

**HAMPSHIRE COUNTY COUNCIL****Report**

<b>Committee:</b>	Economy, Transport & Environment Select Committee
<b>Date of meeting:</b>	28 April 2014
<b>Report Title:</b>	Local Enterprise Partnerships and Local Growth Deals
<b>Reference:</b>	5803
<b>Report From:</b>	Director of Economy, Transport and Environment

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## **1. Purpose of Report**

- 1.1 To brief the Select Committee on the funding that is being directed to Hampshire's two Local Enterprise Partnerships (LEPs), and the timescales within which these funding streams will be available.
- 1.2 To highlight the associated implications and opportunities in relation to the County Council's priorities and activities.
- 1.3 To seek the Select Committee's endorsement in positioning Hampshire County Council as a key delivery partner for both the Enterprise M3 and Solent LEPs.

## **2. Background – Government Response to the Heseltine Review**

- 2.1 In March 2013 the Government published its response to the Heseltine Review (No Stone Unturned). Of the 89 recommendations set out in the Review, the Government accepted 81 either fully or in part. Key elements of the Government's proposals to offer more influence to support economic growth locally, through the LEPs, are set out briefly below.
- 2.2 A Local Growth Fund is to be established from 2015, which will include funding associated with the key economic levers of skills, housing and transport (now confirmed as £2bn per annum for 5 years from 2015).
- 2.3 LEPs have been tasked with developing long term Strategic Economic Plans (SEPs), setting out the economic vision for the LEP geography, key priorities and a high level investment plan (including milestones, anticipated outcomes and resources available from both local authorities and the private sector).

- 2.4 Funding from the Local Growth Fund, through a Local Growth Deal, is to be allocated through a quasi-competitive process, based on the strength of the SEPs submitted.
- 2.5 The Strategic Economic Plans (and associated funding) should align with the LEP's European Structural & Investment Fund Strategy, which sets out the priorities and proposed interventions to be resourced through the combined European Regional Development Fund (ERDF), European Social Fund (ESF) and European Agricultural Fund for Rural Development (EAFRD), which run from 2014-2020. Allocations of EU funding for LEPs have now been announced (see below).

### **3. European Funding - Allocations and Timeframes**

- 3.1 Separate, albeit parallel and linked, processes have been initiated to determine the level of funding to be allocated to each LEP from the European Structural & Investment Fund programme and from the Local Growth Fund.
- 3.2 The allocations to the two Hampshire LEPs from the 7 year 2014-2020 EU programme were announced last year and amount to:
  - Solent LEP - £36.8M (ERDF + ESF) + £2.9M (EAFRD) = **£39.7M**
  - Enterprise M3 LEP - £38.5M (ERDF + ESF) + £3.5M (EAFRD) = **£42.0M**
- 3.3 The EU funding will come on stream late in 2014. Appendices 1 and 2 set out the respective priorities of the two LEPs in relation to this funding, which is primarily focused on enterprise, innovation and skills related activity.

### **4. Strategic Economic Plans (Local Growth Fund) – Process, Timescales and Priorities**

- 4.1 Given the potentially very significant level of funding associated with this funding stream, over a proposed 6 year period, the Government has instigated a very demanding and detailed process for each of the LEPs to develop their Strategic Economic Plans and set out a proposed 'Local Growth Deal'.
- 4.2 This process has consisted of the following key stages, involving many stakeholders such as local authority partners, private sector businesses, Government Departments and Agencies, universities, FE colleges and local community groups:
  - Guidance issued to LEPs – July 2013
  - Initial draft Strategic Economic Plans submitted – Dec 2013
  - Feedback from Government – Jan/Feb 2014
  - Final versions of SEPs submitted – end March 2014

- Formal assessment of SEPs by Government – April to June 2014
  - Formal offer made to LEPs – July 2014
  - Funding available – April 2015
- 4.3 The two Hampshire LEPs have now submitted SEPs indicating the following 'ask' in terms of funding from the Local Growth Fund over a 6 year period, although the final allocations could be markedly different:
- Solent LEP – **£305M** (of which **£103M** in 2015/16). This is within an overall programme of £1.2bn, of which £69M is local funding and £814M is private sector funding (private sector leverage of 1:4). Note these figures exclude the separate Marine/Maritime sector proposals (see 5.3 below).
  - Enterprise M3 LEP – **£340M** (of which **£72M** in 2015/16). This is within an overall programme of £3.7bn, of which £392M is local funding and £3bn is private sector funding (private sector leverage of 1:9).
- 4.4 The sections below we set out in more detail how the two Hampshire LEPs have set out their proposed priorities and interventions for the Local Growth Fund.

## 5. Solent LEP – Strategic Economic Plan (Local Growth Fund)

- 5.1 In November 2013, the Portsmouth/Southampton City Deal was announced, which included a number of key interventions and flexibilities to promote economic growth in the two cities and their wider geographies:
- The regeneration of Tipner-Horsea in Portsmouth to create 2,370 new homes, 58,000 sqm of new employment space and 3,700 jobs. The £184M package of measures included transfer of MOD land ownership, relocation of MOD facilities and funding enabling infrastructure, and is estimated to leverage up to £647M of private sector investment
  - The extension to West Quay in Southampton by Hammerson to create 500 new jobs, through a £10M enabling package to leverage a total investment by Hammerson of £97M;
  - A range of other initiatives to support meeting local employers' skills demands;
  - A regional business growth hub to deliver support to start ups and SMEs.
- 5.2 Through its Strategic Economic Plan, the Solent LEP seeks to build on the momentum established through the City Deal. The proposed interventions and proportion of Local Growth Fund monies nominally allocated by the Solent LEP are set out below (note the total allocation could be very different to this, and these figures are aspirational and subject to the final outcome of negotiations with Government):

- **Unlocking Sites for Employment and Housing** - £177M - including Fareham/Gosport (Welborne – M27 J10, Stubbington Bypass), North Whiteley (housing), Flood Mitigation Measures and relaxation of the Housing Revenue Account borrowing cap for housing in Southampton, Portsmouth and Winchester;
- **Connectivity for Economic Growth** - £44M - including Dunsbury Hill Farm Link Road (Havant), Station Quarter (Southampton), The Hard Interchange (Portsmouth), A27 improvements (Fareham) and Network Resilience;
- **Skills** - £70M – Skills Revenue (to match EU funding), Solent Skills Capital Investment Fund (focused on funding 2 specialist centres of excellence for STEM skills, plus FE estate upgrading) and investment in leadership and management in local businesses;
- **Business Support** - £13.5M - Visit Solent tourism marketing campaign over 2 years and Solent Growth Fund (grants to support strategic supply chains).

5.3 In addition, the Solent LEP has submitted a Marine and Maritime Supplement, which has been led by Rear Admiral Rob Stevens. This relates to the Government's commitment to support the marine sector in the Solent region, particularly following the announcement by BAE that shipbuilding in Portsmouth is to cease, with the loss of 940 jobs.

This separate but related proposal incorporates a total 'ask' of £86M from the Government – see Appendix 3 for details.

5.3 The headline targets or outcomes for the Solent LEP's Strategic Economic Plan include:

- 17,758 new jobs
- 26,200 new homes
- 1,000 new businesses

## 6. Enterprise M3 LEP – Strategic Economic Plan (Local Growth Fund)

6.1 The Enterprise M3 LEP has developed its Strategic Economic Plan around the concept and vision of a Sci-Tech Corridor along the M3, capitalising on the industrial strengths and world class research in areas such as aerospace, and the inherent advantages of close proximity to London. The corridor has a core of the 4 growth towns of Basingstoke, Farnborough, Guildford and Woking, augmented by the growth potential of 'step-up towns' needing support to fulfil their growth potential (including in Hampshire Andover, Aldershot and Whitehill Bordon).

6.2 The proposed Hampshire-based interventions and proportion of Local Growth Fund monies nominally allocated by the LEP is set out below (note the total allocation could be very different to this, and these figures are aspirational and subject to the final outcome of negotiations with Government):

- **Basingstoke Growth Package** – £38M – including highways projects, sustainable transport package, Construction Training Centre improvements, new railway station at Chineham;
- **Farnborough Growth Package** – £17M – including highways projects, sustainable transport package, University Centre Farnborough and Regional Centre of Excellence for Aerospace & Defence;
- **Aldershot Growth Package** - £9M – Town centre regeneration, sustainable transport package;
- **Andover Growth Package** - £8M – Technology & Skills Centre, sustainable transport package, Andover rail station upgrade;
- **Whitehill & Bordon Growth Package** - £18M – Inner Relief Road, sustainable transport package, Construction Skills Centre, Business & Enterprise Centre;
- **Other proposals (some of which are covering both Hampshire and Surrey)** – Growth Hub (£8M), Innovation/Enterprise Centres (£7.9M), Brockenhurst College STEM Advancement Project (£3.2M), Hampshire Centre for Environmental Technologies (£1.2M), Skills Capital programme (£11.7M), Transport Resilience (£53M), Highways Connectivity (£3.7M);
- **Strategic Transport Schemes (not LGF funded but prioritised in SEP)** – M3 junction 9 improvements, A31/A338 junction improvements at Ringwood.

6.3 Headline targets for the Enterprise M3 Strategic Economic Plan include:

- GVA generated (direct) - £757M
- 30,725 new jobs
- 1,270 new businesses to be created
- 23,259 new homes unlocked

## 7. Opportunities for collaborative working between the Hampshire LEPs

7.1 There are many potential areas for collaborative working between the LEPs which cover Hampshire, in relation to both the EU programme and the Local Growth Fund. It is imperative that Hampshire County Council encourages the pursuit of such opportunities for the benefit of the county.

7.2 Such opportunities might include but not be limited to:

- The consistent delivery of business support to start ups and SMEs;
- Development and support for the aerospace sector (which spans both north and south of Hampshire);
- Skills and Employability programmes;
- Activities and initiatives focused on supporting the economy in rural areas;
- Innovation to support economic growth, eg in conjunction with the universities.

## **8. Hampshire County Council – Key Opportunities and Challenges**

8.1 The above new funding streams represent a significant change in the distribution and allocation of Government and EU funding focused on supporting economic growth. The Government has positioned the LEPs as the primary conduit from Whitehall to the local economic geographies. This change presents new opportunities and challenges for both the County Council and the county.

8.2 Key opportunities include:

- Clearly positioning Hampshire County Council as an effective delivery partner for the Enterprise M3 and Solent LEPs;
- The delivery of crucial capital transport infrastructure schemes to ease congestion;
- Regeneration of key towns in north Hampshire with growth potential including Aldershot and Whitehill Bordon;
- Business Growth Hubs serving SMEs across the county (with Hampshire County Council as a potential partner in delivery);
- Collaborative Growth Partnerships focused on key sectors including aerospace and marine, with Hampshire County Council as a driver/facilitator;
- Collaborative inward investment models for both north and south Hampshire, with Hampshire County Council as a key partner;
- Employer influenced investment in skills and employability, with Hampshire County Council involved directly through both Education and Careers Advice/Guidance;

- A proactive marketing campaign to promote and grow the tourism offer in south Hampshire, with Hampshire County Council's tourism team acting as a key partner in the management of the campaign.

8.3 Key issues/challenges to be considered include:

- Governance – the LEPs are having to establish robust governance arrangements for both the EU programme and Local Growth Fund, with the EU programme governance having to be seen to be clearly separate from the LEPs mainstream governance arrangements. Hampshire County Council, both politically and in terms of Officer involvement, needs to ensure that it can play a full and influential role in such arrangements.
- Accountable Body responsibilities – Hampshire County Council acts as the accountable body for the Enterprise M3 LEP (Portsmouth City Council does likewise for the Solent LEP). The above new funding streams will undoubtedly involve a substantially increased level of funding to be managed by the County Council on behalf of Enterprise M3, and our governance arrangements need to be suitably fit for purpose.

## 9 Conclusions

- 9.1 The continued active engagement of the County Council in helping to develop and secure robust Growth Deals, including the establishment of strong governance arrangements, for both the Enterprise M3 and Solent LEP areas is very important. The County Council's role in facilitating collaborative LEP working for the benefit of the county of Hampshire and its economy is to be strongly encouraged. The opportunity for the County Council to develop its role as an effective delivery partner across key agendas, including those of transport, regeneration, education, business growth and tourism, should be embraced.

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

Document

Location

None

## **IMPACT ASSESSMENTS:**

### **Equalities Impact Assessment:**

The proposals in this report have been developed with due regard to the requirements of the Equality Act 2010, including the Public Sector Equality Duty and the Council's equality objectives. The website contains a summary [assessment of the impacts](#) on reducing barriers to sustainable economic growth.

It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working procedures.

### **Impact on Crime and Disorder:**

No specific impact is expected.

### **Climate Change:**

How does what is being proposed impact on our carbon footprint / energy consumption?

Some of the initiatives to be supported through the funding streams described in this report could contribute to reduction in the carbon footprint of Hampshire, for example:

- Supporting marine sector businesses in reducing the energy consumption of their products;
- Establishing a low carbon construction centre of excellence;
- Greater commercialisation of low carbon technology;
- Greater application of low carbon technology by businesses;
- Whole place low carbon solutions in terms of transport and waste;
- Investment in major transport schemes to reduce congestion and therefore make more efficient use of energy for various modes of transport.

### Solent LEP – European Structural & Investment Funds Strategy

- The Solent LEP allocation from EU funding for 2014-2020 amounts to approximately £39.7M.
- Headline targets associated with the funding (which has to be matched) are as follows:
  - 1,550 local businesses assisted
  - 3,700 jobs created
  - 6,000 employer led skills/training interventions
  - 15,500 unemployed people supported to regain employment
- Key proposed interventions and proportions of funding are as follows:
  - Skills/Employability – £17.1M - Traineeship and apprenticeship grants (young people), Employer Support (school engagement, FE course development), Support for Unemployed Adults and People made redundant (skills and employability development), Community Grants and Solent Jobs Pilot (re-introduction to jobs market, pre-employment support);
  - Enterprise – £9M - Solent Business Growth Hub (SME business support enhancement), Access to Finance (equity/loan investments in start ups) and Graduate Placements (engineering & technology subjects prioritised);
  - Low Carbon – £4.3M - Grants to businesses (particularly in marine sector) and Low Carbon Construction Hub (centre of excellence)
  - Innovation – £3.5M - Grants (to support R&D activities focused on key sectors of marine, aerospace & defence, advanced engineering);
  - Rural – £2.9M - Building knowledge and skills in rural areas, Funding new & developing micro/small businesses, Support for Tourism in rural areas.

### Enterprise M3 LEP - European Structural & Investment Funds Strategy

- The Enterprise M3 LEP allocation from EU funding for 2014-2020 amounts to approximately £42.0M.
- Headline targets associated with the funding (which has to be matched) are as follows:
  - 600 local businesses assisted
  - 500 jobs created
  - 2,000 local businesses benefiting from up skilling, education and learning
  - 15,000 local people benefiting from up skilling, education and learning
- Key proposed interventions and proportions of funding are as follows:
  - Skills/Employability – £17.3M – Promotion of STEM skills, Increase take up of training by employers, Employability initiatives (apprenticeships, careers advice, employability and re-engagement programmes), Developing capacity of Social Enterprises;
  - Enterprise – £10.7M – Key Sectors (strengthen local networks and supply chains), Supporting SME Export Growth, Business Growth Hub (enhancing SME business support offer) and Inward Investment;
  - Innovation – £6.3M – SMART specialisation (collaborative research & innovation between businesses and research institutions), Commercialisation (support for open innovation, product/process development) and Physical Infrastructure (incubation/move on space);
  - Low Carbon – £4.2M – Commercialisation (of low carbon technology), Application (of low carbon technologies by businesses), Whole place low carbon solutions (transport, waste);
  - Rural – £3.5M – Rural business networks, Support to rural based SMEs

## Transforming Solent – Marine &amp; Maritime Supplement

<b>Project</b>	<b>Total £M</b>	<b>Private/Local £M</b>	<b>Government £M</b>
<b>Portsmouth International Port Improvements</b>	<b>12.8</b>	<b>2.3</b>	<b>10.5</b>
<b>Solent Logistics Study</b>	<b>0.075</b>	<b>0.0</b>	<b>0.075</b>
<b>Southampton Port Access</b>	<b>5.5</b>	<b>1.65</b>	<b>3.85</b>
<b>Southampton Strategic Transport Study</b>	<b>0.55</b>	<b>0.0</b>	<b>0.55</b>
<b>Marine Enterprise Hub</b>	<b>3.08</b>	<b>1.58</b>	<b>1.5</b>
<b>IOW Enterprise Zone</b>	<b>50.0</b>	<b>40.0</b>	<b>10.0</b>
<b>Large Structures Composites Centre</b>	<b>54.1</b>	<b>5.0</b>	<b>49.1</b>
<b>Shallow Water Testing Platform</b>	<b>0.6</b>	<b>0.1</b>	<b>0.5</b>
<b>Satellite Applications Centre of Excellence</b>	<b>0.6</b>	<b>0.3</b>	<b>0.3</b>
<b>Southampton Marine &amp; Maritime Institute Commercialisation</b>	<b>1.0</b>	<b>0.5</b>	<b>0.5</b>
<b>Autonomous Systems Test-Bed</b>	<b>1.0</b>	<b>0.5</b>	<b>0.5</b>
<b>IOW Partnership</b>	<b>1.8</b>	<b>1.29</b>	<b>0.51</b>
<b>Heritage Skills Training Centre</b>	<b>5.56</b>	<b>5.36</b>	<b>0.2</b>

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<b>Ben Ainslie Racing – America’s Cup</b>	<b>87.0</b>	<b>79.0</b>	<b>8.0 (RGF)</b>
<b>TOTAL</b>	<b>223.7</b>	<b>137.6</b>	<b>86.1</b>

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