

## Solent Inward Investment Model - Proposed ERDF Supported Model – Summary Report

### Context

- Widely acknowledged under performance of Solent region in inward investment attraction (circa 1 to 2 % of foreign direct investment market share in UK according to UKTI) – whilst recognising that inward investment is derived from both new companies locating here and also reinvestment/growth of our indigenous business base;
- Other UK regions already ‘ahead of the game’ – having established separate agencies or teams to focus solely on inward investment - prominent examples include Manchester (MIDAS), Kent (Locate in Kent), Sheffield (Creative Sheffield), Birmingham (Marketing Birmingham);
- Work commissioned by the Solent LEP made recommendations for a future approach, but significant challenges emerged around sustaining sufficient funding of an effective model beyond a 12 month period;
- Solent LEP now intends to recruit an Inward Investment Manager, primarily to lead on more effective engagement with UKTI, and to progress cross LEP working on inward investment related initiatives;
- The recent call for proposals under the 2014-2020 European Regional Development Fund (ERDF) programme, through Priority Axis 3 (SME Competitiveness), offers an opportunity to establish and sustain a more coherent inward investment model over an initial 3 year period.

### Need

- Targeted high quality marketing and business development activities to promote and position the Solent region as a location for business investment to corporate decision makers;
- More effective co-ordination of inbound enquiries and tailored responses;
- More effective harnessing and engagement of wider resources across the region, including local authority economic development resources;
- Proactive, ongoing support and relationship management for existing businesses, and particularly those demonstrating high growth potential.

### ERDF Opportunity – SME Competitiveness

- Earlier this year, through the Solent Local Enterprise Partnership, a call for proposals was promoted for a Solent Business Support Hub project, to be part-funded through the European Regional Development Fund (ERDF), under the “Priority Axis 3” (SME Competitiveness), “Investment Priority 3c” (Growth capacity).
- Up to £1.8M of ERDF funding is to be made available over a 3 year period, which has to be matched on a 50:50 basis, creating a total project budget of £3.6M. The Managing Authority for ERDF funding is the Department for Communities and Local Government (DCLG), with whom any contractual arrangements for the funding will need to be finalised;
- Given its previous role as Accountable Body for the Solent Growth Hub (funded through the Regional Growth Fund), the University of Portsmouth agreed to lead a consortium of

partners to develop and submit an Outline Application in response to the ERDF call for proposals (which was submitted on 29 May 2015);

- At the time of writing, confirmation has been received that the University of Portsmouth and its partners is being invited to submit a Full Application;
- The scope of business support to be delivered through the project includes the following:
  - ‘One stop shop’ service to direct/signpost businesses to appropriate support (linked to the national business helpline run by BE Group);
  - Inward Investment service – to support SME inward investors to locate and invest in the Solent LEP area (proposed lead partner HCC, supported by SCC and PCC);
  - Other specialist support – encompassing start up support, investment readiness, e-commerce and business process support, marine sector SME support, innovation / R&D support and leadership development (proposed delivery by several partners).
- Headline outputs proposed by the partners include the following:
  - Number of businesses supported = 1,400
  - Number of jobs created = 400
  - Private sector investment leveraged = £9M
- The proposed target is for this ‘project’ to go live in Spring 2016.

#### ERDF Proposal – Funding Profile

- The match funding of £1.8Mm for the overall Solent Business Support Hub project is proposed to be made up of £1.3M in cash and in-kind contributions from the Delivery Partners, and £0.5M from the businesses benefiting from the Solent Business Support Hub services;
- In terms of the proposed inward investment element of the project, the proposed costs/annual spend is as follows:

Cost Element	Costs Y1 £000	Costs Y2 £000	Costs Y3 £000	Costs (Total) £000
Head post (new)	85	85	86	256
Marketing Co-ordinator post (new)	40	40	41	121
Enquiry Co-ordinator post (new)	40	40	41	121
Marine Sector Manager (HCC existing post)	53	53	54	160
Aerospace/Defence Sector Manager (0.5) (HCC existing post)	31	31	32	94
Business/Financial Services Manager (0.5) (HCC existing post)	26	27	27	80
Enquiry Support Officer (0.5) (HCC	15	15	15	45

existing post)				
Inward Investment Manager (0.5) (SCC existing post)	30	30	31	91
Office Costs / Expenses	10	10	10	30
Marketing Activity Budget	60	60	60	180
<b>Totals</b>	<b>390</b>	<b>391</b>	<b>397</b>	<b>1178</b>

- The total match funding for the inward investment element is £650,000 over 3 years made up of:
  - £180,000 cash (PUSH £100k (subject to approval by PUSH Joint Committee), £50k Portsmouth City Council, £30k Southampton City Council);
  - £379,000 of staff time from Hampshire County Council;
  - £91,000 of staff time from Southampton City Council.
- The balance of £528,000 needed over the 3 years is derived from ERDF funding.
- The proposed contractual outputs associated with the inward investment activity are as follows over the 3 year period of the funding:
  - Number of businesses supported = 80
  - New jobs created = 250
  - Private sector investment leveraged = £9M
- It is worth noting that guidance has been received from UKTI in relation to the use of ERDF funding for the purposes of supporting inward investment activity, and it has been confirmed that the ERDF operational programme supports the promotion of foreign direct investment (FDI), particularly under the “Priority Axis 3” (SME Competitiveness), “Investment Priority 3c” (Growth capacity). Expenditure must be SME focused, and support funded in this way must be for businesses based within the programme area, but could involve support provided to a foreign investor once located here. Place marketing is allowable as long as it is targeted at inward investor SMEs from outside the EU.

#### **Inward Investment – Proposed Model**

- A core ERDF supported resource made up of:
  - 3 new full time posts – Head, Marketing Co-ordinator, Enquiry Co-ordinator;
  - 3 FTE equivalent staff seconded from HCC and SCC;
  - Circa £60k pa activity budget;
  - Utilising existing network of local authority offices.
- Core ERDF supported resource augmented by non ERDF supported resources available through Solent LEP, HCC, SCC, PCC, IOW and Districts – these resources being critical to enable flexibility around supporting non SME businesses;
- It is envisaged that the newly created Solent LEP Inward Investment Manager post will interface and collaborate closely with the proposed model, with specific responsibilities

around the relationship with UKTI, engagement with LEP partners and supporting the engagement with larger businesses;

- Shared / common CRM system (provided by SCC) for contact and enquiry management, linked to region wide property database – accessible to all partners – will assist in drive to open and collaborative culture;
- Marketing channels proven to have greatest impact on decision makers / influencers will be prioritised – website, PR, events, trade shows, all supported by proactive business development activity;
- Single brand – Portsmouth & Southampton / The Solent – as used at MIPIM UK – but accommodating existing marketing vehicles eg Invest in Southampton, Invest in Portsmouth, Invest in IOW and Invest in Hampshire websites.

### **Key Role for Local Authorities**

- Engagement with existing business base (large companies and SMEs) to enable appropriate support for growth;
- Local data/intelligence for potential inward investors encompassing workforce availability, existing business base, available business premises and development sites, local education provision, etc.;
- Facilitation of dialogue with local political leaders (can be important for overseas investors);
- Facilitation of access to statutory services – planning, environmental health, etc.;
- Provision of local orientation visits for new occupiers/staff.

### **Governance**

- The model needs to be accountable to the following:
  - Solent Inward Investment Delivery Panel – the Solent LEP is currently refreshing this panel which will be private sector led, but includes representatives of LEP, PUSH, HCC, SCC, PCC and IOW – it is envisaged that this is where proposed inward investment activity will be discussed and approved;
  - Solent Business Support Hub Steering Board – to be established by the University of Portsmouth to oversee the proposed ERDF funded activity and will include HCC, SCC and PCC as delivery partners of the project – it is envisaged that this is where the inward investment resource will have to be accountable for compliance (with ERDF requirements), outputs and evidence, etc.

### **Benefits of Model**

- It fulfils a critical need for the Solent region to have a much more coherent, consistent and effective single mechanism to promote itself as a strong investment location;
- It harnesses the existing resources available through a strong partnership of Hampshire County Council, Southampton City Council, Portsmouth City Council, Isle of Wight Council and the Districts;
- It maximises the economic value of our extensive landscape of physical assets and business networks;

- It is highly cost effective and therefore has the potential to be financially sustainable beyond the initial ERDF funding period;
- It will provide strategic evidence on specific demand for business floorspace and assets across the area;
- It will inform the skills agenda.

### **Recommendations**

The PUSH Overview and Scrutiny Committee is recommended to:

- A) **NOTE** the proposed Solent Inward Investment model, part supported by the ERDF programme;
- B) **NOTE** the proposed PUSH cash contribution of £100,000 as match funding to support the Inward Investment element of the ERDF Funding Model over a 3 year period from 2016-2019;
- C) **NOTE** the role of Hampshire County Council as lead partner (supported by Portsmouth City Council and Southampton City Council) to contract with the University of Portsmouth for the inward investment element of the Solent Business Support Hub and associated funding, outputs and other obligations.