



Hampshire Prosperity Partnership Board

9 September 2025

Agenda Item 7 – Approach to use of LEP legacy reserves

The Hampshire Prosperity Partnership Board (HPPB) is asked to:

NOTE AND COMMENT ON the proposed approach to a first call for projects to receive funding from the LEP legacy reserves, set out in part 3.

NOTE that this paper will also be discussed with the Districts and Boroughs at the next meeting of the Joint Leaders Board, on 22 September. We will then provide HPPB with a final proposal for approval at its next meeting, on 6 October.

1. Overview

1.1. This paper follows the discussion at the June meeting of HPPB, about the approach to using the LEP legacy reserves i.e. the funding inherited by Hampshire County Council from Enterprise M3 and Solent LEPs (Local Enterprise Partnerships).

- Part 2 provides context for the proposed approach, including recent Government policy statements such as the Industrial Strategy.
- Part 3 (page 6 onwards) sets out a proposed approach to running a first call for projects and Part 4 (page 15) briefly considers next steps.
- Annex A is attached at the end of this document (page 16 onwards) and Annexes B, C and D are attached as separate files.

2. Context

June meetings of HPPB and JLB

2.1. Use of the LEP legacy reserves was discussed at the last meeting of HPPB on 9 June. The paper for that meeting is attached at Annex A below (page 16 onwards) for reference. HPPB were supportive of the principles set out in the paper, and suggested an initial “pilot” call for projects in Autumn 2025, within a budget limit, to be followed by another tranche or tranches in 2026. Other

points included: the importance of linking the use of these funds to the Industrial Strategy; and the need for an efficient triage process for project proposals.

2.2. The HPPB paper was also discussed with the Joint Leaders Board (JLB) on 16 June. JLB highlighted the importance of the timeliness of the process, and the need to link priorities to the forthcoming Industrial Strategy.

Recent Government policy

2.3. Since the June meeting of HPPB, the Government has continued to issue important policy statements. Of particular significance here are the 2025 Spending Review and the Industrial Strategy. The Government has also recently published an Infrastructure Strategy, a Trade Strategy, and a Plan for SMEs.

2.4. The 2025 **Spending Review** set out central government departmental spending plans until 2028-29 for day-to-day spending, and until 2029-30 for capital investment. A set of slides summarising implications of the Spending Review report for local economic development, presented to the Joint Leaders Board on 16 June, is attached separately as Annex B. Potential opportunities arising from the Spending Review include:

- use of increased defence spending to boost economic growth, and a forthcoming Defence Industrial Strategy
- increased funding for R&D and innovation, including the Local Innovation Partnerships Fund (see paragraph 2.13)
- new local growth funding (details yet to be confirmed)
- support for growth-driving sectors set out in the Industrial Strategy (see paragraph 2.5)
- increased funding for the British Business Bank, including a new Nations and Regions Investment Fund for the South East
- funding for Building Digital UK, with the aim that gigabit-capable broadband should reach 99% of UK premises by 2032

2.5. The **Industrial Strategy** aims to drive investment and growth, through a focus on eight growth-driving sectors, each of which includes a number of frontier industries, as shown in the following table. Each of the eight sectors (the 'IS-8') has a detailed sector plan, which have now been published except for defence. In addition to the IS-8, the strategy recognises the importance of "foundational industries" such as construction, steel, chemicals, and ports.

GROWTH-DRIVING SECTORS (THE 'IS-8')	FRONTIER INDUSTRIES
ADVANCED MANUFACTURING	Aerospace
	Advanced materials
	Agri-tech
	Automotive
	Batteries
	Space
CLEAN ENERGY INDUSTRIES	Wind (onshore, offshore and floating offshore)
	Fusion energy
	Nuclear fission
	Hydrogen
	Carbon capture, usage and storage (CCUS), including greenhouse gas removals
	Heat pumps
CREATIVE INDUSTRIES	Advertising and marketing
	Film and TV
	Video games
	Music, performing and visual arts
DEFENCE	Drones and autonomous systems
	Combat air
	Directed energy weapons
	Complex weapons
	Maritime capabilities
DIGITAL AND TECHNOLOGIES	Artificial intelligence
	Engineering biology
	Advanced connectivity technologies
	Quantum technologies
	Semiconductors
	Cyber security
FINANCIAL SERVICES	FinTech
	Insurance and reinsurance markets
	Sustainable finance
	Capital markets
	Asset management and wholesale service
LIFE SCIENCES	Pharmaceuticals
	Medical technologies (MedTech)
PROFESSIONAL AND BUSINESS SERVICES	Accountancy, audit and tax
	Management consultancy
	Legal services

2.6. The Industrial Strategy sets out a whole-of-government approach, spanning policy relating to energy, trade, economic security, access to finance, innovation, data, skills and talent, regulation, planning, and tax.

2.7. The Industrial Strategy aims to enable investment and growth in city regions and clusters where the eight growth-driving sectors are based. It highlights

two key locations in the South East (not including London) – Oxford and the Solent, which are described as follows:

- **Oxford** has world-renowned strengths in Digital and Technologies and Life Sciences, with a globally prestigious university, the UKAEA, and high concentrations of biotech unicorns and scale-ups.
- Strategically located, **Solent** hosts a Freeport, with strengths in Defence, Advanced Manufacturing and Clean Energy, as well as excellent research institutions.

2.8. The full industrial strategy report is here: [The UK's Modern Industrial Strategy](#). DBT also provided us with a two-page business summary, and a ten-page document about the implications of the industrial strategy for the South East; these are attached separately as Annex C and Annex D.

2.9. The Industrial Strategy South East document includes elements of the strategy that apply throughout England. It contains multiple references to Oxford, sites near Oxford (Culham and Harwell), and the Oxford to Cambridge Growth Corridor. It also refers to strengths in financial services in Swindon, Brighton, Bournemouth and East Surrey. In respect of our region, it refers to the following:

- **Defence:** [...] Portsmouth and the Solent has strengths in Space, Maritime Capabilities and Drones and Autonomous Systems. Qinetiq's National Maritime Systems Centre and the National Oceanography Centre are at the forefront of marine science and technology, including on autonomous and robotic underwater systems. Home to HMNB Portsmouth and Solent Freeport, it's a key maritime hub.
- Enhanced support for Solent Freeport, specialised in Advanced Manufacturing and Clean Energy Industries, with streamlined planning processes, better targeted investment promotion, support for accessing concessionary finance, and coordinated support on skills.

2.10. The 10-year **Infrastructure Strategy** is available here: [CP 1344 – UK Infrastructure: A 10 Year Strategy](#); there is an executive summary from page 3 onwards. The strategy encompasses both economic and social infrastructure, including housing, transport, water, clean energy, nuclear energy, schools, hospitals, digital connectivity, flood resilience, prisons, and defence. Policy and delivery will be coordinated by the new National Infrastructure and Service Transformation Authority. Information about major publicly funded and financed projects will be available via the Infrastructure Pipeline digital portal.

2.11. The Government has published two other business-facing strategies that sit alongside the Industrial Strategy. First, the **Trade Strategy** sets out the Government's overall approach to reducing barriers to trade, including for the IS-8 sectors. The strategy also refers to improvements to export support

services for businesses, including export finance. The Trade Strategy is available here: [The UK's Trade Strategy - GOV.UK](#)

- 2.12. Second, the **Plan for SMEs** sets out a wide range of measures to support growth and productivity of smaller firms, ranging from reducing regulatory costs and improving access to finance, to supporting high streets and addressing skills needs. The Plan for SMEs is available here: [Backing your business: our plan for small and medium sized businesses](#); there is also a one-page summary here: [Backing your business one page summary](#). The Government has also launched a digital Business Growth Service, making it easier for businesses to access advice and support, and working alongside local Growth Hubs such as the Hampshire Growth Hub: [Business.gov.uk - Find the right support for your business](#).

Local Innovation Partnerships Fund

- 2.13. UK Research and Innovation (UKRI) recently published initial guidance for the new Local Innovation Partnerships Fund programme. This is an opportunity for this region to bid competitively for up to £20 million of public funding for projects to invest in innovation clusters. Applications must come from a 'triple helix' partnership between civic leadership institutions, businesses and universities, and projects must involve private match funding. We are currently discussing the potential shape of a bid from Hampshire and the Solent with our four universities, our other local authorities, and our industrial cluster and business organisations. The initial guidance is available here: [Local Innovation Partnerships Fund – UKRI](#).

Devolution Priority Programme

- 2.14. As part of the Devolution Priority Programme, we continue to make progress towards the election of a Mayor of Hampshire and the Solent in May 2026. In July, the Government issued a positive response to the consultation on devolution in Hampshire and the Solent: [Hampshire and the Solent devolution consultation response - GOV.UK](#). Also, we have now put in place joint programme arrangements across Hampshire, Portsmouth, Southampton and the Isle of Wight, to undertake joint work to prepare for devolution; these arrangements also include representatives from the Districts and Boroughs.
- 2.15. Key elements of the devolution framework for new Mayoral authorities include: a long-term investment fund; consolidation of local growth and place funding in a single pot; and a statutory duty to produce a Local Growth Plan.
- 2.16. In July, the Government published guidance on developing Local Growth Plans, which is available here: [Guidance for Mayoral Strategic Authorities on developing Local Growth Plans - GOV.UK](#); we are expecting to receive more detailed briefing from the Government in the Autumn. According to the guidance, the three key components of a Local Growth Plan are:

- An **economic overview** of the region, including “an ambitious, long-term vision for how to make the region more productive and focus on how local levers will drive growth”.
- A number of **shared priorities** that are agreed with Government, and which should be “the region’s most significant opportunities and constraints to economic growth”. The shared priorities already agreed by existing Mayoral authorities were recently published here: [Agreed shared Local Growth Plan priorities - GOV.UK](#)
- An **investment pipeline** of “priority projects that have specific significance for enabling growth”.

2.17. We do not yet know what the implications of devolution will be for LEP legacy reserves that have not been committed when devolution takes place. This includes whether they will remain with the upper tier local authorities, or transfer to the Mayoral authority. We will be discussing this with the unitary authorities, in consultation with the Government, during the months ahead.

3. First call for projects – proposed approach

3.1. As discussed at the June meeting of HPPB, section 3 describes a proposed approach to a first call for projects, to be run during Autumn/Winter 2025. The approach aims to be focused, in order to ensure that the first call identifies projects of strategic value, and is manageable in scale and scope. This is based on the assumption that subsequent tranches from early 2026 onwards may involve calls for other types of projects.

Principles

3.2. Our approach should be based on the following principles:

- **Aim** – the overall aim of the funding process should be support projects that contribute to **sustainable and inclusive economic growth in Hampshire**
- **Strategic alignment** – projects should be aligned with:
 - Hampshire’s economic strategy
 - HPPB’s priorities, as set out in the Economy and Growth Plan
 - the Government’s Industrial Strategy
 - other relevant Government strategies and policies
- **Value-for-money** – projects should:
 - deliver measurable economic benefits in Hampshire
 - provide additionality, and minimise deadweight and displacement¹
 - secure match funding, and leverage other investment and activity

¹ Project proposals should be tested for additionality (i.e. enabling something to happen that would not have happened otherwise) and for minimising deadweight (subsidising activity that would have happened anyway) and displacement (shifting activity from one place to another).

Types of project

3.3. The final version of our Economy and Growth Plan is now available here: [Economy and Growth Plan for Hampshire](#). The plan is organised under the following five areas:

- A. High potential sectors and clusters
- B. Business support
- C. Energy
- D. Infrastructure
- E. Skills, employment and careers

3.4. These five areas could provide a framework for identifying projects to be funded using the LEP legacy reserves, but this would be very broad. The following table sets out some potential approaches to project calls, that would be aligned with the five areas, but more tightly focused.

Economy and Growth Plan areas		Potential types of project call
A	High potential sectors and clusters	<p>A call for projects to support the growth of high potential sectors and clusters in Hampshire. A call could be focused on one of the following:</p> <ol style="list-style-type: none"> 1) The clusters identified in the Economy and Growth Plan for support to develop in 2025/26 i.e. creative, digital and life sciences 2) Further strengthening of Hampshire's established clusters e.g. defence, aerospace and space, marine and maritime 3) The 'IS-8' sectors from the Industrial Strategy, which encompass all of the above (either as sectors or sub-sectors)
B	Business support	<p>Project types relating to business support could include:</p> <ol style="list-style-type: none"> 1) Investment in business incubation or innovation facilities 2) Direct financing of early stage businesses and/or of business innovation projects <p>Note that 2) could be undertaken directly by Hampshire County Council, or an intermediary could be commissioned to manage a fund for this purpose; the latter model was used by Enterprise M3 LEP to deliver the Funding Escalator programme.</p>
C & D	Energy & infrastructure	<p>The Economy and Growth Plan focuses on energy, digital and transport infrastructure, as well as business space. Any of these could be the focus of a call for projects.</p>
E	Skills, employment and careers	<p>A call could invite proposals for skills projects aligned to one or more of the following:</p> <ol style="list-style-type: none"> 1) Regional priorities as currently set out in the two Local Skills Improvement Plans covering Hampshire 2) The Industrial Strategy, of which skills is a key component 3) The Government's forthcoming post-16 education and skills strategy, once published 4) The new Hampshire Skills Strategy, due to be completed in December

3.5. Note, however, that we are currently taking forward further work in some of these areas, in order to deepen our understanding of the issues and of what our specific priorities should be. This includes the following:

- **Business support** – work to join up the business support system (action B2 in the Economy and Growth Plan – see link in paragraph 3.3) and to make the system work for rural businesses (action B3)

- **Energy** – the grid capacity review (action C3)
- **Infrastructure** – the infrastructure gap and opportunity analysis (action D2)
- **Skills, employment and careers** – the development of a new Hampshire Skills Strategy (action E1)

- 3.6. It would therefore be sensible to consider what kinds of projects HPPB may wish to support in these areas, after this work has completed i.e. from early 2026, through subsequent project calls.
- 3.7. What is now confirmed, however, is the Government's Industrial Strategy, including the eight growth-driving sectors around which the strategy is based. The IS-8 sectors include the three sectors in which we are currently undertaking work to foster clusters in Hampshire: creative, digital, and life sciences. They also include established clusters in our region, such as defence and (as sub-sectors of advanced manufacturing and defence) aerospace and space, and marine and maritime.
- 3.8. Both HPPB and JLB emphasised at their June meetings the importance of aligning our approach to the Industrial Strategy. Projects that help to build Hampshire's strength in the growth-driving sectors will offer the potential to leverage investment in the region under the Industrial Strategy, over time. We are therefore proposing that the initial call would be for **projects that promote business growth, innovation, and/or skills, in one or more of the Industrial Strategy IS-8 sectors (including their sub-sectors and frontier industries)**. This would include both the clusters that we are working to develop this year (creative, digital and life sciences), and also the clusters that are established strengths in Hampshire (e.g. defence, aerospace and space, marine and maritime).

Eligible lead bidders

- 3.9. Each project proposal would need to be put forward by a single lead organisation, although in many cases they could be bidding on behalf of some form of partnership. For approved projects, the lead bidder would enter into a funding agreement with, and receive the funds from, Hampshire County Council.
- 3.10. We are proposing that for this first call for projects, the lead bidder would need to be one of the following:
- **A local authority or other public body**
 - **A business organisation representing multiple businesses and/or a business sector or cluster**
 - **A university or college**

- 3.11. This would exclude most individual private organisations (for profit and non-profit) from being the lead bidder for this initial call for proposals. The rationale for doing so is that this would limit the number of proposals received and therefore reduce the amount of resource required to administer the process, and would also simplify the due diligence and risk management that Hampshire County Council would need to carry out before confirming funding for a project. However, an eligible lead bidder (e.g. a business organisation) would be able to submit a project proposal for which businesses were beneficiaries. Also, as shown in the table at 3.4 above, we would have options for bringing individual businesses into scope for future funding rounds e.g. for business innovation grants, and this would give us more time to put in place appropriate arrangements to support this.
- 3.12. The initial assessment and shortlisting of projects would be carried out by officers from Hampshire County Council's Hampshire 2050 Directorate. An internal separation of functions would be maintained between the officers carrying out the assessment and shortlisting, and any Hampshire County Council teams putting forward project proposals.

Geographical scope

- 3.13. Bidders would need to demonstrate within their project proposal that the economic benefits of the project (see 3.7 below) applied *primarily* within the Hampshire County Council administrative area. This reflects the fact that the LEP legacy reserves held by Hampshire County Council correspond to funds originally allocated for that area, and that Portsmouth City Council holds equivalent funds corresponding to Portsmouth, Southampton and the Isle of Wight.
- 3.14. However, in the context of devolution, we would also encourage bidders to set out any benefits to Portsmouth, Southampton and the Isle of Wight, and consider these positively when assessing the proposal.

Assessment of proposals at shortlisting stage

- 3.15. Proposals would be assessed and shortlisted against published criteria. Draft criteria are set out in the box below. These criteria would provide the structure for a concise business case template that bidders would be required to complete (see 3.27 below).

Draft assessment criteria for shortlisting

Strategic case

1. **Project description and objectives** – How clear is the proposal about what the project is, what it will achieve, and how it will contribute to sustainable and inclusive economic growth in Hampshire?
2. **Strategic alignment** – How well is the proposal aligned with: (i) the organisation's own strategy and plans; (ii) Hampshire's economic strategy and HPPB's priorities; and (iii) relevant national strategies, particularly the Industrial Strategy?
3. **Impact** – How clear and significant are the quantified benefits of the project, including how soon they will be delivered?
4. **Stakeholders** – How clear and credible are the project's arrangements for engaging stakeholders, including evidence of their support?

Financial case

5. **Match funding** – How large and credible is the proposed match funding? Match funding must represent at least 50% of the total project cost.
6. **Additionality** – How credibly does the proposal show that the funding would enable additional activity and benefits, rather than supporting something that would happen anyway?
7. **Leverage** – What other investment or activity will take place as a result of the project?

Management case

8. **Management and resourcing** – How credible are the proposed arrangements for managing the project and resourcing its delivery?
9. **Timeline** – How credible is the project's proposed timeline?
10. **Risk** – How credible are the proposed mitigations of key project risks?

- 3.16. Bidders would be required to estimate quantified benefits from their proposed project. We would provide a list of potential benefits, but this would not be an exhaustive list i.e. bidders would be able to include other benefits in their businesses cases if they wished to do so; see the following box for a draft list of potential benefits. We are currently considering whether businesses cases will need to include a Benefit-Cost Ratio analysis.

Draft benefits

- Businesses supported to grow
- Businesses supported to improve workforce skills
- Jobs created
- Jobs maintained
- People supported to improve their skills
- People supported to move into employment
- Business space created or refurbished
- Innovation space created or refurbished
- Learning space created or refurbished
- CO₂ savings

Funding type and match funding

3.17. As reported to HPPB in June, the current available balance of the LEP legacy reserves is £22.3m of capital and £3.6m of revenue. (For further detail, see section 3 of Annex A below, pages 17-18.)

3.18. In June, we reported that the Economy and Skills Team is expected to make a draw of approximately £0.8m of revenue funding from the LEP legacy reserves in 2025/26. This includes £0.3m allocated to the priority workstreams agreed with HPPB in March. It also includes £0.2m to replace the economic development funding that was provided by MHCLG to support local economic planning and the establishment of HPPB in 2024/25, but which was withdrawn after one year. See paragraphs 23 to 25 in this report: [Hampshire Prosperity Partnership Board and Economy and Growth Plan-2025-06-27-EMH2050 Decision Day](#).

3.19. In the absence of any new funding from the Government, the financial viability of Hampshire County Council's existing Economy and Skills function therefore depends on a recurring draw on the revenue portion of the LEP legacy reserves. Also, the revenue reserves provide us with the flexibility to respond to other HPPB priorities going forward.

3.20. We are therefore proposing that projects will receive **capital funding only** from Hampshire County Council, through this bidding opportunity. Bidders may find revenue funding from other sources and include this within their match funding (see paragraph 3.22).

3.21. For certain types of project (e.g. projects where the capital investment enables the establishment of a revenue stream), supporting the project through a loan rather than a grant may represent better value-for-money, and would enable further recycling of funds once the loan is repaid. We are therefore proposing to invite bids for **either grant or loan funding**. We would also reserve the right to discuss with a bidder that had applied for a

grant whether loan funding might be viable, if the nature of the project suggested that this might be the case.

- 3.22. We are also proposing that project proposals must include **at least 50% match funding**, i.e. LEP legacy reserves funding will cover a maximum of 50% of the total project cost. Match funding could be any mix of other public funding and/or private funding.

Funding envelope

- 3.23. Determining the maximum amount of funding to make available through this first call for projects is largely a matter of striking a balance, between: being able to support substantial and impactful projects through the first call; and retaining the ability to do different things and apply lessons from the first call, through subsequent tranches.
- 3.24. We are therefore proposing that the total amount to be allocated through this first call should be capped at **£10m of capital funding**. This would ensure that HPPB had the scope to take forward other approaches and/or respond to new opportunities, in 2026.
- 3.25. There would be no expectation that all of this funding envelope should be allocated through this call. Any project would need to reach a high quality threshold in order to be shortlisted, and any unused funds would roll forward into next year.
- 3.26. We would not set a minimum or maximum funding value for an individual project, so that projects of all sizes could be assessed on their merits.

Process and timeline

- 3.27. The table below sets out an overview of the proposed end-to-end process, through to conclusion of a funding agreement for a successful project, with indicative timings. Key points to note are as follows:
- The process assumes that all bidders would submit a business case for their project, but that this would be relatively concise, in order to minimise unnecessary work up front. A subsidy control determination form would also be required at this stage. Shortlisted projects would be invited to participate in a presentation stage, that would enable them to be scrutinised in more depth.
 - The role of HPPB would be to make recommendations for project approvals to the formal Hampshire County Council decision-maker. HPPB would be provided with criteria and guidance notes for this stage of the process, to ensure transparency and consistency, and to enable feedback to unsuccessful bidders.

- Following HPPB recommendations, formal decisions would need to be taken via the Council's established governance arrangements. In order to reduce the cost of due diligence activity, we are proposing that HPPB recommendations would be subject to due diligence, most of which would be carried out between the HPPB recommendation and the formal Council decision (although some basic checks could be carried out at the shortlisting stage). We are currently assessing whether we would need to commission an external resource to carry out aspects of the due diligence process, alongside the Council's Finance team.
- Funding agreements for approved projects would be developed by Hampshire County Council's Legal team. These would be written so as to be portable to another authority in future, in the context of devolution and local government reorganisation. A template funding agreement would be made available to potential bidders at the beginning of the process, setting out terms and conditions, including ongoing reporting requirements.
- Hampshire County Council would charge approved projects an administration fee, set at an appropriate level to offset administrative costs incurred by the Council. The fee would be included within the costs to be covered by the LEP legacy reserves funding, so would not be an additional cost to the bidder. This is consistent with previous practice at Enterprise M3 Local Enterprise Partnership.

Stage	Weeks	
1	Preparation of business case template, guidance notes, template funding agreement, subsidy control determination form, and communications	2
2	Window for submission of business cases by potential projects	6
3	Assessment and shortlisting of business cases by officer panel	1
4	Presentations by shortlisted projects to officer panel	2
5	Revision of business cases by shortlisted projects in response to feedback from presentations	2
6	Preparation of advice for HPPB, and circulation 10 days in advance of HPPB meeting	3
7	HPPB meeting makes recommendations for project approval (subject to due diligence)	N/A
8	Due diligence	TBC
9	Formal approval of projects via HCC governance (decision route varies depending on project value, and timing is dependent on scheduled Executive Member decision days and/or Cabinet meetings)	TBC
10	Development and conclusion of funding agreement	TBC

4. Next steps

- 4.1. Following the HPPB meeting on 9 September, this paper will also be discussed with the Districts and Boroughs at the next meeting of the Joint Leaders Board, on 22 September. We will then provide HPPB with a final proposal for approval at its next meeting, on 6 October.
- 4.2. Subject to HPPB's agreement on 6 October, we will then immediately begin work to implement the first call for projects. This will include setting a date for a meeting at which HPPB will consider shortlisted projects and make recommendations for approval.
- 4.3. Following HPPB recommendations for approval, there will be a significant period of time during which recommended projects will be going through due diligence, the formal Hampshire County Council decision-making process, and then the process of concluding their funding agreements. However, we should be in a position to discuss lessons from the first call for projects, and consider what approach should be taken to subsequent tranches, as soon as the HPPB recommendation stage has been completed.

Stephen Martin
Head of Economy and Skills

ANNEX A – PAPER FROM JUNE BOARD MEETING

Hampshire Prosperity Partnership Board

9 June 2025

Agenda Item 9 – Approach to use of LEP legacy reserves

The Hampshire Prosperity Partnership Board (HPPB) is asked to:

NOTE the background information and range of possible approaches set out in parts 2 to 7.

DISCUSS the questions set out in part 8 and provide initial views on these.

NOTE that this paper will also be discussed with District Leaders at the next meeting of the Joint Leaders Board on 16 June.

NOTE the next steps set out in part 9.

1. Overview

1.1. The purpose of this paper is to support a discussion by HPPB about how LEP legacy reserves should be used to support new projects in Hampshire. The paper:

- Provides background information about the LEP legacy reserves, the available balance as at the end of 2024/25, and an income projection for future years (parts 2 and 3).
- Suggests some principles that could guide decisions about the use of LEP legacy reserves to support new projects (part 4).
- Based on the experience of Enterprise M3 Local Enterprise Partnership (EM3 LEP), summarises the range of project types which were supported by LEP funds, and the range of potential project partners (part 5).
- Outlines some alternative approaches to identifying and assessing new projects (part 6) and some considerations relating to timing (part 7).
- Sets out some questions for discussion by HPPB (part 8) and next steps (part 9).

2. Background

- 2.1. As part of the transfer of responsibility for LEP functions to upper tier local authorities, financial assets held on behalf of the LEPs were transferred to those authorities. In the case of Hampshire, this involved agreeing how EM3 LEP assets would be shared out between Hampshire and Surrey County Councils, and how Solent LEP assets would be shared out between Hampshire County Council and the Solent unitary authorities.
- 2.2. Hampshire County Councils' principles and governance process for decisions relating to the use of these LEP legacy reserves were agreed at an Executive Member Decision Day in December. See: [Hampshire Prosperity Partnership Board-2024-12-05-EMH2050 Decision Day](#). This confirmed that the LEP legacy reserves are to be utilised for the County Council to discharge its Economic Development functions. It also set out the role of the Hampshire Prosperity Partnership Board in making recommendations relating to the use of the LEP legacy reserves, for consideration by the formal decision-maker.

3. Available balance and future income

3.1. Table 1 below sets out:

- The starting position in respect of LEP legacy reserves at the beginning of 2024/25, including amounts transferred to Surrey County Council and received from Portsmouth City Council (as the Accountable Body for Solent LEP).
- Expenditure and income during 2024/25. The operational costs relate to the transitional period during which the former EM3 LEP team was employed by Hampshire County Council, prior to the restructure referred to in paragraph 10 above. The income derives primarily from repayment of loans and realisation of other investments made by EM3 LEP as part of its capital programme, and Business Rates Income Growth from the Enterprise Zone scheme.
- The year-end position. Of the year-end total of £31.7m, £5.8m is ringfenced, either for transfer to Surrey County Council, or for outstanding commitments relating to the EM3 LEP capital programme. This results in an available balance of £25.9m, of which £3.6m is revenue and £22.3m is capital.

Table 1 – LEP legacy reserves available balance at 31/04/25	
	£m
LEP legacy reserves - starting position and transfers	
Ex EM3 LEP funds - starting position at 01/04/24	23.26
Ex EM3 LEP funds transferred to Surrey County Council	-8.52
Ex Solent LEP funds received from Portsmouth City Council	14.86
Expenditure in 2024/25	
Operational costs associated with the ex EM3 LEP team	-0.62
Grant payments to EM3 LEP capital projects	-1.01
Income in 2024/25	
Repayments from outstanding EM3 LEP loans	1.55
Funds received from the EM3 Funding Escalator programme	1.47
Enterprise Zone Business Rates Income Growth	0.64
Miscellaneous income	0.13
Year-end total at 31/04/25	
	31.75
Ringfenced for transfer to Surrey County Council during 2025/26	-3.04
Ringfenced for outstanding commitments relating to the EM3 LEP capital programme	-2.79
Available balance	25.92
	<i>Of which revenue</i> 3.62
	<i>Of which capital</i> 22.30

Note: Figures in the table do not sum exactly due to rounding.

3.2. Table 2 below provides a projection of income to be derived from EM3 LEP loans and investments in future years by Hampshire County Council i.e. the figures shown are after the deduction of the agreed share to be transferred to Surrey County Council.

3.3. Note that the forecast does not include an estimate for income from Enterprise Zone Business Rates Income Growth (EZ BRIG), due to a high level of uncertainty regarding the volume of income from this source. Any income from EZ BRIG is therefore additional to the figures shown below.

Table 2 – LEP legacy reserves income projection				
				£m
2025/26	2026/27	2027/28	2028/29	2029/30 to 2033/34
0.64	1.17	1.37	2.16	2.75

4. Suggested principles

4.1. Our approach to using the LEP legacy reserves to support projects should be based on a clear set of principles. These should primarily be designed to achieve two objectives:

- Ensuring that projects are aligned with our strategy for the Hampshire economy and our Economy and Growth Plan, and any other relevant strategies, to make sure that we are doing the right things.
- Ensuring value-for-money from public expenditure.

Strategic alignment

4.2. Any projects should be aligned with the *Economic Strategy for Hampshire – Committing to Prosperity 2025-27*. They should also be aligned with the priorities and workstreams recently agreed by HPPB, due to be published at the end of June as part of the Economy and Growth Plan. For reference, this paper from May's HPPB meeting contains a summary of the strategy (pages 6 to 9) and a draft of the plan (pages 10 to 15): [HPPB-250514-Draft-Economy-and-GrowthPlan.pdf](#)

4.3. For example, the five areas used to structure the Economy and Growth Plan could provide a broad framework to help with identifying and assessing project proposals:

- F. High potential sectors and clusters
- G. Business support
- H. Energy
- I. Infrastructure
- J. Skills, employment and careers

4.4. A framework for identifying project proposals should also take into account key Government strategies, in order to maximise opportunities arising from Government policy for Hampshire, including potential opportunities to match funds from the LEP legacy reserves with Government funding. The Spending Review (11 June 2025) and the Industrial Strategy (expected in June) will be particularly important in this respect.

4.5. Note that we are currently developing a new Hampshire Skills Strategy, but that we do not expect this to be completed until December. The implications of this are considered further in part 7, "Timing", below.

Value-for-money

4.6. Key principles for ensuring value-for-money should include the following:

- Projects that offer greater economic outcomes (e.g. business growth, job creation) relative to project cost should be prioritised.

- Project proposals should be tested for additionality (i.e. enabling something to happen that would not have happened otherwise) and for minimising deadweight (subsidising activity that would have happened anyway) and displacement (shifting activity from one place to another).
- Projects that use funds from LEP legacy reserves to leverage other funding – either other public funding, or private investment – in order to increase impact, should be prioritised (i.e. match funding).

4.7. Part of the LEP legacy reserves exist because past projects were supported by the LEPs through loans rather than grants; once repaid, the loan funding can be invested again. Clearly this is a major benefit from a value-for-money perspective. However, experience suggests that loans are only appropriate for certain types of project, and also entail additional risk management, and should therefore be used selectively.

5. Types of project and project partner

5.1. As stated in paragraph 2.2, Hampshire County Council has agreed that the LEP legacy funds are to be used for economic development purposes. Beyond this, however, there are few specific restrictions on how or when the funds can be used. General requirements relating to proper use of public money and Hampshire County Council governance must of course be met.

5.2. Given that the available balance of the LEP legacy reserves consists primarily of capital (rather than revenue) funding (see 3.1 above), any funding provided for projects will need to consist entirely or almost entirely of capital. Project partners may however be able to contribute revenue funding as part of their match funding.

5.3. Historically, funding for local economic development has been used to support a wide range of different project types, delivered with a range of project partners.

5.4. Taking Enterprise M3 LEP as an example, the majority of projects supported by the LEP fell into the following categories. This is not an exhaustive list, however. It is provided here purely for illustrative purposes, and should not constrain future choices.

- **Town centre regeneration projects** – for example: [Rushmoor Borough Council celebrates the completion of Union Yard - Rushmoor Borough Council](#)
- **Transport infrastructure improvements** – for example: [A30 Brighton Hill Roundabout Improvements | Transport and roads | Hampshire County Council](#)

- **Digital infrastructure** – for example: [5G/6G Innovation Centre | University of Surrey](#)
- **Environmental / low carbon projects** – for example: [Fleet Pond Corridor is complete | Hart District Council](#)
- **Innovation facilities** – for example: [Future Towns Innovation Hub – Innovating happy, healthy and prosperous places.](#)
- **Skills facilities** – for example: [Care Skills Training Centre at Guildford College - Guildford College](#)
- **Flexible work/office space and business incubators** – for example: [Flexible working space brings two new organisations to the Chantry Centre | Test Valley Borough Council](#)
- **Business funding** – primarily through the Funding Escalator scheme: [Enterprise M3 Funding Escalator | The FSE Group](#)

5.5. Potential project partners include:

- Other local authorities
- Universities
- Colleges
- Other skills providers
- Business/industry/cluster organisations
- Individual businesses
- Third sector organisations

6. Approaches to identifying and assessing projects

6.1. Potential approaches to identifying and assessing project proposals include the following:

- A. An open call for project proposals.** Projects would need to address one of a number of broad priority areas set out in the call. Subject to that, however, projects could range widely in terms of type and scale, and could come from any potential project partner. This kind of approach would be likely to generate the largest number of proposals, but could result in a less strategic outcome. Also, it would be highly labour intensive in respect of assessment and shortlisting, so resources would need to be secured for this. We would therefore not recommend this option.
- B. One or more focused calls for project proposals.** HPPB would agree a more tightly defined set of priorities in advance of any call, and the criteria for project proposals would reflect those priorities. This approach would be more likely to achieve HPPB's strategic objectives, albeit with some risk that enough suitable project proposals did not come forward.

C. Informal stakeholder consultation and development of project proposals by Hampshire County Council. In addition to external stakeholders, the Economy and Skills team and other teams within Hampshire County Council could generate project proposals, in response to HPPB's priorities and in discussion with potential project partners. This approach could be effective in ensuring strategic alignment, but could be criticised by stakeholders for being less open than alternative approaches.

6.2. These options are not mutually exclusive i.e. more than one approach could be used in combination. Any approach would need to be carefully designed to ensure that it was robust.

6.3. The approach to assessing projects and approving funding would depend in part on the nature of any calls and the volume of proposals, but would be likely to involve:

- Assessment and shortlisting of project proposals against an agreed set of criteria.
- Due diligence for shortlisted projects by Hampshire County Council or an external provider.
- Consideration of the shortlist by HPPB, resulting in recommendations for approval to Hampshire County Council's formal decision-maker.
- Formal approval through Hampshire County Council's established governance arrangements.

7. Timing

7.1. As stated in paragraph 5.1, there are no specific requirements relating to when the LEP legacy funds should be used. Any unused balance at the end of a given year rolls forward into the following year. We therefore have the option of planning for more than one phase of activity. For example, we could carry out a call for proposals focused on some of the priorities recently agreed with HPPB in the Autumn, followed by a second call after the completion of the new Hampshire Skills Strategy in December, with a focus on skills projects. Funding agreed as a result of the first call would need to be capped, to ensure that funds were still available for the second call.

7.2. It is likely that many potential capital projects will have timescales that extend beyond the implementation of devolution or local government reorganisation. Assuming that payments are made to projects against delivery of milestones, including a final payment upon project completion, and that outcomes will be monitored after project completion, then funding agreements will need to be in place for an extended period. The approach to funding agreements and project administration will therefore need to be future-proofed in the context

of devolution and local government reorganisation, and allow for the transfer of responsibility to another authority in due course.

8. Questions for discussion

8.1. At the HPPB meeting on 9 June, we would welcome views from HPPB members on any of the issues set out in this paper, and in particular in response to the following questions:

- 1) Do you agree with the suggested principles set out in part 4?**
- 2) What are your views on the alternative approaches to identifying projects set out in part 6?**
- 3) What are your views on timing, and whether we should be planning for more than one phase of activity (see part 7)?**

9. Next steps

9.1. Taking into account the initial views of HPPB and feedback from the Joint Leaders Board and other stakeholders, we will develop a detailed proposal for how to proceed, for consideration by HPPB at its next meeting on 3 September.

Stephen Martin
Head of Economy and Skills