

# Public Document Pack

## SOLENT GROWTH FORUM

RECORD OF DECISIONS of the meeting of the Solent Growth Forum held on Tuesday, 9 June 2015 at 7.00 pm at the Guildhall, Portsmouth

### **Present**

Councillor Michael Cheshire MBE (in the Chair) Leader Havant Borough Council

Councillor Seán Woodward - Leader Fareham Borough Council

Councillor Donna Jones - Leader Portsmouth City Council

Councillor Simon Letts - Leader Southampton City Council

Councillor Edward Heron - New Forest District Council

Councillor Martin Hatley - Test Valley Borough Council

Councillor Mark Hook - Leader Gosport Borough Council

Councillor Guy Shepherd - East Hants District Council

Councillor Stephen Godfrey - Leader Winchester City Council

Councillor Patricia Stallard - Hampshire County Council

Councillor David Airey - Eastleigh Borough Council

Ex Officio     Tim Houghton – Chief Executive, Community First Havant & East Hampshire, representing the Voluntary and Community Sector

Diarmid Swainson – Assistant Director BIS Local

Graham Galbraith – Vice Chancellor University of Portsmouth (representing Higher Education)

Stuart Baker – Head of Local Growth Solent LEP

Marc Griffin – Head of Capital and Infrastructure Solent LEP

Chris Ward – Director of Finance and Information Services Portsmouth City Council

Robert Parkin – Deputy City Solicitor and Deputy Monitoring Officer Portsmouth City Council

Invited Speakers:     Anthony Light – Oxford Economics

                                 Anne-Marie Mountifield – Chief Executive Solent LEP

### **1. Election of Chairman**

At the commencement of the meeting Robert Parkin as the Monitoring Officer for Portsmouth City Council (who provide the Accountable Body for the Solent LEP) asked for nominations for a Chair and Councillor Michael Cheshire was duly proposed by Councillor Woodward and seconded by Councillor Jones and elected by the forum. At this point in the meeting Councillor Cheshire took the Chair and was pleased to be the first Chair of the Solent Growth Forum.

## **2. Introductions, Apologies For Absence and Terms of Reference**

Introductions around the table were made and apologies for absence had been forwarded from Councillors Keith House and Keith Mans (Cllrs David Airey and Patricia Stallard deputised respectively). There had been further apologies from Councillor Jonathan Bacon (Leader of the Isle of Wight Council), Fiona Willmott (Skills Funding Agency), John Bull (Trade Union Representative), Di Roberts (FE Sector representative) and Kevin Bourner (Homes and Community Agency).

### **Terms of Reference**

The draft terms of reference dated March 2015 had been appended to the agenda and previously circulated to all members and these were agreed by the forum.

## **3. Declaration of Interests**

There were no declarations of members' interests at this meeting.

## **4. Solent Local Enterprise Partnership (LEP) Executive Update**

Stuart Baker, Solent LEP, presented his report as circulated with the agenda papers, which set out the background to the Solent Growth Deal with an initial allocation of £40,391,667 made to Portsmouth City Council as the accountable body for the Solent LEP on 10 April 2015.

Table 1 within the report showed that a further £90.9M of Local Growth Deal funding was allocated for the next five years but which needed to be confirmed by Government as part of forthcoming spending review.

Table 2 set out the current funding agreement status projects within the Solent Growth Deal Programme. It was noted that six projects are at their final contract stage. There is a balance of 2015/16 funding allocation of £5.4M, which is expected to be reallocated to existing projects to accelerate delivery. It was noted that it will be imperative that the LEP demonstrate spend against this allocation, to position itself to receive further funding in future years.

Stuart Baker outlined the expanded Solent Growth Deal which had been announced in January 2015. The report outlined the three projects within the £27.1M investment with the residual funding being made available for a £4.5M Skills and Innovation Programme to improve skills and promote innovation in the Solent area.

An additional document was circulated regarding the process the LEP is proposing to follow to develop a pipeline of projects to provide a state of readiness for future funding rounds. The Forum was asked their view on whether the LEP should take a proactive approach to calling for Expressions of Interest, and this was agreed.

**RESOLVED** that the Solent Growth Forum -

- 1) noted Solent Growth deal update
- 2) noted the expanded Solent Growth Deal Update
- 3) noted the European Structural Investment Fund (ESIF) update
- 4) noted the Solent Strategic Economic Plan (SEP) update

## **5. Progress update on the Solent Strategic Economic Plan**

Anne-Marie Mountifield, Chief Executive of Solent LEP gave a presentation to the forum (the slides will be attached to the minutes) setting out how the Solent Strategic Economic Plan is being refreshed and setting out where there had been interesting shifts in the economy and she invited views of the members as to where the priorities and focus should be to reflect the changes in the economy.

I was noted that the Gross Value Added (GVA) £25 billion for the area was a sixth of that for the south east economy. The presentation covered how the two cities were anchor points within the Solent area; the proximity of key businesses and the defence hub to the cities. In relation to unlocking further growth there would be a focus on unlocking flexible employment space and to work with PUSH (as part of their spatial strategy refresh to look at the availability of waterfront sites and B8 high office space) and transport links within the area.

The strengths within the area included the high technology clusters, the SME base and the strong higher and further education presence within the area as well as natural assets of green infrastructure and a good quality of life were emphasised as were challenges around the skills base which included replacing expertise in the technical skills of the labour market.

The slides set out the targets for growth in new jobs and new homes.

Reference was made to partnership working across the Solent and also to emerging areas where there would need to be more focus including; Broadband and transport connectivity, innovation and skills (particularly at the higher levels, linked to productivity). It was also clear that whilst employment and job creation had increased, productivity had not, and the productivity gap between the Solent and the wider south east is expected to grow. By focussing investment in skills and infrastructure there may be an opportunity to improve productivity and reduce the need for in-migration to satisfy labour demands. In conclusion Anne-Marie posed questions to the forum regarding:

- Continue to enhance transport connectivity across the area
- Growing the skills base and supporting business growth; employment growth, productivity improvements or both?
- Continue to enable flagship sites for housing and employment

Anthony Light from Oxford Economics (OE) gave the second presentation (this statistical information would be made available with the minutes). His presentation highlighted the key trends and in particular the GVA. The

economy in the Solent was bigger than had been predicted mainly due to factors that were now being included within national statistics as well as growth. GVA was currently at approximately 2.8%, in line with the national average. Jobs growth was faster than anticipated (678,000 jobs in the area). There was evidence that the increases in employment rates were benefitting local residents.

Lower growth was evident when looking at productivity trends, and the Solent area was 12% below the south east average and 5% below the national average. Based on the update OE believe that the area would be able to meet the target of 15,500 jobs and the GVA to rise to 3.5% pa. It was noted that wages were now seen to be improving.

The Chairman requested that the slides be sent to all members. He then asked the members for their feedback which included:

- Members reiterated a need to focus on skills development and up-skilling the existing workforce to improve productivity.
- It was not just apprenticeships needed but for jobs to be made available at the end of the training periods.
- It was requested that there be an analysis of the skills levels as it was felt that the companies may be looking to move into the area if it had a sufficiently skilled population.
- Some members of the workforce in part-time employment wished to extend this to full-time employment.
- There should be a focus on transport connectivity to help improve productivity. There is also a need to look at alternative transport choices and air quality issues.
- The need for productivity growth and employment growth to be addressed at the same time but it was noted that there had been a growth in employment rather than productivity.
- There are also those who are not currently in the employment workplace who should be encouraged to re-join the workforce locally.
- The skills of migrants should be better understood to see if their skills matched employer requirements.

It was generally agreed that the skills agenda should be the focus for the Solent area. It was suggested that there be investigation of the impact of a referendum on leaving the European Union (EU) which could be fed back to the forum members. Unfortunately time had not permitted a full debate of the suggestion of flagship sites for housing and employment within the area.

The Chairman thanked both Anne-Marie Mountifield and Anthony Light for their interesting presentations.



**RESOLVED** the Solent Growth Forum -

- 1) considered the Solent Strategic Economic Plan presentations and
- 2) had provided their feedback to inform a review of the Solent Strategic Economic Plan.

**6. Any Urgent Business, including next meeting**

Stuart Baker advised the forum members of the **Solent Employer Ownership of Skills Programme**, which is open for businesses to bid for money to develop proposals to create jobs, raise skills and drive enterprise and economic growth in the Solent. In line with the published guidance the LEP is seeking an offer of support from a local authority or ex officio member from the SGF to support the work of the investment panel.

Post meeting note: the **Investment Panel** is expected to meet on 23<sup>rd</sup> July (1000 - 1130) at Fareham College to review an application. Further information on the programme is available here: [http://solentlep.org.uk/uploads/documents/Solent\\_EOP\\_Prospectus\\_-\\_May\\_2015.pdf](http://solentlep.org.uk/uploads/documents/Solent_EOP_Prospectus_-_May_2015.pdf). Please will anyone able to offer support to the Panel contact [stuart.baker@solentlep.org.uk](mailto:stuart.baker@solentlep.org.uk).

**Next Meeting**

It was agreed that the Forum meetings should be held approximately three times a year with the next meeting being held in September in line with the LEP meeting.

The meeting concluded at 8.10 pm.

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Councillor Michael Cheshire MBE  
Chair

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Anne-Marie Mountifield  
9 June 2015



# INTRODUCTION

- Overview of Solent LEP area
- Solent as a leading location for business
- Solent Strategic Economic Plan review
- New horizons for the Solent LEP area
- Discussion points

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# OVERVIEW OF SOLENT LEP AREA

- A population of over **1.3 million**
- **50,000** businesses
- Local GVA of **£25 billion**
- Part of wider south east economy valued at **£190 billion GVA**
- A **global** gateway

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- Two **key cities** in the Solent area
- Proximity to **business base** and **global defence hub**
- **Flexible employment** space with room for **growth that is available now**
- **Excellent global transport links** to sea and air
- Proximity to London





# OVERVIEW OF **SOLENT LEP** AREA

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- At heart of UK's marine and maritime economy - sector accounts for over **20% of GVA**, providing over **48,000 jobs** and supporting **3000 businesses**
- Key economic assets include the **world class maritime, defence and technology** cluster, presence of **major multinationals**, strengthening **SME base, Higher Education** and **FE sector**
- Significant **natural assets** and **very good quality of life**



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# OVERVIEW OF SOLENT LEP AREA

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- A very strong **skills base** - **55,000** students are educated in the area, a **higher proportion** than for the South East or Great Britain
- Leading companies include - **IBM, BAE Systems, EADS Astrium, ABP, Boeing, Lockheed Martin, Zurich, Lloyds Register Group, Skandia, QinetiQ, Carnival UK** and **GKN**
- **7 out of the top 10** global aerospace companies **operate from the area**

**BAE SYSTEMS**

**Z ZURICH**

**L** Lloyd's Register

**IBM**

**GKN**

**ASTRIUM**  
AN EADS COMPANY

**AIRBUS**

**skandia**

**BOEING**

**CARNIVAL UK**

**QinetiQ**  
**ABP**

**LOCKHEED MARTIN**



- Access to **world class research** as home to The University of Southampton, University of Portsmouth and Southampton Solent University
- **Collaboration opportunities** with the Universities and the SME hub
- Labour market - an excellent pool of **scientists, technologists, engineers** and **support services** to draw from
- **Super connected cities**

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**SOLENT**  
A LEADING LOCATION  
FOR BUSINESS





# TRANSFORMING **THE SOLENT** ECONOMY

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# SOLENT LEP STRATEGIC ECONOMIC PLAN TO 2020

- **3% GVA growth**  
per annum
- **15,500** new jobs
- FDI to **increase to 5%**  
of total for UK
- Move towards **40%**  
**qualified to level 4**  
**or above**
- **13,000** new homes
- **500,000 sq ft** of new  
employment floorspace

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# SOLENT LEP STRATEGIC ECONOMIC PLAN TO 2020

- **£151.9 M** skills and infrastructure **investment**
- A declared intention to maintain its position as the **UK's leading global centre for maritime**
- The **world leading** location for **defence, technology** and **engineering**
- A strong **track record of delivery to date**





# NEW HORIZONS FOR THE **SOLENT LEP** AREA



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# NEW HORIZONS FOR THE **SOLENT LEP** AREA

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- Transport investment plan and Intelligent transport solutions (ITS)
- Innovation, research and development and Knowledge transfer optimisation
- A new innovation hub for defence, engineering and technology
- Channels to new and emerging global markets
- STEM agenda and talent development
- Productivity improvements



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## SGF DISCUSSION POINTS

The SEP revision - what are the key considerations ?

- Continue to enhance transport connectivity across the area ? (the LEP Transport Investment Plan)
- Growing the skills base and supporting business growth; employment growth, productivity improvements or both ? (OE economic review)
- Continue to enable flagship sites for housing and employment ? (PUSH Spatial planning review)

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# Solent LEP

## Economic outlook update

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Anthony Light

Oxford Economics

June 2015



# Agenda

- Recent performance and outlook

- GVA
- Employment
- Productivity
- Demographics
- Changes Autumn 2013 / Spring 2015

## ● Implication for targets

## ● Productivity

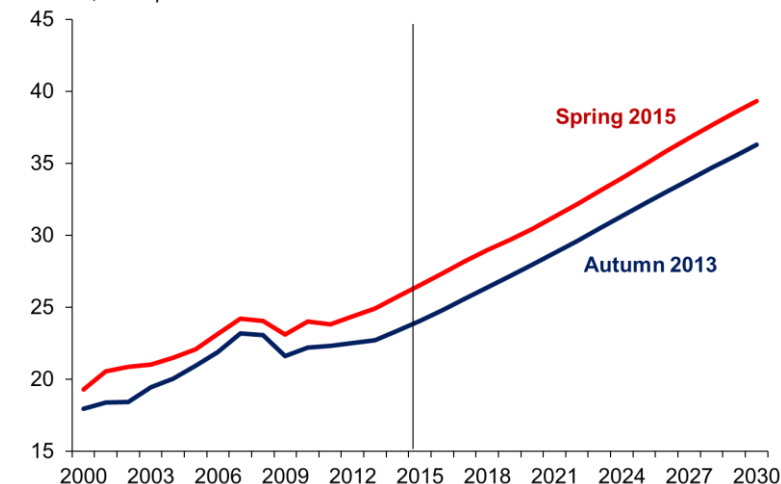


# GVA – data revisions and stronger recent growth

- Solent GVA is currently higher than thought
  - Methodological changes to the UK national accounts
  - Shallower recession and faster subsequent recovery
- Solent GVA in 2014 = £25.8bn (2011 prices)
- Growth outlook relatively unchanged
  - 2014-20
    - Spring 2015 2.8%
    - Autumn 2013 3.0%
  - 2014-30
    - Spring 2015 2.7%
    - Autumn 2013 2.8%
- Solent GVA growth broadly in line with the national average and a little below the south east

## Solent GVA

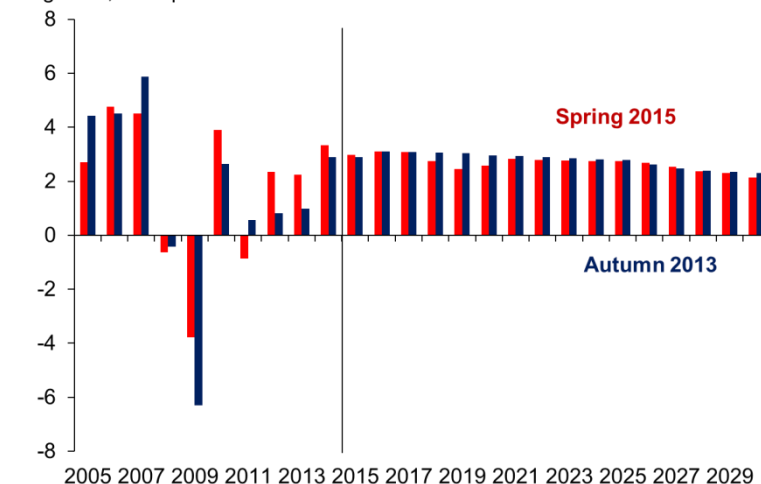
£ billion, 2011 prices



Source : Oxford Economics

## Solent GVA

% growth, 2011 prices



Source : Oxford Economics

# Employment – job creation has exceeded expectations...

- UK employment has exceeded expectations over the past 18 months
- Solent employment up 3% in 2014 (17,800 jobs), the strongest annual performance since 2002 and well above our autumn 2013 forecast

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## Growth outlook revised up

### ■ 2014-20

- Spring 2015      0.8%    29,400 jobs
- Autumn 2013      0.7%    25,300 jobs

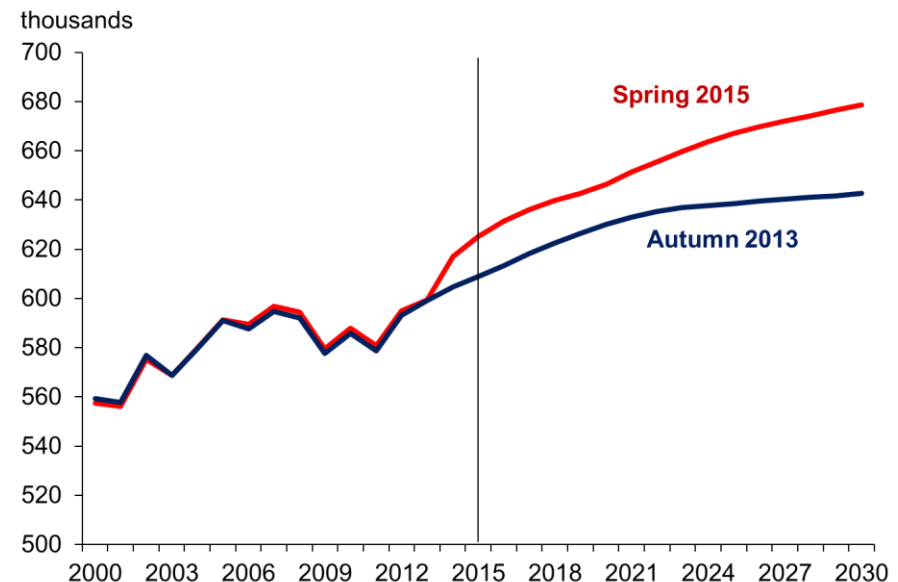
### ■ 2014-30

- Spring 2015      0.6%    61,500 jobs
- Autumn 2013      0.4%    38,100 jobs

### ■ Solent employment in 2030

- Spring 2015                      678,600 jobs
- Autumn 2013                      642,800 jobs
- Difference                        35,800 jobs

## Solent employment



Source : ONS / Oxford Economics

# ...to the benefit of local residents

## ● Resident employment

### ■ 2014-20

- Spring 2015      0.7%    24,500 people in work
- Autumn 2013      0.6%    22,600 people in work

### ■ 2014-30

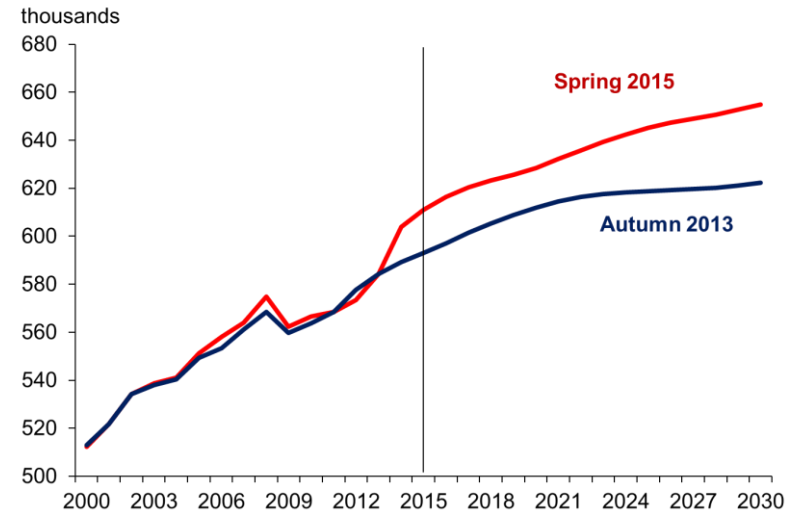
- Spring 2015      0.5%    50,900 people in work
- Autumn 2013      0.3%    33,000 people in work

### ■ Solent resident employment in 2030

- Spring 2015                      654,800 people in work
- Autumn 2013                      622,300 people in work
- Difference                        32,500 people in work

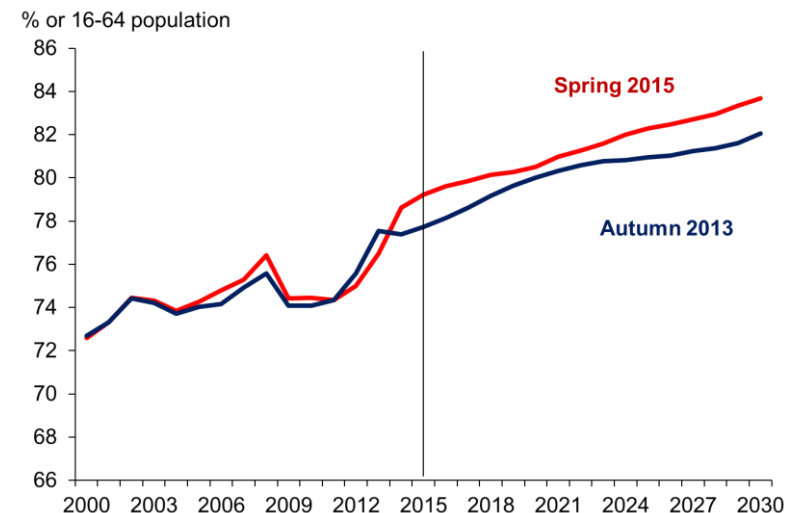
- Facilitates a steady rise in the resident employment rate and a reduction in unemployment

## Solent resident employment



Source : ONS / Oxford Economics

## Solent resident employment rate



Source : ONS / Oxford Economics

# Productivity – expected improvement weaker than hoped

- Strong economic growth has been supported by jobs not productivity
- Higher productivity in Solent due to statistical revisions, but lower growth

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## ■ 2014-20

- Spring 2015 2.0%
- Autumn 2013 2.3%

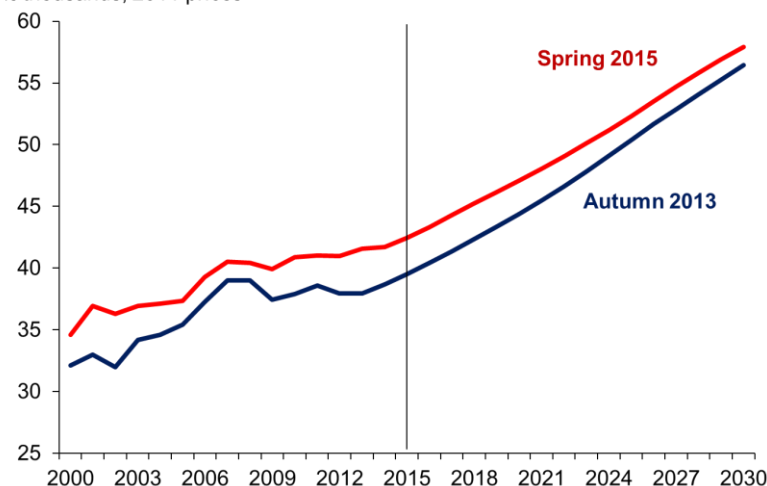
## ■ 2014-30

- Spring 2015 2.1%
- Autumn 2013 2.4%

- Solent 12% below the South East average and 5% below the UK average. Little change expected over the forecast period

## Solent productivity

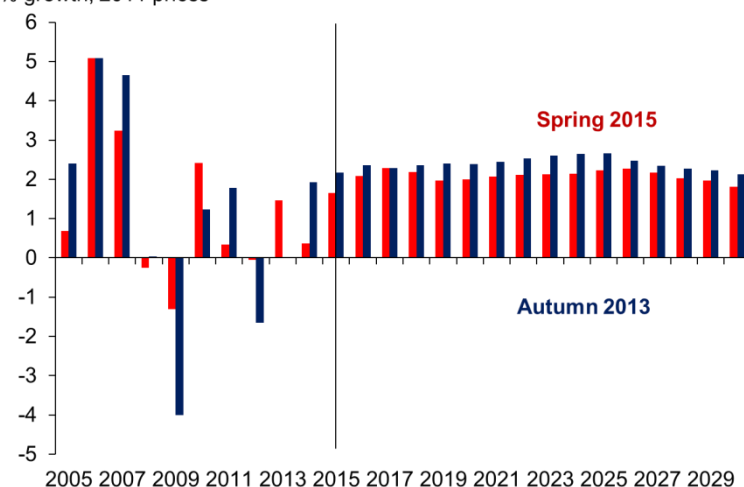
£ thousands, 2011 prices



Source : Oxford Economics

## Solent productivity

% growth, 2011 prices

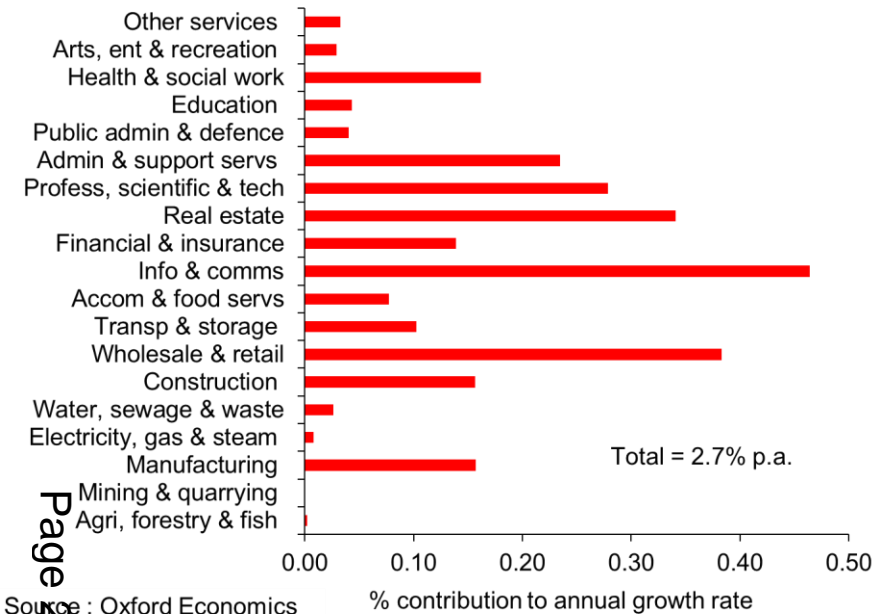


Source : Oxford Economics

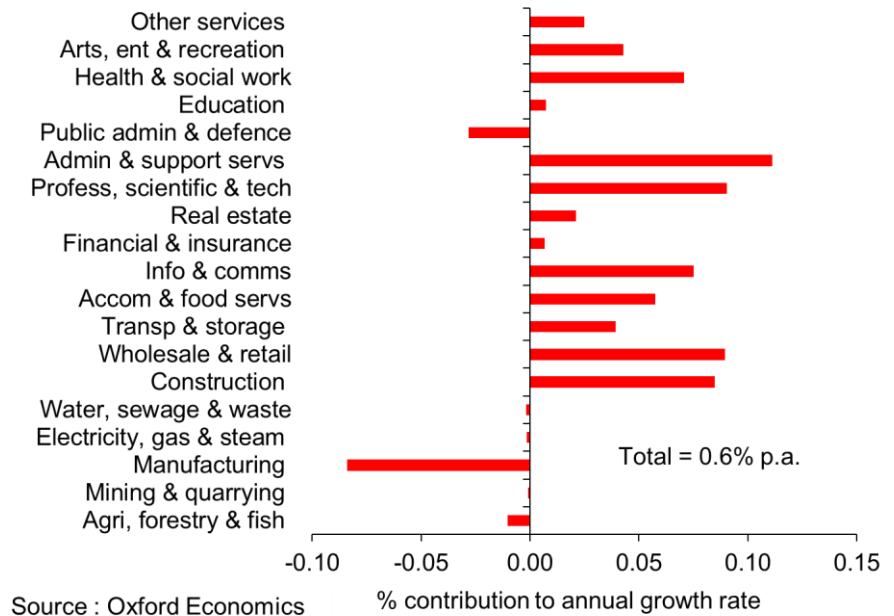


# Growth led by private services

**Solent GVA 2014-30**



**Solent employment 2014-30**



- Growth led by private services, especially for employment
- Rising manufacturing GVA achieved with fewer workers
- Public sector weakness most acute for public administration, mainly over the next five years.
- Demographic developments increase demand for frontline services, especially health

# Population – will more jobs require more people?

- Upgrade to employment forecast means higher net migration and population

## ● Solent population

### ■ 2014-20

- Spring 2015      0.8%    58,200 people
- Autumn 2013      0.6%    44,500 people

### ■ 2014-30

- Spring 2015      0.7%    134,900 people
- Autumn 2013      0.5%    99,800 people

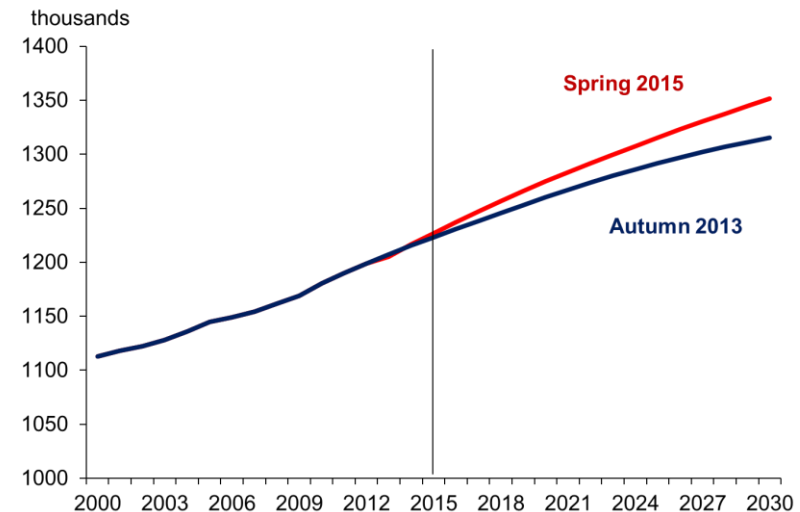
### ■ Solent population in 2030

- Spring 2015      1,351,300
- Autumn 2013      1,315,500
- Difference      35,900

- Implications for housing, demand for public services and transport

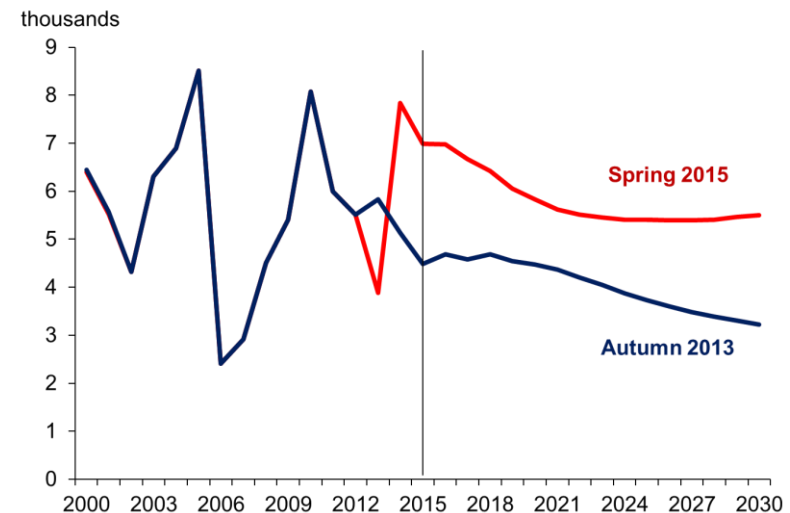
- Despite low unemployment, could additional jobs be filled by existing (non-employed) residents rather than migrants?

## Solent population



Source : ONS / Oxford Economics

## Solent net migration



Source : ONS / Oxford Economics



# Implications of the revised forecast for the targets

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- The Preferred Growth Scenario set some headline targets for 2020 (based on autumn 2013 baseline forecast)
- An additional 15,500 jobs above baseline & increasing employment rate from 78% to 80%
  - Spring 2015 baseline forecast implies the targeted level of employment and resident employment rate will be achieved by 2020, largely due to stronger than anticipated growth last year
  - Should we be more ambitious?
- GVA growth to rise to 3.5% pa
  - Spring 2015 baseline forecast is for GVA growth of 2.8% per year between 2014 to 2020, a modest reduction from 3% in the autumn 2013 forecast
  - GVA growth target remains challenging, because...
- An increase in productivity of £6,500 (including baseline growth)
  - Spring 2015 baseline forecast has a productivity improvement of £5,300 by 2020 at an annual rate of 2% per year. This would need to be boosted to c2.6%
- Boosting productivity is the key challenge

# The productivity puzzle

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- Why has productivity growth been so weak since 2008?
  - Collapse in investment (lack of finance / demand / business confidence)
  - Strong labour supply growth, low wages
  - Underreporting of GDP in the official statistics?
- A (at least partial) reversal of these trends help to support a recovery in productivity growth over the medium / long term
- How can we improve productivity – the million dollar question
  - Invest in the supply side of the economy – infrastructure, broadband, transport, skills
  - Evidence shows a strong positive relationship between skills and productivity
  - Innovation (districts) and R&D can have considerable direct impacts on firms, and indirect impacts through spill-overs
  - Sector growth matters
  - Though its probably not appropriate to apply 'one size fits all' measures to each economy - needs a tailored approach
- Will faster productivity growth lead to stronger GVA or weaker employment growth?