



SOLENT  
LOCAL  
ENTERPRISE  
PARTNERSHIP



# TRANSFORMING THE SOLENT

## PRODUCTIVITY AND GROWTH STRATEGY UPDATE

February 2017



FAREHAM  
INNOVATION  
CENTRE AT  
DAEDALUS

# FOREWORD

Since the agreement of the Solent Growth Deal, we have been working hard to help this world-class area achieve its full potential. This is vitally important at this time as it is clear that the change in our relationship with Europe will bring some uncertainty in the short term, but it will also open up new opportunities for business.

We have assessed what capabilities we will need to deliver growth and prosperity in the future in the Solent and we will focus our investment on activity that will help to give businesses and individuals the support they need to respond to these new challenges.

Our five point plan is clear and we must:

- Address deficits in infrastructure, most pronounced in transport, also in flood defence and superfast broadband, and the infrastructure required to unlock new development opportunities
- Address the serious and chronic shortage of housing in the Solent area.
- Develop the skills that our economy needs to succeed, with a continued focus on higher level skills, apprenticeships and STEM.
- Ensure that ideas and knowledge are at the forefront of our approach working with our world class universities to support our businesses to innovate and grow.
- Address the economic challenges across the Solent area

Achieving this ambition requires the area to create conditions that support growth. The progress we have made during the first year of the Solent Growth Deal is a strong testament to the area and our ability to deliver on this. The £151.9m Solent Growth Deal agreed with Government has allowed the area to deliver a number of new infrastructure and skills capital projects in

2015/16 including new investment in our key transport interchanges, the delivery of two new world class skills facilities in the area, improvements in our road system to address some of the barriers to connectivity across the area, unlocking new development land for employment and housing and the construction of a new global Centre of Excellence for Cancer Immunology. In addition we continue to support our SME business base and our small business growth programme has directly supported 130 local businesses including the creation of over 70 new start-ups. Furthermore, Solent LEP and local partners have worked together to look at the joint planning and delivery of a new transport investment plan.

We are pleased to see some early results from this work with the very timely publication of the Solent Transport Investment Plan in 2016 which will allow the area to respond positively and proactively to the new investment opportunities under the National Productivity Investment Fund announced under the Autumn Statement in November 2016.

We are also pleased to see the announcement by Highways England in September 2015 of major upgrades to the Strategic Road Network over the next five years, including enhancing capacity on the M3 between Winchester and Southampton, enhancing capacity on the M27 between Southampton and Fareham through SMART Motorways, a comprehensive improvement to the strategic freight route interchange at Junction 9 of the M3 with the A34, and junction improvements around Southampton on the M27 and M271, improving

access to the Port of Southampton. More recently, Highways England have published a discussion paper: The Road to Growth which presents an outline of its research findings and sets out their proposed approach to supporting economic growth. The LEP will proactively engage in this discussion to secure strategic highways investment to improve the connectivity of the Solent.

In addition the completion of the Solent Area review offers a fresh opportunity to build on the work to date to realise the talents of our residents whilst supporting the development of our employment and skills base for the future. The Solent LEP has been in the vanguard of skills support, working in partnership with our Universities and the FE sector to deliver three new world class skills centres and a new centre of excellence for Cancer immunology in the area since 2013 and we look forward to building on this work in 2017.

Finally as we start 2017 we will be working on a new Economic Strategy for the area. The Solent economy has come through a challenging period in economic history from the financial crisis in 2008, through the recovery in 2012 to the recent outcome of the referendum to leave the EU. It is therefore a good time to refresh the Strategic Economic Plan (SEP) for the area. We would like to start this refresh by opening up a discussion with key local stakeholders (including local business, academia and the public sector) to shape a vision for the Solent Economy going forward. This vision needs to provide a clear statement for the future of the economy so that the Solent is positioned to respond to the opportunities and challenges ahead. We look forward to working with our partners in the coming year as we move forward with work on the new strategy.



**Gary Jeffries**  
Solent LEP Chairman

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P&O Britannia Cruise Liner Entering Port of Southampton

## GLOBAL INFLUENCES AND THE NATIONAL CONTEXT

The global economy remains subdued, posing continued challenges for the UK economy. Global growth was 3.2% in 2015, the slowest pace since the financial crisis. However the UK is forecast to be the fastest growing country in the G7 in 2016 and economic activity grew 2.3% in the year to Q3 2016.

Advanced economies grew 2.1% in 2015, while emerging economies grew 4.0%, the fifth consecutive year of slowing emerging economy growth. China's growth has slowed, as policymakers seek to move to a more sustainable growth path, but, like in India, growth remains well above the global average.

Despite this, the UK is forecast to be the fastest growing country in the G7 in 2016 and economic activity grew 2.3% in the year to Q3 2016, whilst the employment rate is at a record high of 74.5%. However, this growth was weaker than forecast and reflects external

factors such as the continued weakness of the Eurozone, and a general slow-down in the global economy that has contributed to the widening of the trade gap. Domestically, slowed investment, ongoing reductions in government spending and inventories contributed to disappointing growth in 2015. It is expected that the UK will face a period of uncertainty, followed by adjustment. Reflecting this, the Office for Budget Responsibility (OBR) forecasts that GDP growth will slow to 1.4% in 2017, and then recover to 1.7% in 2018, 2.1% in both 2019 and 2020, and 2.0% in 2021<sup>1</sup>. The OBR expects

<sup>1</sup> Source: HM Treasury (2016) Autumn Statement 2016

<sup>2</sup> The OBR highlights that there is a higher than usual degree of uncertainty in these forecasts.

lower business investment and household spending to weigh on GDP in the near term. Lower business investment is expected to exacerbate the weakness in UK productivity that is persistently holding growth down.<sup>2</sup>

The UK has a long-standing productivity gap with other major advanced economies. In 2015, UK labour productivity, as measured on an output per hour basis, was 18 percentage points below the average of other G7 countries; 35 percentage points below Germany; and 30 percentage points below the US. UK labour productivity growth remains subdued, as in most advanced economies. The average rate of productivity growth across Organisation for Economic Cooperation and Development (OECD) countries fell to 0.9% between 2010 and 2014, compared with 1.8% in the five years before the financial crisis. Although UK productivity growth increased slightly to 0.9% in 2015, this is less than half the average growth rate experienced before the financial crisis.

The Government has set a clear agenda to raise productivity in the UK and see this as the central long-term economic challenge facing the country. Productivity determines living standards in the long term and improving it is the key to increasing wages. If the UK raised its productivity by one percentage point every year, within a decade it would add £240 billion to the size of the economy. The government's approach to raising productivity, set out in the **2015 Productivity Plan**, is based on:

- encouraging long-term investment in economic capital, such as technology, innovation, infrastructure, and skills; and
- creating a dynamic economy which ensures resources are put to their best use.

Despite the dynamic political and economic landscape of the past 12 months, the Government does not consider that the fundamentals that underpin the 2015 Productivity Plan have changed. There has been a sustained worldwide slowdown

in productivity since the financial crisis, which has exacerbated the long-standing gap between the UK and the most productive nations - our competitors.

More recently, the new Government has identified that central to their plans to tackle the UK's productivity underperformance will be through the development of an Industrial Strategy. Whilst further detail is awaited, the Industrial Strategy will be about boosting productivity, creating good jobs and delivering economic growth.

The Industrial Strategy is expected to consider and position the UK to be at the forefront of what is referred to as the fourth industrial revolution. It is characterised by increased automation of working practices, effecting both low and middle skill jobs, greater connectivity, machine learning and developments in new and emerging technologies, occurring at a considerably faster pace than in preceding industrial revolutions.





Traffic on the M27

**The Autumn Statement 2016** re-confirmed the central focus of the Government on driving up productivity and taking action to close the UK's productivity gap with its competitors over the long-term through promoting increased investment, particularly in innovation, science and infrastructure; through a more flexible planning system; a skilled workforce, and an open, trading economy.

In particular, the new funding opportunities set out in the Autumn Statement include a National Productivity Investment Fund (NPIF), which will add £23 billion in high-value investment from 2017-18 to 2021-22. Government will target this spending at areas that are critical for productivity: housing; research and development (R&D); and economic infrastructure. This new investment will fund projects that demonstrate a clear and strong contribution to economic growth and it is expected that the NPIF will provide additional support in order to:

- accelerate new housing supply;
- tackle congestion on the roads and ensure the UK's transport networks are fit for the future;
- support the market to roll out full-fibre connections and future 5G communications, delivering a step change in broadband speed, security, and reliability; and
- enhance the UK's position as a world leader in science and innovation.

These areas of investment align strongly with the investments the LEP has made in 2016/17, as set out in the next section.



Cowes

## SOLENT LEP SUPPORTING LOCAL PRODUCTIVITY AND GROWTH

Our Growth and Productivity supplement published in January 2016 set out that raising productivity is essential to enable companies to be competitive internationally, to exploit opportunities in emerging markets and to attract foreign direct investment.

The drivers of productivity are a dynamic, open enterprising economy supported by long-term public and private investment in infrastructure, skills and science. The government's framework for raising productivity is built around two pillars:

- encouraging long-term investment in economic capital, including infrastructure, skills and knowledge; and
- promoting a dynamic economy that encourages innovation and helps resources flow to their most productive use.

As this document is published, the full implications of the Government's Autumn Statement 2016 are still being assessed. The announcement of the new £23 billion National Productivity Investment Fund (NPIF) shows that the growth and

productivity agenda has fared even more strongly than had been expected, signalling that the Government remains serious in its commitment to the productivity agenda.

For the Solent LEP that means that we need to continue to:

- Invest in our economic infrastructure;
- Develop the skills that our economy needs to succeed;
- Ensure that ideas and knowledge are at the forefront of our approach, supporting our businesses to innovate, export and grow; and
- Build on our sectoral strengths and recognise our comparative advantage.





Fareham and Gosport Programme phase 1

We have been able to support local productivity and growth through the existing £151.9m Solent Growth Deal, which commenced delivery in 2015. This will unlock £400m public and private sector investment across the area, creating 6,000 new jobs and enabling 11,000 new homes to be built. The first year of our Solent Growth Deal (2015/17) saw the delivery of a £40m capital programme which has:

- unlocked 4,150 new homes
- created 4,000 new jobs
- unlocked 72,000m<sup>2</sup> of new employment floor space
- delivered significant improvements in connectivity

The schemes that have been delivered include:

- Fareham and Gosport programme phase 1
- Investment in key transport interchanges in both cities
- Green infrastructure to unlock new housing
- New development land for employment

- Two world class skills centres, delivering more apprenticeships in STEM and Advanced Manufacturing on the Isle of Wight and in Eastleigh
- A leading global centre of excellence for cancer immunology in Southampton.

Through the Local Growth Deal, Solent LEP has therefore enabled the delivery of a range of projects to support or unlock economic growth through, with a transport component, including:

- Southampton Station Quarter North;
- The Hard Interchange, Portsmouth;
- Cowes Floating Bridge;
- Dunsbury Park, in Havant;
- Newgate Lane, South;
- A27 Dualling, between Titchfield gyratory and Segensworth;
- St. Margaret's Roundabout;
- Peel Common Roundabout;
- A27 Station Roundabout / Gudge Heath Lane



Dunsbury Park

Another important element of our Solent Growth Deal and wider business support strategy has been the SME funding programmes, which to date have delivered:

- £7 million grant funding to more than 130 SME businesses in the Solent
- Support for high growth firms in the Solent
- Support for 70 new start-up businesses
- 1,200 jobs created / safeguarded
- The Solent Growth Hub has supported 15,000 businesses
- Dedicated SME programmes with partner organisations that represent SME's including British Marine and Natural Enterprise.

Through the Solent Growth Deal we have invested more than £40m across the area in 2015 and work is well underway to invest a further £44m in 2016 to stimulate further growth. These first two years have undoubtedly been highly successful and there is an unrelenting focus on delivery to

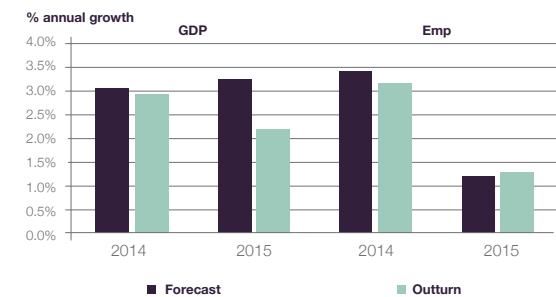
ensure that we continue to: unlock new land for development; bring forward new housing, with an emphasis on affordable homes; develop the skills we need; address deficits in our transport network; and continue to work with our universities to increase collaboration with industry and commercialise research.

Please refer to the Solent LEP investing In Growth : Case Studies supplement at [www.solentlep.org.uk](http://www.solentlep.org.uk) for more information on our key achievements.

More recently the LEP has submitted a Local Growth Deal Proposal through a third round, which seeks to provide new strategic investment for the area and it will also enable us to build on the investment commitments already made.

# SOLENT'S PRODUCTIVITY AND GROWTH CHALLENGE

**Fig. 1** Outturn GDP and employment growth against previous forecasts, 2014 and 2015, UK



Source: Oxford Economics

## UK Performance

Since our last Growth and Productivity update in January 2016, UK outturn job growth has broadly met expectations, with growth coming in on target in 2014 but falling short in 2015. Weak growth in 2015 reflects external factors such as the continued weakness of the Eurozone, and a general slow-down in the global economy that has contributed to the widening of the trade gap. Domestically, slowed investment, ongoing reductions in government spending and inventories contributed to disappointing growth in 2015, in addition to the continued weakness in productivity that has been persistently holding growth down across the United Kingdom.

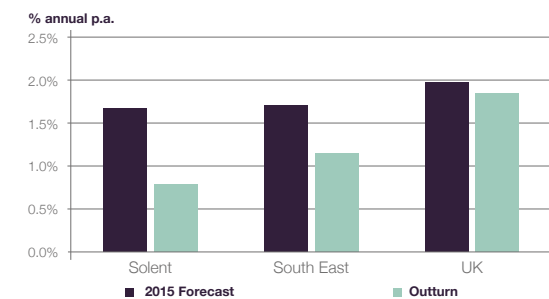
In addition the immediate response to the outcome of the referendum on whether to leave the EU was a strong equity sell-off which soon faded, with world stocks already back to pre-referendum levels. While headline indicators do not forewarn of impending economic crash, we do nevertheless expect economic uncertainty over the short to medium term and new

global forecasts see GDP growth in 2017 and 2018 fall to 1.1 percent and 1.4 percent respectively.

## Solent Performance

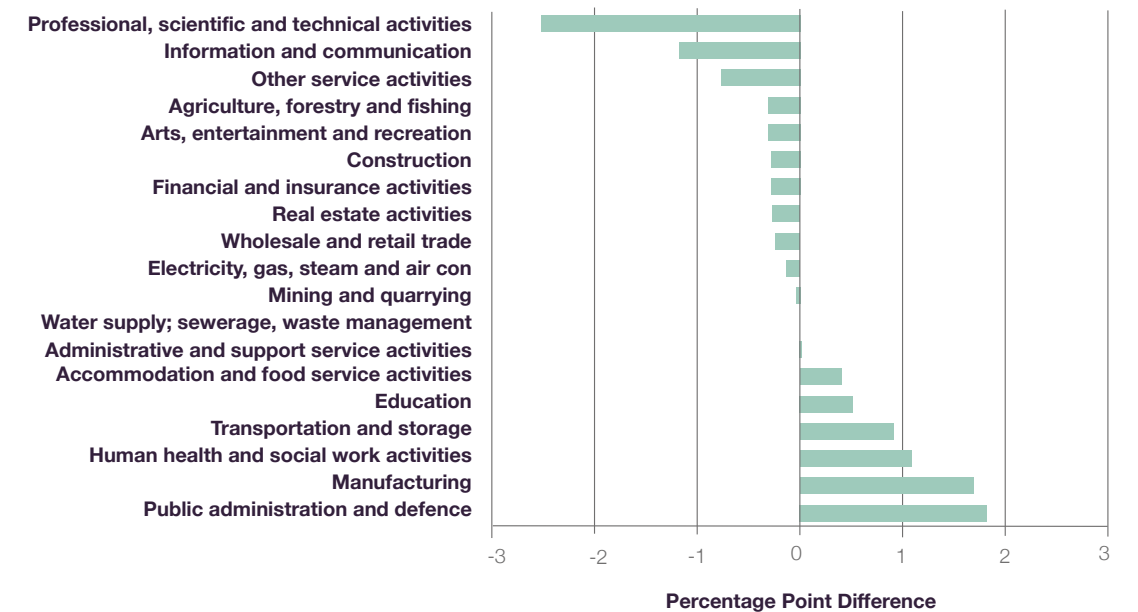
Solent was expected to grow in-line with the South East as a whole, but slower than the UK. While both outturn regional and national growth has been weaker than we expected in our last report, the scale of the shortfall is less than that of Solent. Employment growth has been significantly weaker than we had projected in the 2015 report. We expected Solent LEP area to generate over 30,000 additional jobs between 2012 and 2015, equivalent to job growth of just under 2 percent per annum. However, Solent has only been able to grow at half that pace at just 0.8 percent, adding just over 14,000 jobs over the period.

**Fig. 2** Average annual Job growth in Solent, South East and UK; outturn and 2015 forecast; 2012-2015



Source: Oxford Economics

**Fig 3** Sectoral Share of Job Growth, Solent relative to the South East



Source: Oxford Economics

The relatively slow job growth in Solent relative to the South East can be explained by assessing the composition of the labour market. This clearly shows that the LEP area has a relatively high share of jobs in lower-growth sectors. This includes sectors dominated by public sector employment such as education and public administration; and manufacturing where jobs have been in long-term decline. In contrast, there is a relatively small share of employment in fast growing sectors such as professional, scientific and technical activities; and information and communications.

The underperformance of the UK in terms of productivity is mirrored in the Solent economy. The total value of GVA in Solent stood at £27.8 billion, accounting for just under 12% of regional output. Economic growth was lower than anticipated in 2015, at 1.6%. This was lower than the outturn for the south east (1.8%) and the UK (2.2%). Average productivity in the Solent stood at £45,645 in 2015, this was 8.4% below the regional average and just under half a percent behind the UK average.

The productivity gap to the regional average is explained by the relatively high concentration of jobs in the Solent economy in lower productivity sectors such as human health and social work and a lower share of jobs in higher value sectors such as financial and insurance activities; and information and communications. By accelerating job growth in higher value sectors, the Solent LEP area will be able to close the productivity gap over the medium to long term.

In the longer term to 2036 GVA in the Solent LEP area is expected to grow by 2% per annum and this is slightly slower than both the south east (2.2%) and the UK (2.1%) as a whole. This will see the value of the goods and services produced in the LEP area increase to £44bn by 2036, accounting for 12% of the south east's total GVA.





Container Ship in Port of Southampton Credit: Southampton City Council

# INTERNATIONAL TRADE AND EXPORT GROWTH

The implications - albeit uncertain - of leaving the EU need to be considered. The impact of this on the UK economy will depend on: a) what deals the UK government strikes with the EU and with other countries; b) the post-Brexit policies of the UK government; and also c) the extent to which leaving the EU influences businesses to focus more on the growing markets of Asia and elsewhere.

The decision of the UK to leave the EU has generated a need to look at the impact of this on our economy as clearly performance will depend on the sectoral structure, its propensity to export, its reliance on the EU as an export market and as a source of inputs into the local supply chain. It also needs to consider any dependence on inward migration to fill jobs, and on how companies respond to the challenges and opportunities presented by the UK decision to leave the EU.

In consideration of the Brexit vote Government recognise that the UK's trading relationship with the EU post-Brexit is of huge significance given the scale of UK exports to and imports from the EU. In 2015 the trade with the EU accounted for 44% of UK goods and services exports (£222 billion) and 53% of UK imports (£291

billion). At the national level, work in this regard is being led by the new Department for International Trade, whose responsibilities are:

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



Port of Southampton

# BUILDING ON OUR ASSETS

In an increasingly competitive environment it will be essential that the Solent optimises its assets, and in particular, those which have a global significance. These assets exist within our industrial base, research institutions, and of course, our skills base - and it is by combining these that we can maximise potential.

As noted above it will be important for the Solent to focus its economic strategy on the placed-based assets, sectors and technologies that the Solent excels in.

Work to date has identified that the marine and maritime sector is the Solent's most obvious strength, and most significant smart specialisation opportunity. It not only provides the industry and innovation base necessary to be at the leading edge of new growth opportunities, but also acts as a nationally recognised test-bed for a range of enabling and emerging technologies.

The strength of the Solent when it comes to advanced materials, particularly composites, is in its application as an enabling technology across multiple sectors. Therefore our strategy going forward should seek to maximise knowledge exchange related to composites across sectors, with a specific view to supporting the marine and maritime sector, take a leading role in the application of composites technologies across its various sub-sectors.

The Solent region also has considerable history and research strength in computer science, a digital economy that is growing rapidly, prominent R&D oriented businesses



involved in developing autonomous systems, communications systems / satellite applications, big data analytics and cyber-security, across multiple sectors. The Solent's strengths in digital technology and computer science are viewed by many external stakeholders as under played in a national context. The potential for applying the Solent's strengths in digital technology and computer science, particularly in the provision of marine and maritime, and life sciences data services is vast. Furthermore, the evidence regarding sectoral employment and GVA suggests that the digital sector in the Solent is burgeoning in its own right.

Assessed in an international context against European clusters, the digital economy in the Solent has one of the highest concentrations<sup>3</sup> in the UK. Digital Industries are recognised internationally as a particular strength for the British economy relative to other European countries. Only regions in southern Germany and Benelux have comparable strength in digital industry clusters.

The aerospace and defence sector has a long-term presence in the Solent and in terms of smart specialisms the opportunities are mostly concentrated in space and defence. A forecast of employment in aerospace & defence in the Solent estimates notable growth between 2015–2020. The UK Centre for Maritime Intelligent Systems (CMIS) established in Portsmouth is the first policy step in developing the UK's capability in maritime mission systems.

**The Maritime Growth Study** recognises the Solent as at the forefront of the national marine and maritime economy, driven by its coastal location, business base, skills, traditions, research and educational strengths. Locally, the marine and maritime sectors contribute 20.5% of Solent's GVA and account for 5% of all private sector jobs. Southampton hosts a range of national marine and maritime centres of excellence, including, Lloyds Register, Southampton Marine and Maritime Institute and the National Oceanography Centre.

Alongside its commercial port, Portsmouth remains home to the Royal Navy and, building on this heritage and the opportunity presented by the QE Class Carrier's base porting at the dockyard from 2017, the city has emerged as a global leader in cutting edge development and innovation in the defence and wider marine and maritime sector.



QE Class Carrier Leaving Portsmouth Harbour

The port of Southampton provides a strategic hub and gateway to global markets for enterprises across southern and central England. Southampton port is a critical stopping point on the world's busiest trade route from Shanghai to Rotterdam, a gateway to global markets for the automotive industry as the UK's leading port for car exports, the second largest and most efficient container port in the UK and the nation's busiest cruise port. Southampton port plays a critical role in enabling export-led growth in the UK and the Solent LEP and DfT are prioritising transport investment in critical national and local networks linked to the port.

The two Ports, alongside Southampton International Airport, are our three International Gateways, and represent significant economic assets and ensure that the Solent is globally connected.

<sup>3</sup> Location quotient (LQ) is a valuable way of quantifying how concentrated a particular industry, cluster, occupation, or demographic group is in a region as compared to the nation. It can reveal what makes a particular region "unique" in comparison to the national average.



## A PRODUCTIVITY AND GROWTH AGENDA FOR THE SOLENT

We need to capitalise on our strengths. Raising our productivity requires a new focus on investing in our economic infrastructure, building our skills, supporting innovation and science, and growing those sectors and technologies within which the Solent has a comparative advantage.

### Investing in the Economic Infrastructure – infrastructure, broadband, transport, skills

Building on the success of the Solent Growth Deal process, to date the Solent LEP has identified a number of substantial economic infrastructure developments which will raise the productivity of the Solent economy through improving connectivity and reducing journey times, and ensuring that land is available for employment and housing.

Energy, water, transport, digital communications, waste disposal networks and facilities, are essential ingredients for the success of a competitive modern economy. Research has shown that well-designed infrastructure investments have long-term economic benefits; they can raise economic growth, productivity, and land values, while providing significant positive spillovers.

Growing evidence suggests that the UK performs poorly by international standards. For example, the World Economic Forum ranked the UK 24th for "quality of overall infrastructure" in its 2012 report on global competitiveness.

What sets investment in infrastructure apart from other types of investment is its high-risk, long-term, capital intensive nature, reflected in the creation of long-lived assets with high sunk costs. The resulting gulf between marginal and average costs creates a time-inconsistency problem as investors always face the problem that they will be "held up." This requires suitable government intervention. Our investment priorities for the Solent economy going forward take this into account and are summarised in the next section.



## Future Priorities

### Southampton Airport Economic Gateway (SAEG)

The former Ford site together with what was known as Eastleigh Riverside, as well as Southampton Airport is an important area for future employment growth. This has been identified as a significant growth hub for the Solent and will provide a prestigious, well-connected, and strategically located new gateway to the city of Southampton.



Southampton Airport

### Portsmouth City Centre

Portsmouth City Centre is an area that will deliver major development including homes, retail, leisure and employment. The reconfiguration of the existing road alignment and improved energy security will enable and support the delivery of development in this part of the city.

### Fareham/Gosport Multiyear Programme Phase 2

Off-site road improvements are being made to deliver better linkage between the M27 and the Enterprise Zone, however, transformational action is required and there is an ambition to provide a new alternative route to the Gosport Peninsula to relieve the extreme congestion of the existing main road link from the motorway, the A32, including: the Stubbington Bypass and improvements to the southern section of Newgate Lane.

### Port Solent, Horsea Island and Tipner

These sites form the gateway entrance to the city of Portsmouth and will deliver transformational development for the city including over 2,000 new homes and major new employment sites.

### Gosport Waterfront

The Gosport Waterfront overlooking Portsmouth Harbour is identified as a priority site and includes a number of areas where there is an opportunity to intensify employment generating uses, particularly marine-related employment due to the opportunities to access deep water. The Ministry of Defence has recently announced plans to release the following sites for redevelopment. These three sites provide a major opportunity to re-define Gosport and increase employment density.

- HMS Sultan
- Fort Blockhouse
- The former Immigration Centre



Gosport Waterfront

### Itchen Riverside

Southampton's Itchen Riverside regeneration project covers an area of 105 ha and nearly 9 km of river frontage on both sides of the River Itchen, from Centenary Quay northwards to the former Meridian Studios site at Northam Bridge. A major flood protection scheme is required to unlock development potential and safeguard existing businesses and residents.

### Southsea

Ambitious plans for a major flood protection scheme in Southsea will provide the catalyst for regeneration and new development, whilst enabling the seafront to grow as a world class events space, supporting the Solent visitor and tourism economy.

### Isle of Wight (IoW) Infrastructure

It is recognised that infrastructure investment on the Island needs to be strengthened and there are a range of development sites with potential to bring forward new housing and employment floorspace (Including Homes and Communities Agency (HCA) assets such as the former HMP Camphill, as well as key regeneration areas: Medina Valley, Ryde and The Bay. However, many sites need infrastructure investment to unlock and accelerate their potential and improve viability for private sector investment, recognising that construction projects on the Island attract a premium. There is a need to develop a dedicated Isle of Wight Infrastructure Investment Plan to provide the Solent LEP with an evidence base to help frame its investment priorities.



Wight Ryder

### Transport and the Solent Metro

The natural geography of the Solent is a major asset but also presents challenges, resulting in severance, additional travel costs, additional travel time, and the channelling of over 3.2 million trips each day through a small number of transport pinch-

points. Despite being just 20 miles apart, the economies of the cities of Portsmouth and Southampton are not as integrated as is evident in other dual-city regions. A key reason for this is the inadequacy of east / west infrastructure connectivity between our two cities. Whilst the M27 provides an important highway connection between the two cities, on a daily basis, it suffers chronic levels of congestion in the peaks and as a result its performance is frequently impacted by traffic incidents.

Rail journey time between the two cities is infrequent and slow (between 45 - 60 minutes) and there is no direct train between Portsmouth and Southampton Airport, resulting in rail journey times of up to 80 mins and this also impacts on journey times from the East of the area and connections to London from the Solent area in general which are comparatively slow.

The result of this is that the M27 becomes the default for movement between the cities. In response, the **Solent Strategic Transport Investment Plan** has identified a range of infrastructure investments to strengthen access to and within the Solent. Central to this is the ambition to transform east / west connectivity through the delivery of Solent Metro - an integrated multi-modal public transport network connecting our two cities and larger towns. This will transform dual city linkages; improve agglomeration; improve labour mobility; and support planning aspirations for transport oriented development. The initial priority in the delivery of Solent Metro is Phase 1, between Southampton and Eastleigh Town Centre, via Town Quay and Southampton Airport - transforming access to Southampton through fast and reliable public transport. The delivery of this initial phase would provide the catalyst for the delivery of the wider Solent Metro network, whilst improving connectivity, improving integration of ferry, air and rail, supporting improvements in air quality, reducing highway congestion, and reducing capacity challenges on mainline railway. Alongside this, opportunities to further develop the Bus Rapid Transit (BRT) through delivery of further phases of BRT remain a priority.





Centre of Excellence in Engineering, Manufacturing and Advanced Skills Training

### Skills

Skills are essential to a modern, productive and growing economy and are a critical enabler. Highly-skilled areas not only typically perform better; they also tend to develop a place's resilience to economic instability. Aspiration and achievement are also critical to the Solent's economic success both now and in the future. A productive economy is a knowledge-rich and creative economy, and one which will require the highest levels of education in the entire workforce.

Through the Solent Growth Deal we have built on our investment in the CEMAST Centre on the Solent Enterprise Zone by investing in two new STEM (Science, Technology, Engineering and Maths) centres at Eastleigh College and Isle of Wight College, transforming the facilities available for learners.

The Eastleigh College scheme involves investment of £9 million by the LEP for the construction of a new advanced technology

building for STEM teaching space, a new replacement building, refurbishment of the external fabric of a third building. The £10.9 million LEP investment into the Isle of Wight College project involves the delivery of a new build off-site Centre for Excellence for Composites and Advanced Manufacturing, supporting the pipeline of skills the Island needs to drive its Composites and Advanced Manufacturing cluster.



Eastleigh College



Centre of Excellence Composites Advanced Manufacturing & Marine under construction

In addition, through the Solent Growth Deal, we continue to work to develop a National Maritime Systems Centre of Excellence to provide a purpose built facility to support wider industry and business collaboration, lower barriers for Small and Medium-sized Enterprises (SMEs) and broaden the facility's application beyond Naval Systems.

The LEP has also embraced the opportunity to work with the Careers and Enterprise Company to recruit business leaders to go into schools and broaden and shape horizons, creating a culture of aspiration and realised potential. Through this programme every secondary school in the Solent will have an Enterprise Adviser.

The Solent Area Review was published on the 29th November 2016. The key issues identified through the review, were:

- the need to grow apprenticeships to contribute to the government's target of 3 million by 2020, and the shortage of people with higher education in technical and specialist areas;
- the importance of securing the longer-term wider financial viability of colleges across the area through actions to improve efficiency and to increase growth;

- the need to sustain a broad and accessible curriculum offer within the travel to learn areas of Portsmouth and Southampton.

Solent LEP will work with the FE sector to address these issues by focusing on

- supporting the delivery of a more coherent offer for learners, that will provide clear progression routes through from level 2 to post-graduate learning. There will be a particular focus on the marine sector, which will address the needs identified by the LEP; and
- growth in apprenticeships and supporting proposals that have the potential to transform the planning and delivery of employer-led traineeships and apprenticeships; and
- improved financial sustainability through supporting opportunities for further collaboration or partnership in order to build long term financial resilience.



## Science and Innovation

Science and innovation is expected to feature prominently within the National Infrastructure Strategy, as this is seen as a central component of the desire to raise productivity levels in the UK. The Government aims to ensure that the UK is the best place in Europe to innovate, maintaining our world-leading research and science base to drive growth and productivity.

The Solent LEP has commissioned work to develop an independent evidence base for the Solent, which has highlighted particular strengths in: Marine and Maritime; Photonics; aspects of Life Sciences; Advanced Material; Aerospace and Defence; and Computer Science and Digital. There are several opportunities for transferring enabling technologies and emerging technologies (such as high-performance computing and big data; satellite applications; advanced materials and composites; nanotechnology; autonomous systems; and optoelectronics and fibre optics) across the industry sectors and sub-sectors.

Through the Solent Growth Deal we have invested £4.5m to support the delivery by University of Southampton of a ground-breaking Cancer Immunology Centre at the University Hospital, Southampton. In 2016 we have launched two £3 million Innovation Programme Funds. Through the first round the Future Technology Centre (FTC) at the University of Portsmouth (UoP) has emerged, and a LEP investment of £1.05m will deliver a business engagement facility as part of a wider (£13.15m) capital programmes providing STEM training for UoP students.

## Enterprise

The Solent's industry sectors contain a wide diversity of businesses ranging in scale from large multinationals to small and medium enterprises (SMEs). The region has in recent times had an over reliance on the public sector and re balancing the economy with a focus on supporting private sector-led growth has been a priority. In turn the area has seen a number of economic shocks and recent announcements by Seagate and Pfizer will have an economic impact. The Solent therefore has to ensure that it continues to support a strong SME base and that we prioritise support for SME's to help them grow and compete nationally and internationally.

High-growth enterprises are firms that by their extraordinary growth make the largest contribution to net job creation, despite typically representing a small proportion of the business population. They have a key role to play in improving productivity performance. Recent research by the Enterprise Research Council (ERC) in its report **Spatial Incidence of High Growth Firms** shows the Solent as an area that has seen an increase in the number of high growth firms. The LEP is seeking to build on this through renewed support for businesses in the Solent. The Solent Growth Fund is a competitive funding programme tailored to support the Solent SME base to grow quickly through delivering new processes / products / services, and / or developing new markets. In addition, the Fund is also available to support businesses experiencing challenging trading conditions. The Fund, therefore, forms part of the Solent Local Enterprise Partnership's (LEP's) ongoing approach to providing the resources and economic environment, which make it easier for businesses and individuals to be productive.

In addition, the LEP is seeking to build strategic relationships with key partners to improve the reach of our funding and leverage expertise from partner organisations, such as X-forces, Natural Enterprise, British Marine, and the University of Southampton.



Solent LEP beneficiary Solent Composite Systems

Solent LEP has already prioritised business support as a key economic growth priority and is leading the delivery of a more co-ordinated, simplified and tailored business support service with a central role for the Solent Growth Hub. Through our Growth Hub we are:

- Deepening our diagnostic and advisory services to identify the growth barriers of businesses and actions and services to address these.
- Expanding existing and introducing new services to broaden the support available for businesses that are major providers of employment and GVA, with a particular focus upon improving their trading and exporting.
- Working with existing business-finance providers to further expand and simplify access to finance.
- Supporting employers to take a greater role in commissioning the support they require for their workforce development and to implement high performing workplace strategies.

Through this we will:

- Foster a vibrant growth-led transformation of our local economy which unlocks, expands and accelerates the growth potential of businesses;
- Become a core partner of all businesses with a strong focus on those existing and future businesses that are key to employment and GVA growth;
- Bring together and develop a community of like minded companies and growth support providers.

## Marine and Maritime

Current estimates suggest that the direct contribution to the UK economy from the maritime sector, including marine industries, was at least £11 billion in 2012 (GVA). This is a similar order of magnitude to other important high value industries like the manufacture of pharmaceutical products (£13.3 billion GVA in 2013), the aerospace industry (£6.8 billion GVA in 2013) and the road freight industry (£9.4 billion GVA in 2013). The Maritime Growth Study identifies



that the UK continues to be seen by the international market as a world-leading maritime centre. It also shows that the UK remains highly competitive, particularly in the field of maritime business services, maritime education, training and skills and marine manufacturing, engineering and research. The UK maritime cluster's contribution to the economy is already substantial and, with the right conditions, can be grown further.

The Solent is recognised within the Maritime Growth Study as at the forefront of the national marine and maritime economy; it is the heart of the marine and maritime economy with a terrific array of world-leading assets. There should be a focus on enabling collaboration between industrial and research assets, and supporting access of SMEs to research expertise and testing facilities, to further support marine and maritime innovation and drive commercialisation of new products for export.

The Maritime Growth Study identified that the marine and maritime sector needs:

- leadership by both government and industry, including a more commercial and responsive UK maritime administration within government and an industry-led promotional body
- more proactive action to replenish and develop the skills needed to maintain our position as a world-leading maritime centre
- effective marketing by industry and government of what the UK maritime sector has to offer both domestically and internationally.

Solent LEP is already working with **MaritimeUK**, the body established to provide industry leaderships and is co-commissioning work to better understand the economic footprint of the sector, to help target investment. Locally, the Solent Marine and Maritime Steering Group (SMMSG) provide leadership for the sector in the Solent,

and continue to provide advice to the LEP Board on the strategic priorities within this key sector for the Solent economy and the focus on skills and marketing set out in the Maritime Growth Study are mirrored as the priorities at the local level.

The provision on higher level skills to support growth in the sector has been highlighted as a continued challenge by the SMMSG, and there is a strong view that the provision of higher levels skills should continue to be a priority for the LEP. The group have also identified a need to invest in business infrastructure in the region to ensure that the Solent marine and maritime sector remains on the international map - connectivity (in terms of transport and digital) was highlighted, as was provision of waterfront employment accommodation. In this regard, land availability for waterfront employment sites remains a priority for the area.



Land Rover BAR Team Head Quarters

As noted above, the Solent benefits from the presence of a range of significant marine and maritime assets and these should be better marketed to promote the Solent as the home of marine and maritime in the UK and a Maritime Gateway to the World. There is an opportunity to leverage-off the arrival of the new aircraft carriers in Portsmouth from 2017, and the Land Rover Ben Ainslie Racing Team Head Quarters to showcase the Solent as a global marine hub.



Portsmouth Dockyard - HMS Victory and Mary Rose Museum. Credit: Portsmouth City Council.



The Solent

### Tourism and the Visitor Economy

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

Since 2010 tourism has been one of the fastest growing sectors in the UK in employment terms, responsible for one third of the net increase in UK jobs between 2010 and 2012. Given the presence of the Isle of Wight our National Parks, our key visitor attractions and visitor destinations, the marine heritage assets and proximity to London, there is scope for significant growth in this sector in the Solent.

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





M275. Credit: Portsmouth City Council

# PRIORITIES FOR SOLENT LEP

The productivity and growth strategy update for 2017 seeks to help frame policy and investment decisions, ahead of a refresh of our Strategic Economic Plan.

The Solent is a unique place, with unique challenges and unique opportunities. This update has set out some of the challenges we face and the opportunities we can grasp. The Solent, like most economies, is exposed to global economic turbulence, and it is true that following the decision of the UK to leave the EU there will be a period of uncertainty, as new trading regimes are established. It is, therefore, important that the LEP works with its partners to support businesses and individuals so that the Solent becomes an economy that works for everyone.

Above all, there is a pressing need to tackle the productivity challenge in the Solent, and within the context of a tight fiscal environment, this requires focus on the priorities that can support the Solent in bridging the productivity gap with the south east.

The successful delivery to date, of the Solent Growth Deal will continue to move the area forward to 2020/21, and it is hoped that a positive settlement for the Solent in the third Local Growth Deal round, will provide further capital investment to build on this success.

The priorities for the Solent in the coming year are summarised below:

## Developing our Economic Infrastructure

- Transform connectivity through a focus on developing the case for phase 1 of Solent Metro;
- Strengthen the pipeline of infrastructure projects, particularly in relation to the Isle of Wight through delivery of an Island Infrastructure Investment Plan;

- Explore opportunities to invest in land and property assets to bring them forward for employment and/or housing;
- Work with partners to optimise the opportunity of the release of public assets, including the three MoD assets in Gosport, and HCA assets on the Island - particularly to accelerate employment growth and/or housing delivery;
- Work with partners to identify opportunities to access new funding opportunities, such as through the National Productivity Investment Fund;
- Support improved access to the Port of Southampton to ensure it can optimise its strategic advantage as trade patterns continue to evolve.

## Skills

- Working with partners to support the delivery of the recommendations of the Solent Area Review; and
- Ensure successful delivery of the Eastleigh College and Isle of Wight College STEM centres; and
- Refresh the skills strategy; and
- Explore the implications of automation and increasing use of Artificial Intelligence and Autonomy on the future skills requirements.

## Science and Innovation

- Build on the Innovation Evidence Base, to develop an Innovation Strategy for the Solent;
- Work with partners through the Innovation South Consortium to undertake a Science and Innovation Audit;
- Explore opportunities for commercialising new ideas generated here in the Solent;
- Build on the opportunities for transferring enabling technologies and emerging technologies (such as high-performance computing and big data; satellite

applications; advanced materials and composites; nanotechnology and nano-physics; autonomous systems; high power lasers; and optoelectronics and fibre optics) across the industry sectors and sub-sectors.

## Inward Investment and International Trade

- Retain and grow existing Solent businesses through supporting investment in the local area, including support to access new markets.
- Support businesses looking to locate in the Solent area through developing a package of support for new businesses that want to invest in the area.
- Develop, coordinate and deliver a new trade and investment strategy to promote Solent business across the globe.

## Enterprise

- Through the Solent Growth Fund, support high growth businesses, that are seeking to innovate and enter new markets, as well as support those business that are experiencing challenging trading conditions;
- Continue to support the development of the Solent Growth Hub, including the agreement of a self financing investment model from March 2018 ;
- Broaden the reach of the LEP to directly engage with businesses.

## Strategic Sectors

- Focus on those sectors that are growing, such as professional, scientific, and technical activities; and human health and social work;
- Refresh the Transforming Solent Marine and Maritime Supplement;
- Provide a renewed focus on tourism and the visitor economy, as part of a broader approach to market the Solent as a destination, as well as a place to do business.

# GOVERNANCE AND ACCOUNTABILITY

As a partnership organisation, the Solent LEP brings together the business community, the Further Education and Higher Education sectors, three unitary authorities, eight district councils and one county council, all actively working together to secure a more prosperous and sustainable future for the Solent area.

These make up a fully-elected board of 15 directors, democratically elected by its members, and underpinned by a robust, transparent and accountable delivery structure. Our structures continue to evolve, reflecting the strategic role that we have assumed as the lead body for Economic Development in the Solent area and the need to establish delivery capacity for our key programmes of work.

A series of thematic LEP Delivery Panels, each with a LEP Director lead, provide operational responsibility for investment, the delivery of and budgets for programmes. We regularly recruit new Chairs and Members to our Panels and, if you think you might be interested in such a role register your interest via email at: [info@solentlep.org.uk](mailto:info@solentlep.org.uk)

Effective provisions for timely and binding decision making are a central component of achieving local discretion over Local Growth Funds. In pursuance of this, and to ensure that the strategy and investments are effectively aligned, the Solent LEP Board took the decision in 2014 to create a Solent Growth Forum.

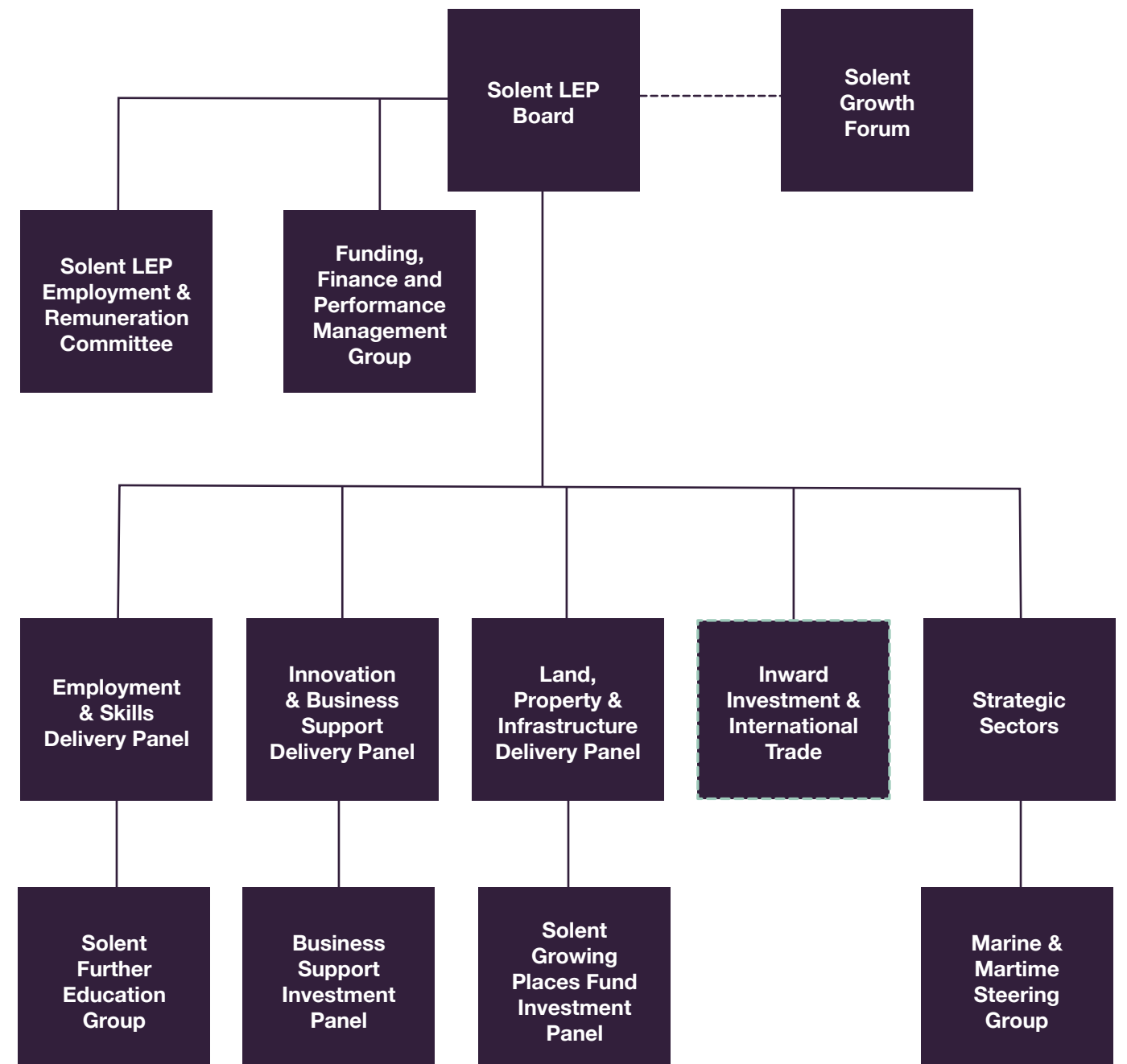
The Solent Growth Forum (independently chaired) provides an important advisory and overview role for Solent LEP investment programmes as well as the delivery of the Solent Strategic Economic Plan. The group will include amongst its membership all 12 Local Authorities of the LEP area,

along with representation from education, business, trade unions and government agencies. Membership will be updated as we augment the existing structure. A Funding, Finance and Performance Management Group supports and advises to the Board in relation to overall performance.

Further information on LEP Governance is available in the Solent LEP Assurance Framework, available at [www.solentlep.org.uk](http://www.solentlep.org.uk)

The Solent LEP Board are elected by Solent LEP members. All Solent based Universities and Local Authorities are members of the LEP and the LEP regularly invites applications from businesses operating in the Solent to join as Business Members.

Business Members of the Solent LEP vote in relation to changes in how the company is operated, elect the eight business directors on the Solent LEP Board and have the opportunity to become directly involved in the work of the Solent LEP in many ways; including supporting the delivery Panels that lead on the LEPs key priority areas.





## STAY IN TOUCH

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LOCAL  
ENTERPRISE  
PARTNERSHIP

## GET INVOLVED

We rely on volunteers from across the Solent business community to provide the strategic direction and leadership which drives forward the work of the Solent LEP.

Help us transform the Solent economy by joining the Solent LEP as a Business Member, volunteering on one of our Delivery Panels or standing for election as a Business Director on the Board of the LEP.

Visit [solentlep.org.uk](http://solentlep.org.uk) or get in touch with us to find out more.