

Title of meeting: Solent Growth Forum

Date of meeting: Tuesday, 9th June 2015

Subject: Solent LEP Update

Report by: Stuart Baker, Head of Local Growth, Solent LEP

1. Purpose of report

This report updates the Solent Growth Forum on progress being made on the delivery of the Solent Growth Deal, work being undertaken in relation to European Union Structural Investment Funding identified for the Solent area, and work being undertaken to refresh the Solent Strategic Economic Plan, for which advice of the Forum is sought.

2. Recommended that the Forum:

- (1) Notes the Solent Growth Deal Update;**
- (2) Notes the Expanded Solent Growth Deal Update;**
- (3) Notes the European Structural Investment fund (ESIF) Update;**
- (4) Notes the Solent Strategic Economic Plan (SEP) Update;**
- (5) Consider the Solent Strategic Economic Plan presentations at the Forum meeting ; and**
- (6) Provide advice and /or recommendations to inform the review of the Solent Strategic Economic Plan**

3. Background and Content

1. Solent Growth Deal

Further to the update on the Solent Growth Deal at the February Preliminary Meeting of the Solent Growth Forum (SGF), the 2015/16 Solent Growth Deal allocation of £40,391,667 was received in the account of Portsmouth City Council (the accountable body for the Solent LEP) on the 10th April 2015. This settlement is expected to secure the following:

- Two new STEM centres, and
- Transport infrastructure to bring forward the delivery of 9,500 houses and associated employment floor space; and
- Strategic green infrastructure to enable accelerated delivery of housing; and
- Significant transport infrastructure improvements to improve network performance across the Solent area, unlock development land (at Dunsbury Hill Farm); and
- A £2m business support grant programme; and
- Planning consents for J10 M27 and Welborne

Solent Growth Deal tail funding of £55.5m covering the period 2016/17 - 2020/21 was outlined in a letter from DCLG to the Solent LEP dated 6th February 2015. Subsequently, the LEP Executive has received a further letter from DCLG (dated March 2015), advising

the indicative profile of this 'tail' funding across the years 2016/17 to 2020/21. The indicative profile of annual grant payments from 2016-17 onwards for the Solent Growth Deal is provided in table 1, below.

Table 1: LGD profile 2016-17 to 2020-21

2016-17	2017-18	2018-19	2019-20	2020-21	Total
£42,640,334	£18,982,028	£10,817,860	£9,252,686	£9,252,686	£90,945,594

These figures include funding announced on 7th July 2014 in the original Solent Growth Deal (£104.4m¹), but excluding the £40,391,667 (for 2015/16), and including the £27.1m allocated in the expansion of Growth Deals announced on 29th January 2015.

It should be noted that the figures in table 1 do not include funding related to what are referred to as Department for Transport '*retained schemes*', which in respect of the Solent area includes the £14.9m M27 Junction 10 scheme included in the Solent Growth Deal. Funding profiles for this scheme will be for Department for Transport to sign-off and agree and the LEP Executive are in discussion with them in relation to this. In addition, it does not include funding that any LEP is expecting to receive from Housing Revenue Account, Regional Growth Fund, New Homes Bonus, or the European Structural Investment Fund. Separate arrangements apply to these funding streams.

It is now for Solent LEP to manage any changes to individual project profiles within our overall annual budget and approve funding for individual projects through the local LEP assurance framework.

It should be noted that whilst the indicative funding profile for 2016/17 to 2020/21, outlined in table 1, represents a commitment to future years funding award, any future year's allocation is not yet confirmed, and this does have implications for 2015/16 delivery.

The LEP Executive has been working with delivery partners to progress projects scheduled to commence in 2015/16 and also to finalise funding agreements. Table 2, below, provides funding status updates based on the latest submitted implementation plans and recent discussions with scheme leads.

Table 2: Current Funding Agreement Status of Projects within the Solent Growth Fund Programme

Solent Growth Fund (launched 23 March 2015 as <i>Bridging the Gap: Growth</i>)	£ 2,000,000
Sub Total	£ 2,000,000
Final Agreement	
Eastleigh College Estates Renewal	£ 4,810,000

¹ The published Solent Growth Deal total award, published on 7th July 2014, was £124.8. However, this included an incorrect allocation of £5.5m for Watermark West Quay, and £14.9m for the Junction 10 M27 scheme, which is now being *retained* by Department for Transport.



Isle of Wight College CoE for Composites, Advanced Manufacturing and Marine	£ 3,800,000
Solent Recreation Mitigation Project	£ 590,000
Dunsbury Hill Farm Link Road	£ 4,540,000
Station Quarter Southampton	£ 4,185,000
Sub Total	£ 17,925,000
Under Offer (Agreements issued)	
St. Margaret's Roundabout and Peel Common Roundabout	£ 5,000,000
A27 Station Roundabout / Gudge Heath Lane	£ 565,000
Sub Total	£ 5,565,000
Under Negotiation (Amendments to delivery have been advised)	
The Hard Interchange	£ 4,832,000
North Whiteley Transport Improvements	£ 1,645,000
Sub Total	£ 6,477,000
Earmarked (Business cases under development)	
Fareham / Gosport Multi-Year Programme	£ 1,000,000
Solent Gateways	£ 1,986,200
Sub Total	£ 2,986,200
Total	£ 34,953,200
Solent Growth Deal Award	£ 40,391,667
Balance	£ 5,438,467

Table 2 shows a potential balance of £5,438,467 for the 2015/16 programme. As set out in the Growth Deal, the Solent LEP will have the flexibility to manage the implementation of the Solent Growth Deal in order to deliver the outcomes agreed. It is recognised that scheme spending profiles are not static and therefore the level of spending on any particular scheme in any particular year is for the LEP to manage.

The LEP Board is keen to utilise this balance to accelerate delivery of multi-year schemes that have moved to final funding agreement, and that are both sufficiently advanced and where significant value for money benefits can be realised. An update on this will be provided at the Solent Growth forum meeting on 9 June 2015

2. Expanded Solent Growth Deal

As outlined above, and as reported at the Preliminary meeting of the SGF, it was announced on the 29th January that the Solent LEP had agreed an expansion to its Growth Deal with the Government, which will see an extra £27.1m invested in the Solent area between 2016 and 2021 (included within the indicative profile set out in table 1, above). This is in addition to the funding committed by the Government on 7 July 2014 (also noted above).

Projects to be funded with the £27.1m investment announced include:

- The next phase of work to improve transport and infrastructure in the Fareham and Gosport Peninsula, which will cut journey times, attract new businesses to the area and support the Solent Enterprise Zone and new housing delivery at Welborne.
- Bringing forward a National Maritime Systems Centre of Excellence, creating up to 95 jobs and developing skills in a key sector for the area, and building on the existing Centre for Maritime Intelligent Systems (C-MIS)
- Improving access to Southampton Western Docks, one of England's largest trade ports.

The LEP Executive will soon be contacting scheme leads to develop proposals and align delivery with the indicative funding profile.

In addition, the LEP secured £4.5m of capital funding for a skills and innovation programme fund, to improve skills and promote innovation in the Solent area. This fund is available to the four skills and innovation projects that formed part of the LEPs submission to Government as part of the expanded Local Growth Deal process in late 2014. The four projects are:

- Centre for Construction of the Built Environment
- Hythe STEM Centre of Excellence
- Solent Excellence Centre
- Cancer Immunology Research Centre

The LEP Executive has invited skills and innovation scheme proposers to submit business cases for their projects, recognising the £4.5m grant funding available, by the 19th June 2015. These will be assessed in accordance with the prioritisation framework reported to this Forum at the Preliminary meeting on the 27th February, and be subject to due diligence. The outcome of this process will be reported to the Forum at the next meeting.

3. Solent LEP Local Assurance Framework

The Solent LEP Local Assurance Framework was published on the 7th May 2015 and a link to the Assurance Framework is provided below:

http://solentlep.org.uk/uploads/documents/Solent_LEP_Assurance_Framework_May_2015.pdf.

4. European Structural Investment fund (ESIF)

The Government has launched the first round of applications for European Structural and Investment Funds (ESIF) in the Solent.

The Programme comprises three separate funds – the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Fund for Rural Development (EAFRD) – all aiming to increase economic and social prosperity in the sub region, and to create a more competitive, prosperous and inclusive economy. The Solent Local Enterprise Partnership (LEP) has been encouraging local organisations to bid for this funding, which requires match funding and is profiled over a seven year period to 2020/21.

The first calls for projects are from the ERDF funding and they focus on two areas critical to delivering the Solent Local Enterprise Partnership's ESIF Strategy: Business Support for SMEs and Research and Innovation.

a. Promoting Research and Innovation

Up to £1.5m is being made available over a 3 year period to develop and deliver a single innovation strategy that enables enterprises to access the full range of expertise, facilities and support offered by Higher and Further Education establishments, as well as national centres of excellence. Funding will be available to support networking activity and provide a flexible innovation grants programme to support SMEs based in the Solent LEP area

Full guidance in relation to this call has now been posted at:

www.gov.uk/european-structural-investment-funds/research-and-innovation-call-in-solent-south-east

Organisations seeking to respond to this call will need to submit their proposal by **27th May 2015**.

b. Enhancing the Competitiveness of Small and Medium Sized Enterprises

Up to £1.8m is being made available to address shortfalls in support for Small and Medium Sized Enterprises based in the Solent LEP area and DCLG is seeking to support a project which will support the continuation of a Solent Business Growth Hub.

Full guidance in relation to this call has now been posted at:

www.gov.uk/european-structural-investment-funds/sme-support-call-in-solent

Organisations seeking to respond to this call will need to submit their proposal by **29th May 2015**.

It is expected that further opportunities to apply for ESIF funding in the Solent, including opportunities available under both the European Social Fund (ESF) and the European Agricultural Fund for Rural Development (EAFRD) will be made available in Summer 2015. All information in relation to funding opportunities available through European Structural and Investment Funds to 2020/21 will be available at:

www.gov.uk/european-structural-investment-funds

5. Solent Strategic Economic Plan (SEP)

Work is now underway to review the Solent SEP and supporting priorities. This will include:

- A review of recent macro trends and forecasts; and
- An analysis of the performance of the Solent economy versus previous forecasts; and
- Consideration of the Solent Growth deal and Extended Growth deal

Under item 5 of the meeting, the forum will receive two presentations; one from the LEP and one from Oxford Economics and we will be seeking views and advice from the forum to inform the update of the SEP. These views will be incorporated into the SEP review and also reported to the Board at its next meeting in July 2015.

Appendices: none

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Solent LEP Local Assurance Framework

http://solentlep.org.uk/uploads/documents/Solent_LEP_Assurance_Framework_May_2015.pdf