

Meeting: Solent Growth Forum
Date: 16th October 2017
Item 5: Solent LEP Local Growth Deal Programme update
Purpose: For information

Purpose of report

This report provides an update to the Solent Growth Forum on the Local Growth Deal (LGD) programme, which is investing in capital projects in the Solent area to support economic growth.

1. 2017/18 LGD Delivery update

The Local Growth Deal programme continues to progress in 2017/18. Table 1 below shows the current approved capital programme for 2017/18.

Table 1: Current LGD Capital programme for 2017/18

Solent Growth Fund Programme Management Costs	£150,000
Solent Growth Fund (2017)	£3,888,196
Solent Growth Deal Programme Management	£366,044
Innovation programme Fund carry forward (2016/17)	£543,367
Innovation programme Fund (2017) - Programme Management Costs	£125,000
Local Large Major transport schemes (Solent Metro)	£1,000,000
Potential Investment Regeneration to unlock sites for growth	£1,500,000
Solent Development Fund	£500,000
Sub Total	£8,072,607
Under negotiation with scheme promoters	
Fareham and Gosport multiyear programme (Newgate Lane South)	£2,627,429
North Whiteley	£1,008,587
Solent Accelerated Housing Fund	£3,000,000
National Maritime Systems Centre	£1,140,705
Sub Total	£7,776,721
Proposed New call for projects	
<i>Innovation Fund 3 (2017/18)</i>	<i>£2,000,000</i>
Sub Total	£2,000,000
Total Forecast Expenditure (a)	£17,849,328
Solent Growth Deal Award 2017/18 (b)	£24,302,028
Carry Forward from LGD 2016/17 (c)	£6,391,255

Total LGD Capital Programme Funding 2017/18 (d) = (b) + (c)	£30,693,283
Un allocated LGD programme funding 17/18 (e) = (d) - (a)	£12,843,955

The Solent Growth Forum should note for information the following updates related to this year's 2017/18 programme as follow:

Solent Growth Fund - The Solent Growth Fund (SGF) was re-launched by LEP Board Director and SME Ambassador Brian Johnson at the Solent LEP Annual Conference on 2 February 2017. The repurposed fund now has two strands, with the Capital Investment Fund offering capital finance of between £80,000 to £0.5m, and the ERDF Small Business Programme offering a mix of capital and revenue grant funds of between £5,000 and £75,000. The new SGF is running alongside the more established funds that have either a sectoral, geographical or demographic focus - the Marine & Maritime SME Fund, the Havant SME Support Fund, the Isle of Wight Rural SME Fund (managed by Natural Enterprise) and the Armed Forces Fund. Collectively, Solent LEP to date has agreed funding in excess of £1.83m to 60 SMEs, which will unlock over £9.3m of private sector investment and create or safeguard over 290 jobs. All of the funds continue to be promoted at the series of LEP Business Support Events held across the Solent area, with the most recent ones taking place on 22 September 2017 in the East Hampshire District Council area, and a further event on 2 October 2017 in the Test Valley Council area. The Business Support Investment Panel (BSIP) continue to meet on a bi-monthly basis to consider future applications.

Innovation Fund Round 3 2017/18 and 2018/19 - The Solent Growth Forum should note that the Board approved the creation of a new £5 million Innovation Programme to cover the period 2017/18 and 2018/19 and delegated authority to the Executive to take this forward. It was agreed by the Board to bring another Innovation fund programme forward on the same basis as previous rounds and to profile this over two years with £2 million available in the current year and £3 million in 2018/19. The launch of the fund was in July 2017 and the closing date for Full Business Cases is the 31st October 2017. Following submission all applications will be assessed and prioritised independently by AECOM, who will present their initial review to a sub-panel of the Solent LEP's Innovation and Business Support Delivery Panel. The outcome of this process will be a set of recommendations for funding to the LEP Board meeting on 8th December 2017. In relation to the Innovation Programme Fund, the closing date for applications is 31st October 2017 and the fund remains open. Details for organisations seeking to apply is available at: <https://solentlep.org.uk/funding-support/solent-lep-funds/solent-innovation-fund/>

Solent Metro - AECOM were commissioned by the LEP in 2015 to come forward with an independent [Strategic Transport Investment Plan \(STIP\)](#) for the Solent. This work included wide ranging engagement with local and national stakeholders. The economically-led STIP has, working closely with local business, major employers, and public sector partners, identified the more economically transformative and longer term investments necessary to support and unlock the Solent's growth potential and create a step-change in productivity over the next 30 to 40 years. The STIP outlined the economic potential and current performance of the Solent, the likely trends of future growth and the existing transport challenges the area faces, and, informed by these, proposes an investment framework in which a series of investment packages have been identified. These packages could be implemented as the next steps on the road towards the Solent developing the necessary modern transport network that can enable it to achieve its economic potential. In broad terms the investment plan identified that whilst the growing Solent area is comparatively dense in terms of urbanisation and has an emerging polycentric distribution of housing and growth, it has an all mode transport infrastructure deficit, especially for public transport, lagging behind other UK comparator areas. The area also suffers from relatively slow access to London, which erodes its locational advantage. AECOM concluded that in the long term the Solent LEP's business-led transport strategy should aim to "increase economic proximity" through a number of elements:

- Increase dual city linkages around public transport and business critical movements to integrate labour and consumer markets.
- Support clustering and agglomeration around key local strengths and competitive advantages that other areas cannot replicate (e.g. port functions).
- Develop a corridor of development nodes based around an improved public transport offering between the cities and across the urban network to 2040 including easy access to stations by walking and cycling (active modes).
- Optimise and integrate the transport network (ticketing, information and operation) using next generation solutions so travel demand load can be spread to improve resilience and peak capacity accommodated especially in more constrained cities with pinch points.
- Secure improved strategic connections to London, the south east (airport passenger market), the UK (especially for port freight) and internationally for airport leisure and business market and “European” inward investment.
- A greater focus on Transport Orientated Developments (TODs). Increase residential densities around new and underutilised transport nodes to accommodate additional housing development while protecting natural assets and addressing affordability with the same land take.

The approach has been to pragmatically build upon known investments and directions of travel while seeking to maximise the performance of existing infrastructure, including development of a Solent Metro package which is the main recommendation and a proposed step change in the development of a more extensive and integrated public transport system (including active modes) across the area to preserve the attractiveness of the area for skilled workers and growing firms. Latest details in relation to this are available as part of the most recent LEP published Board Pack (available at: <https://solentlep.org.uk/media/2155/solent-lep-board-pack-06102017.pdf>).

Potential Investment Regeneration to unlock sites for growth - up to £1.5m was set aside in the current year to support potential equity investment with partners in capital projects. The current position is that Gosport Waterfront at Daedalus is currently being taken forward under the Development Fund whereby scoping studies are being undertaken to determine future redevelopment proposals. These may lead to a renewed approach from Gosport Borough Council for development funding under an equity sharing basis but this seems unlikely to lead to any significant spend in the 2017/18 financial year. In addition the LEP Board may want to consider further direct investment on the Enterprise Zone as an end investor in order to accelerate development and taking into account the potential to secure a return of this which can be recycled in the future.

Solent Development Fund - The Solent Development Fund (SDF) is a £500,000 fund launched on 14th March 2017 that aims to support organisations to undertake initial development work on capital infrastructure projects of a strategic nature. Two rounds were established; the first closed on 21st April and the second on the 19th May 2017. Nine applications were considered by FFPMG at its meeting on 22nd June 2017. Of the nine projects FFPMG agreed to award £173,500 funding to Gosport Borough Council for the Gosport Waterfront Daedalus feasibility study. In addition, FFPMG also agreed to award £50,000 funding to Southampton City Council for the Southampton Conference Centre/Cruise Terminal Facility subject to meeting pre conditions prior to agreement.

Fareham and Gosport Multi Year Programme (A27 Dualling and Newgate Lane South) - The need to improve access to the Fareham and Gosport peninsula is identified as a key priority for the Solent LEP as outlined in our Strategic Economic Plan. The Fareham and Gosport multi-year programme will help remove barriers to economic growth and respond to the specific connectivity challenges common to most

coastal communities The projects funded under this significant programme provide a package of highway infrastructure improvements to remove transport barriers and improve strategic connections to Fareham and Gosport and aims to encourage new investment (for example at the Solent Enterprise Zone) to provide new opportunities for local residents. The programme will also support the delivery of Solent LEP's strategic growth sites including the Enterprise Zone at Daedalus and the Welborne Development. Work continues to progress on the A27 dualling and the Newgate Lane South (NGLS) schemes during the current year.

North Whiteley - The scheme lead presented an update to the Solent LEP FFPMG in September 2017 and it was noted that the revised programme does mean that the phasing of housing delivery has changed with completion of the 3500 homes in 2026 which is three years later than originally envisaged. An updated business case has been provided and due diligence will be undertaken. It is anticipated that further updates from the scheme lead will come forward to inform the FFPMG in November 2017 and the next board meeting in December 2017. The Solent Growth Forum should note some positive news in that there has been progress in terms of the Highways England funding for the works to junction 9 of the M27, which was announced by government on 14 August (<https://www.gov.uk/government/news/new-road-upgrade-for-solent-to-unlock-new-homes-and-jobs>), which has been secured (with £9.9m coming from the Growth and Housing Fund and £3m from Highways England Congestion Relief Fund).

Solent Accelerated Housing Fund - the Executive has written to Southampton City Council to confirm approval in principle of up to £3m of funding to the Solent Accelerated Housing Delivery Scheme. This provides for Solent LEP to partner with local authorities and the private sector to bring forward a new and innovative housing delivery programme exploiting modular build techniques. The Solent LEP Executive have received an update from Southampton City Council advising that substantive progress has been delayed as a result of the need for Southampton City Council to prioritise work in response to national advice.

National Maritime Systems Centre - Funding has been requested for investment from the Local Growth Fund to leverage QinetiQ plans to redevelop Portsdown Technology Park (PTP). The Investment will establish an Innovation and Collaboration Hub (ICH) as part of the National Maritime Systems Centre (NMSC) being created through the redevelopment. The ICH will increase capacity for growth, lower barriers to entry and offer opportunity for Small and Medium Size Enterprises (SMEs) and foster greater collaboration and innovation across the UK maritime mission systems enterprise. Aligning public sector investment with QinetiQ's own plans will maximise the commercial and construction efficiencies of the overall NMSC scheme accelerating and enhancing its benefits. The public consultation for this scheme closed in August 2017 and due diligence on the proposal is in process.

2. Previous and Future Year Local Growth Deal Monitoring

In addition to the current Local Growth Deal programme for 2017/18, the Solent LEP continues to monitor outputs from programmes funded during previous years, as well as review its potential pipeline for future years and latest details in relation to this are available as part of the most recent LEP published Board Pack (available at: <https://solentlep.org.uk/media/2155/solent-lep-board-pack-06102017.pdf>).

Current key initiatives with a view to further developing the LEPs pipeline of schemes for future years include the Solent Skills and Productivity Investment Fund (SSPIF) and Innovation Programme Fund (as set out in section 1 above).

In relation to the SPIFF, applications were invited for skills proposals and proposals from projects not progressed for affordability reasons under the Local Growth Deal 3 process. The closing date for applications passed on 29th September 2017. £12.5m is available to allocate under the SPIFF and the

fund is oversubscribed. All business cases received will be considered under our due diligence process and considered by the FFPMG on 8th November as set out in the published activity timetable and the Board will consider projects at their December meeting.

3. Finance Update for the LGD programme through to 2021

Based on the above update there is an approved capital programme of £17,849,328 which is 58% of the total funding available in 2017/18. It should be noted that £3,700,000 is contractually committed with a large balance under negotiation and subject to final contract. The latest position of the total Local Growth Deal Programme as approved by the Solent LEP (pre October 6th Board meeting) can be found in Annex A.

The Solent Growth Forum is asked to:

- **Note** this update.