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5 August 2010

Dear Secretaries of State

SOLENT LOCAL ENTERPRISE PARTNERSHIP: INITIAL OUTLINE PROPOSAL

We are delighted to respond to your recent invitation and are submitting our initial proposal for a business-led Local Enterprise Partnership (Solent LEP). Solent LEP will be driven by the business community, supported by four university partners, the further education sector, three upper tier authorities (Isle of Wight, Portsmouth and Southampton), eight district councils (East Hampshire, Eastleigh, Fareham, Gosport, Havant, New Forest, Test Valley and Winchester) and the voluntary and community sector who are actively working together to secure a more prosperous and sustainable future for the sub region. There is also a strong willingness to secure a broader alliance that incorporates Bournemouth and Poole, reflecting the wider Solent coastal economy.

We are determined to put business at the heart of economic growth in the Solent area, enabling this recognised globally competitive area to realise its full potential. Solent LEP will improve the coordination of private and public investment in transport, housing, skills, regeneration and other areas of economic development, and is focused on:

- **Rebalancing** the local economy in favour of the private sector
- **Reindustrialising** the economic base, supporting the development of knowledge based industries and high value added manufacturing
- **Regeneration** - developing a coalition between the private, public and voluntary and community sectors to continue the renaissance of the area's cities and urban areas, tackling deprivation, meeting the skills needs of the economy and combating the effects of climate change.

With a population of over 1.3 million and some 50,000 businesses, the South Hampshire and Isle of Wight area is a well recognised functional economic area (see Annex 4 for the economic profile) anchored around the Isle of Wight, the two cities of Portsmouth and Southampton and the M27 corridor and Solent waterway (refer to Annex 1 for a map of the area). This has provided a clear definition in terms of the travel to work and learn area and includes consideration of the housing market area and other service markets.

The geography of Solent LEP is therefore based on the realities of the natural local economy rather than artificial public sector boundaries. It builds on and simplifies existing successful business-led partnerships including: Business Southampton, Federation of Small Businesses, Marine South East, Portsmouth and South East Hampshire Partnership Ltd, Solent Synergy Ltd (SSL) and Solent Innovation and Growth Network (SIGN). Solent LEP is also working with the CBI, IoD and Chambers of Commerce to ensure that the needs of all parts of the business community are met. This is supported by strong local authority partnerships and existing collaborative agreements, notably through the Partnership for Urban South Hampshire (PUSH) and the Isle of Wight Economic and Environment Key Delivery Partnership (KDP).

The area has the potential to deliver growth. Recent trends show that private sector jobs growth in Portsmouth exceeded 15% in the ten year period to 2008, reflecting the core strength of advanced manufacturing and marine. The City of Southampton and the Isle of Wight also delivered real GVA growth of 3.7% and 5% respectively over the same period.

Integrating best practice from business, universities, further education, public and voluntary sector organisations is at the heart of our LEP approach. In the period to 2026 it will capitalise on identified strengths and through collaboration commit to:

- **Creating wealth through business growth** by connecting them to people, expertise, finance and networks, and in the process creating prosperity and in addition to current forecasts create **10,000 new jobs** in the Solent LEP area
- **Attracting inward investment** to the region by developing a business-led approach towards inward investment, ensuring that existing, geographically mobile companies are retained and encouraged to re-invest in the Solent LEP area contributing to **GVA growth of 2.1% equating to an extra £1bn or £6,400 per capita**
- **Promoting the area as the UK's leading growth hub**, both at home and more importantly in the global marketplace, developing the advanced engineering and manufacturing sector through a business-led approach
- **Driving regeneration of the urban areas** and developing new ways of reinvigorating cities and areas of deprivation. Solent LEP will play a role in identifying and driving forward skills development so that economic growth is not

held back by skill shortages in the Solent LEP area increasing **employment rates to 75.9% from the current predicted level of 72.7%**

- **Realising the commercial potential of our universities research, knowledge and expertise** reflecting the needs of business, enhancing employability and local graduate retention. Solent LEP will work with universities to accelerate organisational renewal and adopt best business practices in the delivery of their own services.

It is vital that the public sector better understands the needs of business, giving local authorities the insight to respond positively to the demands of business, creating the transport infrastructure, development sites and housing to support business growth and at the same time protecting the environment and safeguarding the quality of life. This understanding will help the public sector partners learn from business and deploy business principles to increase public sector productivity.

Our vision, transformational actions and key functions

Our vision is to deliver an environment that will better facilitate economic growth in the Solent area, allow businesses to grow, become more profitable, greener and enable new businesses to form and prosper. As a result there is a need to make the best use of the assets that the area already possesses (people, world class businesses, further and higher education, the natural environment and quality of life) and achieve **sustainable economic growth**.

An economic development strategy for the area has been developed, underpinned by a robust evidence base. This has involved a significant input from the business and academic community and clear economic priorities have been established which will form the basis of the LEP's work programme.

- **The development of a growth hub and strategic sector based clusters** – the area has unique sectoral strengths and there is a need to ensure that the Solent continues to be recognised as the leading location and growth hub for advanced manufacturing and engineering (marine, aerospace, renewable energy, environmental technologies and composites) and transport and logistics. The major advanced manufacturing and marine cluster in the UK is located in the Solent area and is home to 1,750 marine related businesses. With GVA and GDP contributions of £3.6 billion and £1.9 billion respectively, the sector represents around 18% of the Solent economy accounting for some 48,000 jobs. The Isle of Wight is also a centre for renewable energy activities and a technology hub for composite materials and their application in marine technology, renewable energy and aerospace. The Solent area has the UK's largest concentration of cleantech companies outside London and the largest number of sustainability researchers, many of whom specialise in marine and maritime energy. In addition, the transport and logistics sector employs 36,000 people and has grown faster in the Solent area than anywhere else in the UK, built on the key assets of the Ports of Southampton and Portsmouth and Southampton International Airport.
- The **visitor economy** has become increasingly important and there is a vibrant visitor economy and leisure sector. Tourism is vital to the economy of the Isle of Wight, supporting over 20% of employment and generating £360m direct tourism expenditure. The area is also an important international gateway for both business visitors and tourists travelling in and out of the UK. The very buoyant cruise industry and the expansion of routes from Southampton International Airport are key to this. The area will seek to capitalise on our transport infrastructure and the natural assets, heritage and retail experience that visitors can enjoy in order to encourage them to stay in the wider area. The promotion of the offer of the Isle of Wight and South

Hampshire will now be undertaken at a strategic level, bringing together the individual offers into a more comprehensive and collective offer across the area for businesses and visitors alike in order to capture the wider economic benefits of the area.

- **A strong focus on employment and skills** – we will invest in skills to enable higher levels of employment and deliver a more balanced and sustainable pattern of growth to ensure that local residents are equipped to take up the jobs that are created. This will reduce the need for in-migration or higher levels of in-commuting, boosting the employment rate, ensuring that GVA per capita can rise more quickly and retaining the benefits of growth within the existing population. The Employment and Skills Board (ESB) has been established with an independent chairman to deliver joined-up working, comprising seven private sector members drawn from some of the largest employers in the Solent area and representatives from the wider public sector. An action plan provides a clear focus for engaging with and supporting sectors where the area has a clear advantage regionally, nationally and globally including marine, aerospace and environmental technologies. This includes:
 - An industry led advanced engineering initiative to ensure that the sector receives the support it needs from the public sector
 - The establishment of a significant advanced manufacturing and engineering training function to support the skills needs of the growth hub and sector clusters, potentially leading to the development of an Apprenticeship Training agency
 - Strengthening links between HEIs, further education and schools focused on priority sectors in the area
 - Extending the Skills Development Zone that is currently operational in Southampton to secure an improvement in graduate retention from our four universities as well as developing the skills of the existing labour market
 - Creation of opportunities for residents to access jobs in sectors that underpin employment growth, such as business and financial services, the health and care sector, retail and the visitor economy
 - Alignment of local work programmes to ensure it meets local need and supports job growth.
- **Realising the potential of our cities and supporting areas that are economically vulnerable** – this includes the two cities of Portsmouth and Southampton, Isle of Wight and older urban areas such as Havant and Gosport. South Hampshire and Isle of Wight is the largest expanse of urbanised land in the South of England, outside London, with a resident population in excess of 1.3 million. High levels of welfare dependency are evident and the combined numbers of young people not engaged in education, employment or training (NEET) exceeds 2,000. In the Solent area the number of people claiming unemployment benefit has increased almost three-fold from around 8,500 at its lowest point in October 2004 to over 23,000 in 2010. Continuation of these trends will lead to the emergence of a 'low skill – low value added economy' and higher levels of welfare dependency. The LEP will arrest these trends and furthermore facilitate an additional 10,000 opportunities for those not in work to become re-engaged thereby generating revenue for the treasury and reducing the dependency on the welfare state.
- **Infrastructure priorities to include consideration of key land assets, transport considerations, flood risk mitigation and reliable high speed broadband** - large sites with employment and housing potential are available in South Hampshire and

the Isle of Wight, some of which require significant investment in infrastructure. Work is underway to identify priority sites in order to develop a framework for the stewardship of these key sites and to assess how the use and disposition of them can best help restore economic growth and contribute to the area's economic and investment priorities. There have been discussions with the RDA on their land holdings (refer to Annex 2) and, within the context of this proposal, we would seek to express an interest in them, subject to the completion of appropriate due diligence studies. Additionally, there is a commitment to housing which includes housing market/estate renewal programmes, housing site acquisition, servicing and disposal prior to affordable housing development.

- **Supporting enterprise, new business starts and business survival** - enterprise is a key driver of productivity and economic growth. Currently business start-up rates in South Hampshire and the Isle of Wight fall well below regional and national benchmarks, as does R&D activity, despite the significant potential to exploit the universities located within the area as centres of knowledge, promoting spill over of innovation and knowledge to industry. The Solent LEP will expand enterprise programmes in partnership with the voluntary and community sector working with organisations such as the Prince's Trust and Education Business Partnerships to re-engage young people aged 14-25 and there is a commitment to bring forward programmes with employers in the priority sectors such as advanced manufacturing and marine, and strengthening business / university relationships.
- **Establishing a single inward investment and place marketing function** – to ensure we use resources efficiently to attract new businesses to the area. The Solent LEP will play a stronger role in co-ordinating inward investment across the Solent area and tailoring it according to the particular strengths of the area. Work has begun and local functions in the two cities have been unified saving resources, marketing the South Hampshire area more effectively whilst retaining the distinctive city brands. The LEP will take this further for the Solent area.
- **Innovation in delivery and funding** – ensuring that creative and innovative delivery is at the centre of all that we do. Central to this will be:
 - Securing a financially sustainable future so that on completion of the transition period the LEP is not wholly reliant on public sector funding after 31 March 2012
 - Reviewing ESF and ERDF programmes currently managed through the RDA. It will be important to ensure that the flow of funds through these programmes is not disrupted and it is our expectation that the LEP in this area would consider increased devolution of programme management arrangements from 2014 under the next programme
 - Committing to a continued programme of public sector rationalisation of services and co-location of services across Local Authorities and public sector agencies.

It is recognised that the current spending environment creates an imperative for all levels of government to refocus on core priorities and to maximise the effectiveness of spending and interventions. The Solent LEP will continue this work with a further streamlining of services.

Governance

The structure and organisation of the Solent LEP as a legal entity is important in considering the operation of the LEP day to day. Our current recommendation would be that the LEP should take the form of a company limited by guarantee providing a legal entity with which the private sector participants will be familiar and comfortable. It would

enable the LEP itself (rather than any participant on behalf of the LEP) to hold property, employ staff, raise finance and establish decision making processes, whilst enabling liability to be limited to an agreed amount and (subject to more detailed advice from a tax specialist) having a minimal impact on individual participants' tax affairs. The Solent LEP will also seek to set up Special Purpose Vehicles (SPVs), some of which already exist e.g. the private sector led Employment and Skills Board.

We would seek to undertake an options appraisal and consider other options e.g. a contractual arrangement between participants; and a partnership (either with limited or unlimited liability). This would form part of the transition planning, with an intention to fully establish the shadow LEP by January 2011.

The Solent LEP Board will have equal representation from the private and public sector and it is essential that the business community is in the driving seat to genuinely lead and deliver real economic change and outcomes in equal partnership with the public sector. The LEP Board will be chaired by a prominent business leader from the Solent business community and the recruitment process for this will commence in autumn 2010. We have already had significant interest from leading private sector individuals.

Our capacity to deliver

The key strategic leaders in the area are in a very strong position to respond to your request for an outline submission based on the following:

- **There is widespread support and a commitment from the private sector to lead the LEP.** The Solent LEP has the full support of a wide range of businesses and representative bodies, illustrated by the letters of support given in Annex 3. The commitment of the private sector can be demonstrated by the following examples:
 - A clear commitment by the private sector to deliver a low carbon economic vision for the Solent area, as demonstrated by the private-led bid to become a Low Carbon Economic Area for the Maritime Environment and Ports. This was submitted to BIS in early 2010 and aims to accelerate research and business investment in the area particularly in marine and green logistics expertise, attract more cleantech companies and create jobs and businesses based around our unique strengths in the maritime industry.
 - Support from Marine South East – a business-led organisation committed to driving investment in advanced engineering in the Solent area, recognising the importance of sectoral, cluster-scale initiatives for growth, working in harmony with the public sector.
 - A strong commitment from the aerospace and aviation sector to work with the public sector to develop strategic sites such as Daedalus Airfield and realise their potential to deliver tangible and timely regeneration benefits to economically vulnerable areas.
 - A commitment from leading edge companies such as EADS Astrium to further develop advanced design, manufacturing and test facilities in the global space industry supported by a highly skilled and motivated workforce.
- **A strong and well established private-sector led Employment and Skills Board that is already operational.** The Employment and Skills Board (ESB) has already been established with an independent chairman to deliver joined-up working between the various agencies (including the universities and further education) and to target resources on areas of greatest need. This is already cutting through unnecessary bureaucracy and focusing on agreed outcomes. The ESB forms an

essential part of the LEP outline proposal and its function will include directing the commissioning and promotion of workforce training. In addition, given the labour market challenges we face, it will lead on the area of worklessness, both in relation to alignment and rationalisation of local programmes within the Work Programme and scrutinising the delivery of the Work Programme to ensure it meets local need.

- **An outstanding and high performing higher and further education sector.** The Solent LEP is supported by the four universities and the further education sector (refer to Annex 3 for letters of support). The Universities have and continue to influence growth prospects in the Solent area through interaction with businesses and spin out activity. This has provided benefits to the economy beyond the provision of graduates. The universities have complementary specialisms, for example Southampton University is recognised as a world class centre for marine, earth sciences and technology through the investment in the National Oceanography Centre, Southampton Solent University has the internationally renowned Warsash Maritime Academy and Portsmouth University is recognised for its environmental and cleantech specialisms. There is a strong engagement in the FE sector within the Solent area and a commitment to deliver the direct services needed to underpin the development of the local workforce and to support the economically more vulnerable areas in the cities, older urban areas and on the Isle of Wight where labour market engagement needs to improve and levels of worklessness remain high.
- **Strong civic leadership.** The Solent LEP is supported by three upper tier authorities (Southampton, Portsmouth and Isle of Wight) and eight Hampshire district councils (Eastleigh, East Hampshire, Fareham, Gosport, Havant, New Forest, Test Valley and Winchester). There is also a willingness from the two unitary authorities of Bournemouth and Poole to create an alliance with the Solent LEP that reflects the needs and interests of the wider business community (refer to Annex 3 for letters of support).
- **A track record of delivery and partnership working.** Structures are already in place through PUSH and KDP characterised by a track record of effective partnership working and delivery of support for business and the local economy. Through PUSH, eleven local authorities in South Hampshire have been working together on major issues of economic concern, for example on employment and skills and the land allocation both for housing and employment. There is a successful South Hampshire Agreement (SHA) which binds together the commitments of PUSH and other partners to facilitate the delivery of economic development and enterprise linked to those aspects of housing, strategic planning and transport that support the Partnership's overall objective of sustainable economic-led growth. This has succeeded in bringing together a wide range of partners to shape strategy across South Hampshire and has produced a significant evidence base to underpin its economic strategy. As we move forward Solent LEP will seek to maximise the legacy of this partnership working.
- **A shared environmental vision.** There is an agreement in place with the Environment Agency, Natural England and local government to joint working on common environmental outcomes. This includes the Solent Flood Risk 2026 Project which is taking a collective approach to reducing flood risk and achieving safe and sustainable development for the benefit of the local communities. The team has brought together work on flood defence structure, planning policy, local development frameworks and funding to ensure multi agency input on the issues of growth, regeneration and flood risk management.
- **A comprehensive evidence base.** The area has commissioned an independent refresh of the economic base and strategy to inform a more comprehensive approach to economic development which will be completed in September 2010.

The refresh acknowledges the progress and achievements that have been made by partnership working in the area but recognises that the context has changed in terms of the effects of the recession and changes to the public policy environment. The refresh of the economic base and strategy is being jointly developed in partnership with business, the Universities and further education colleges and public sector organisations to ensure that we have a strong and coherent strategy which all partners endorse. The evidence base will form the basis of a framework for our LEP.

In conclusion

In formulating this initial proposal there have been discussions with the RDA as there is a determination that the transition from them is orderly and adheres to a clear timetable, whereby (subject to the detail in the forthcoming White Paper) the Solent LEP would assume the responsibilities by April 2011.

We would welcome the opportunity to discuss with you the process of taking forward this initial outline to a more detailed action plan so that we can rapidly establish the LEP for the area, building on the momentum and unity of purpose that already exists.

The creation of a Solent LEP is seen as a positive step by the business community, the higher and further education community and the public and voluntary sector as we work together to further develop local solutions to the challenges we face and bring focus, cohesion and critical mass to the identification and delivery of those solutions.

This proposal represents our initial outline and underlines our commitment to establish a business-led LEP for the Solent area. A final version of the proposal will be sent to you before the deadline of 6 September 2010.

Yours sincerely



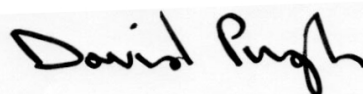
Cllr Seán Woodward
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Hampshire



Cllr Royston Smith
Leader of Southampton City Council



Cllr Gerald Vernon-Jackson
Leader of Portsmouth City Council



Cllr David Pugh
Leader of the Isle of Wight Council