best economic and social value for the Solent area.

5.8 Community-Led Local Development (CLLD)

Solent LEP supports the principle of CLLD. We recognise that there are communities within the Solent that have exceptional needs or that face specific opportunities. We also recognise that there are advantages to enabling local areas to develop strategies and to manage the delivery of funding through small community-based projects.

Unfortunately, however, the volume of EU funding available in the Solent is not sufficient, in our opinion, to warrant extending the administrative architecture inherent in the CLLD approach across the LEP area.

We recognise the role that the five LAGs operating within the Solent have played in supporting the delivery of Rural Development Programme for Rural England (RDPE) funds during the 2007-2013 programming period. These LAGs have taken time to become established and now provide a valuable infrastructure for the delivery of future programmes. Although funding allocations are not yet known, we propose to continue with the LEADER/CLLD approach in LAG areas by asking LAGs to develop proposals for Activities, funding allocations and outputs which respond to the challenges faced by land-based and rural businesses in their areas.

**ANNEX 1 - ORGANISATIONS PARTICIPATING IN THE
SOLENT LEP CONSULTATION PROCESS**

A Space Arts	Dept for Communities & Local Government
ABP Southampton	Dorset LEP
ALPHI	East Hants District Council
Astrium Ltd	Eastern Solent Coastal Partnership Team
Atkins	Eastleigh Borough Council
BAE Systems Maritime - Naval Ships	Eastleigh College
Barclays	Eaton Limited
Barton Peveril Sixth Form College	ECDIS Ltd
BDO LLP	Education Business Partnership
Big Lottery Fund	EISC Ltd
BIS South Central & West	Endgame Insight Ltd
Blake Laphorn Solicitors	Enterprise M3 LEP
Blanchard Wells Ltd	Environment Agency
British Marine Federation	Express FM and Shaping the Future of Portsmouth
Britten-Norman	Fareham Borough Council
Brockenhurst College	Fareham College
Business Solent	Fareham Borough Council
CAH	Fieldfare LEADER programme
Capita Symonds	First Wessex
Care Training Essentials Ltd	Ford Motor Company
Carswell Gould	Future Solent
Citizen Care	Futurealities Ltd
Coast to Capital	GBM
Colonnade IOW Ltd	GMB Trade Union
Compass Accountants	Gosport Borough Council
Community First New Forest	Gosport Voluntary Action
ConstructionSkills SW	Growing the Forest Programme
Council for Social Responsibility	Growth Accelerator
Country Land & Business Association Limited	Hampshire CC
DCLG	Hampshire Chamber of Commerce
Denique Training Services	Hampshire County Council
Department for Business, Innovation & Skills	hampshireLIFT
Department for Communities and Local Government	Havant Borough Council
Department of Work and Pensions	Havant College
	Health Education Wessex
	Highbury College

HIT Training	Natural Enterprise
Homes and Communities Agency	Natural Enterprise & IW RDPE LEADER LAG
Hughes Ellard Limited	New Forest District Council
Individual Care Payment Co-operative	New Forest Local Action Group
I.W. Trades Councils	New Forest National Park Authority
I.W. TUC	New Theatre Royal Portsmouth
IBM Sales & Distribution	Noble Shops International Ltd
Isle of Wight Chamber of Commerce	Office for Civil Society, Cabinet Office
Isle of Wight College	OHES Environmental Ltd
Isle of Wight Council	One Community
Isle of Wight RDPE LEADER Programme	Outset
IW RDPE LEADER Programme	Oxford Innovation - Business & Innovation Centres
Jobcentre Plus	Oxford Innovation Services Limited
KCC	Parity Trust
Lambert Smith Hampton	Partnership for Urban South Hampshire (PUSH)
LEADER Programme	Portsmouth & SE Hampshire EBP
Learning Links	Portsmouth Association for the Blind
Life you want	Portsmouth City Council
London Clancy	Portsmouth College
majengO Ltd	Portsmouth Independent Living Network (PILN)
Southern Daily Echo and Hampshire Chronicle	Portsmouth University
Marine Management Organisation	The Prince's Trust
Marine South East Ltd	PUSH
Marksman Consulting LLP	Radian
Marwell Wildlife	Red Funnel
Maxxia	Richard Taunton Sixth Form College
Meachers Global Logistics	Rowner Community Trust
Menzies LLP	New Forest LEADER Local Action Group
Missionkraft Ltd	Ryde TUC
Morris Barton Associates	SCA Group
Mott MacDonald Ltd	SERTUC and Gosport CLP
National Housing Federation	SETsquared Partnership
National Oceanography Centre	Shaping Portsmouth
National STEM Skills Passport	Shoosmiths LLP
Natural England	Skills Funding Agency
	Smart Training and Recruitment
	Solent Colleges Innovation Partnership

Solent DWP/Jobcentre Plus	Unite the Union
Solent Education Business Partnership	University of Portsmouth
Solent LEP and Hampshire County Council	University of Southampton
Solent LTB Programme	Van Elle Ltd
Solent Mind	Warner Goodman Commercial & Institute of Directors
Solutions Southampton	Wessex Rural and Farming Network (RFN)
South Downs College	West Sussex County Council
South of England Photonics Network	Wheatsheaf Trust
Southampton & West Hants Trades Council	Winchester Innovation
Southampton Airport	WSX Enterprise Ltd
Southampton City Council	YOU
Southampton Marine & Maritime Institute	Isle of Wight Ramblers
Southampton Solent University	IoW LEADER LAG
Southampton University	Moore Stephens
Southampton Voluntary Services	Hobbit House Logs
Southern and Eastern Regional Trades Union Congress (SERTUC)	Visit Isle of Wight
Southern Daily Echo / Newsquest Hampshire	Yarmouth Harbour Commissioners
Southern Enterprise Alliance	Christopher Scott Ltd
Southern Planning Practice	Hose Rhodes Dickson
Southern Vectis	NFU
Sparsholt College	Farmer Jacks
SPI Lasers	West Wight Alpacas
St Vincent College	Isle of Wight LEADER LAG
Streamline Power	Federation of Small Businesses
Sustrans	Little Thorness Farm
Test Valley Borough Council	NFU
Test Valley Community Services	Wood Learn Forest School
TF Consultancy Services	IW Steam Railway
TfSHIoW	HTP Training
The Hampshire Connection	IW Scout Council
The Isle of Wight College	Ninham Farm
The Prince's Trust	Tomato Stall
The Welborne Project	IW Biltong
Totton College	West Wight Sports Centre
Transport for South Hampshire & Isle of Wight	CEO, Red Funnel
Turley Associates	Red Funnel
UNISON (Southern & Eastern Region TUC)	NFU

Wight Community Access
IoW Assoc. of Local Councils
Natural Enterprise

Landscape Therapy
Coventry University

