

Item 8 - Appendix 1

Sustainable Economy Update

This update outlines the work done by the various project schemes to support the low carbon economy.

Future South

The low carbon agenda has been slowed somewhat by the many challenges of Brexit and a general election, however we are hopeful that momentum will pick up over the coming months, with the development of the Industrial Strategy and the BEIS Government clean growth programme, which we are expecting to catch sight of imminently.

Since 2012, the partnership has:

- Built an outstanding team of talented creative well connected individuals
- Secured £30 million of new investment into the low carbon economy
- Helped over 100 SMEs develop innovative new low carbon products and solutions
- Created over 200 new jobs with an average salary of £30,000
- Built an “Environmental Technology” Hub at the University of Portsmouth
- Set up the “Wireless Technology” hub for the Universities of Portsmouth and Southampton
- Started the process to create a Regional Bank for Hampshire lending exclusively to SMEs
- Organised five conferences attracting over 100 representatives of businesses and other key organisations to the region, with a 6th happening in November.

Future South has continued to make progress despite some significant funding challenges over the last 12 months. Whilst the partnership is very grateful to the support it received from PUSH, larger and more sustainable funding is required to take the work around the low carbon economy further. Delays in expected external funding have meant that work has had to slow down due to a lack of resource (financially and personnel). Projects have moved forward (although slower than anticipated) due to volunteers and good will, but there is a concern that if funding is not received soon it may be difficult to continue with much of this work.

After a delay of over 12 months, Future South has finally had a feedback session with DCLG w/c 18 September with respect to the EM3 low carbon bid the partnership submitted. This is the only application to have reached the second round. This funding will be essential in taking the work programme forward, although the focus of this particular project is outside of the PUSH area.

Greentech South

The other project that has received PUSH support is Greentech South, the technology and innovation cluster. There a number of funding bids outstanding that would provide momentum for the next stage in the cluster's growth, our acceptance as partners on these bids, a recognition of the strength and potential of the region to contribute significantly to a national and international agenda of clean growth and innovation. The existence of Greentech South continues to support low carbon business in the region, with a membership standing at 165. These businesses have access to University expertise and relevant funding.

Greentech South was invited (the only UK partner to do so) to join the International Cleantech Network (ICN) which has given it status across Europe and links to other companies and supply chains that considerably benefit the PUSH region. Unfortunately the Partnership has not been able to secure funding for a second year's membership (£10,000) so it is not clear at the moment whether this is a benefit that will continue.

Greentech South has ensured access to over £2M in grants and loans for our business members, with access to a further £2M being developed. The Cluster's members are finding new markets for export and as a result the Cluster is growing a strong network of active companies with clear areas of specialist interest.

Business Support

Future South has delivered intensive support to 65 businesses through partners such as University of Portsmouth, Southampton Science Park, Set Squared and Innovate UK. The businesses were identified by the Business Support Officer employed through the RGF and PUSH, who then linked them up with the appropriate support agency. Due to a lack of funding this work is not actively being taken forward at this time because the support through the agencies cannot be funded and there are no funds to pay the Business Support Officer. However, some of this work can now be taken forward by the Solent Innovation Network and it is anticipated that funding opportunities will pay for more support.

Energy Strategy

The energy strategy work has been focused on the themes outlined in a summary business case document that was developed to focus action and investment across the Solent region. Successful lobbying of BEIS by the partnership led to the release of significant development funding for further energy strategy development for the Solent region and this is being administered by the Solent LEP. Despite a desire expressed by BEIS to see this funding supporting the exiting energy strategy work that Future South has developed, the LEP has decided to put the process out to tender. Although Future South will bid for this work, there is no guarantee at all that the LEP will allocate this work to the partnership.

A scoping study focused on potential district heating schemes in both public and private sector developments was carried out with a final report made available earlier in 2017. A draft community renewable strategy is in development that is seeking to encourage local authorities to work with local energy groups to increase energy generation and community involvement.

Hampshire Community Bank

The Hampshire Community Bank is a new bank being created to help secure a strong and sustainable local economy. It will operate with a focus on Hampshire and in time will provide a full range of banking services to individuals, businesses and social enterprises within the County.

The Bank will be wholly owned and controlled by a charitable foundation (the Hampshire Community Bank Foundation). The Foundations' charter enshrines its goal to own the Bank in perpetuity, offer appropriate corporate governance and receive and allocate the dividends from the bank in order to support social, environmental, educational, research and cultural projects. As the charity cannot sell the Bank shares, this structure ensures the continuation of the Bank and its not-for-profit character.

In order to obtain sufficient liquidity the Bank has issued shares to the value of £7M to organisations as tabled below. The Bank intends to issue a 7% return to early investors via dividends on the shares for 10 years.

Hampshire Community Bank Investors - Investment Committed

	£
Eastleigh BC – Contribution	500,000
Southampton Solent University	100,000
University of Winchester	50,000
University of Portsmouth	200,000
University of Southampton	400,000
Winchester DC	250,000
Test Valley DC	500,000
Portsmouth CC	5,000,000
Total committed	7,000,000

A due diligence report was commissioned by the investing bodies from BDO to determine whether Local First Community Interest Company was able to obtain a banking licence for the Hampshire Community Bank. The report was delivered in July 2015 and confirmed that the achievement of a banking licence was likely. The initial

tranche of investments was subsequently made in March 2016 with the Council owning 125 A Class Common Shares in return for an investment of £125,000. Three further payments are scheduled based on stages reached in the banking licence application process. No further payments have yet been made.

The Regional Growth Fund (RGF) grant of £3M awarded included £950,000 to be allocated to SMEs as loans. This loan fund is administered by the Eastleigh Borough Council as Hampshire Community Bank had not been incorporated when the RGF grant was received and therefore could not offer loans.

At the end of March 2017 loans totalling £1,145,000 had been given to 13 different companies ranging from £20,000 to £25,000. The Hampshire Community Bank was incorporated in early 2016 and is now able to administer the loans fund. The aim is to move the fund from Eastleigh Borough Council to Hampshire Community Bank in the next few months.

The Bank does not have a banking licence yet, but is hoping to get authorisation with restrictions within 2018.

Conclusion

There has been considerable success in further developing and promoting the low carbon economy in the PUSH area. However, there are significant risks to this growth, mainly as a result of financial pressures which means this work is unlikely to be progressed to a satisfactory level. While Future South waits for decisions on applications for funding the project team would value innovative ideas as to how we can continue this activity and increase the momentum for the benefit of the PUSH region.