

# Chief Executive's Report for July 2017 LEP board

## Introduction

This report is in our usual format –starting with an executive summary from me and thematic summaries from People, Place and Business (as well as Finance) followed by detailed operational annexes. I have had feedback to keep reports as short as possible and to the point so I have tried to reflect this in the report below. The overall structure is:

### **1. Executive Summary**

- a. What we are doing**
- b. What's going well and what isn't**
- c. What are the key decisions needed at this board?**
- d. What are the key decisions anticipated at our next board(s)?**

### **2. LEP Dashboards**

- a. Economic**
- b. Key highlights - reports on the key areas of thematic activities and challenges**
- c. Financial**

### **3. Annexes on other operational activities**

As before I don't propose to run through my report on a page by page basis at the board – if there are any detailed factual questions please do contact me in advance – or raise any issues at the board. Please note only the ESIF paper has been classified as confidential.

## Executive Summary

### **What we are doing**

We live in interesting times. At the time of our last board a hung parliament seemed highly unlikely; trying to predict the future is clearly more of an art than a science. As this report is being written we are still waiting for clarity / information on the various fronts I flagged for the last board meeting:

- Industrial Strategy – the deadline for consultation responses was the day before the election was called. There were several mentions of the importance of a modern economy in the Queen's speech so this agenda still seems to be live. We have had a suggestion that Greg Clarke may look to have a roundtable meeting with the 6 SW LEP on Industrial Strategy. If this happens we may learn more.
- New Stations Fund – we are still awaiting the announcement of who would be the recipients of this funding; Local Authorities in Devon and Torbay had submitted bids to support Marsh Barton and Edgingswell Stations
- Institute of Technology – we are still awaiting a call for bids.
- National Productivity Infrastructure Fund – six bids (from Local Highways Authorities) are expected to be submitted. We have endorsed bids in our area (and asked the LTB to prioritise them in case we are requested to do this).

This board represents the first board meeting at which our new board members are now in post. It is disappointing for us all that given the uncertainties of national politics we have so few clear signals so far on the direction of policy. My sense of our priorities at this time are:

1. To ensure the effective and efficient delivery of our current programme
2. To use this time to strengthen our regional and local positioning around our updated plan – i.e. the Productivity Plan

In respect of the former, we are sensitive that to date no Growth Deal project has ‘failed’ – in the event that one does, paper 4.1 sets out a protocol that we can use to address funds that might be released.

Since our new board members were appointed, we have one loose end in that we do not currently have an agreed Vice Chair following the retirement of Frances Brennan. It is my understanding the board previously agreed that the Vice Chair should be an alternative business board member who could stand in for Steve Hindley’s absence at a Board meeting. I have written to all business board members to invite a volunteer. Concerns have also been raised that no business board member lives in Torbay; we are in discussion with the Mayor of Torbay how to encourage Torbay based businesses to get involved in our governance.

I will start my report with the usual highlight on our three core activities:

- i. Championing our common priorities and build partnerships – these are based on our area’s Strategic Economic Plan (SEP) and our over-arching Growth Deal plan submitted to HMG in March 2014. We are now well underway with our work developing our ‘productivity plan’ white paper and paper 4.2 provides further detail. Directors will recall the LEP has proposed dual key sign off of the Productivity Plan with the emerging HotSW LA Joint Committee. The HotSW Leaders meet on 14 July and a verbal update will be provided on this meeting.

Given the uncertainties in national politics establishing a broad consensus around a common Productivity Plan for the area gains even greater importance. So, in paper 4.3 we also set out this as being our main operational priority as a LEP in our 17/18 Business Plan.

- ii. Secure investment – this work is centred around developing pipelines of opportunities, prioritising these as needed and drawing up where applicable proposals / bids for investment. This latter element focuses particularly on bids for Local Growth Fund and facilitating and advising on ESIF monies as well as working with partners on lobbying for allocations from central budgets.

As highlighted above all funding pipelines went on hold pending the election – we have no clear signals as to future funding for local growth. In view of this we are working on a broad front so we can respond when opportunities arise. In this vein our Great South West work continues; the latest developments will be part of a short presentation to the board. A proposed governance structure is summarised in paper 4.4.

- iii. Efficient and effective delivery of funded programmes of investment – our assurance framework is in place and we are managing a pipeline of approaching three quarters a billion pounds of investment across our three ‘pots’. We continue work to maximise projects progress and spend; latest programme delivery reports are attached in the appendices to this report. It is our practice to undertake a review of progress periodically and in this regard, we recent commissioned an independent report from Ash Futures. The Executive Summary of this report is attached as part of paper 4.5.

## **What’s going well and what isn’t**

I would like to draw director's attention to the following successes / challenges / decisions / feedback needed.

- i. Transport infrastructure – On strategic infrastructure we await clarity from Govt on their priorities. It was disappointing that these strategic funding priorities got little mention in recent weeks and so we anticipate we will need to support our LAs as they make the case for the South West.

More locally we continue to seek ways to find funding to allocate any funding to the Tiverton EUE scheme. A LEP supported proposal went to the recent meeting of the Local Transport Board (LTB) which is run by our prime Local Authorities. Unfortunately, this wasn't accepted by LTB; the conclusion of the LTB meeting has been incorrectly reported in some quarters. Namely that it was said that the LEP had turned down the proposition at the LTB. This generated considerable heat with some of our partners in Devon. We have asked for this to be corrected. We have proposed three options for how this scheme could now be taken forward and board support is requested in paper 4.9.

- ii. Building our relationships with Districts – we have since our last board meeting been in receipt of a communication from all 8 Devon District Councils which set out their concern *“over the level of representation that the District Councils have on the Board and their lack of influence despite being a significant contributor to the operation of the LEP”* The letter advised that *“As a result, both Torridge DC and North Devon DC have taken the decision to withhold their financial contributions at this stage.”* All Devon Districts *“would like to see a review of the governance arrangements and changes made to reflect the need for greater District Council representation in recognition of the significant support, both financial and in kind, that the District Councils provide to the LEP”* and *“would like to see a more equitable share in decision making”*.

In response to this request we have requested that the LEP Network company undertake some independent research of the governance arrangements for District Councils at other LEPs and the levels of support provided to those LEPs by Districts. This work should be undertaken during August and the findings should be available for our September Board meeting. We also anticipate that the Local Authorities intention in respect of establishing a Joint Committee or Combined Authority should be available for consideration (as appropriate) by the LEP Board at the same time.

- iii. Building our relations with Business Representational Organisations – at the Board Away Day and at our last board meeting we highlighted the importance of working more closely with the business representational organisation to help extend the reach of the LEP. Initial conversations have now been held with the leading Chambers, IoD and Institute of Accountants – developing these relationships will form part of our ongoing work and is now referenced in the new Service Level Agreements being discussed with Local Authorities
- iv. Cross LEP activity – we picked up the pace of cross LEP activity during purdah. Plans and activities are currently underway in Nuclear, Aerospace, Marine and Agri-tech. The highlight of recent weeks was a very positive dialog with LEP and industry bodies in the NW on how jointly, the SW and NW LEPs might provide the Place input to the emerging Nuclear Sector Deal commissioned by Greg Clark before the election. As part of this our LEP is likely to sign a MOU with Cumbria LEP to collaborate on this agenda as representatives of our regions.
- v. ESIF – the usual update report is set out in paper 4.6. Directors attention is specifically drawn to the expected release back into the uncommitted pot of £20m by Skills Agency.

This will need recommitting quickly if money isn't going to be lost / returned to Europe. We are trying to working closely with DCLG and DWP to overcome this risk.

- vi. Annual Conference – As previously flagged to follow on from the success of the LEP's previous Conferences (2015 & 2016), we will hold an event on the 10<sup>th</sup> November 2017 in Taunton. A short update paper is attached as paper 4.7
- vii. LEP Finances – We have attached as paper 4.8 our statutory accounts for the directors' approval. The LEP CIC remains as a dormant company as it has no bank account. We will also, as previously flagged, produced a set of notional accounts including the funds that the LEP governance process covers (although the monies are accounted for technically in the books of either Devon County Council or Somerset County Council). This will be used in an 'Annual Report' which will be tabled in September's board meeting and circulated in the autumn.
- viii. Inward investment – As previously reported the current programme of activity came to an end last month. So, given the uncertainties generated by the election we decided to delay recruitment of a refocused resource for a 3-month period. In the interim we have arranged an additional service provision from Plymouth City Council and the TDA to be provided from the beginning of July.
- ix. Publicity - I am delighted that an opportunity to showcase some of the positive LEP work going on across the HotSW and Great South West area had arisen and we are hoping the first of a series of articles will be published prior to the board meeting in the WMN and WDP.

#### **What are the key decisions needed at this board?**

##### Strategic

- 4.1 Change Management of Project Pipeline funding to maintain the LEP and its priorities
- 4.2 Productivity Plan update
- 4.3 LEP Business Plan 17/18
- 4.4 GSW Governance

##### Operational

- 4.5 LEP Monitoring and evaluation report
- 4.6 ESIF update
- 4.7 Annual Conference
- 4.8 Annual Accounts
- 4.9 Tiverton EUE funding

#### **What are the key decisions anticipated at our next board(s)**

- District representation in LEP Governance (Sept 2017)
- Annual Report (Sept 2017)

#### **x. LEP Dashboards**

##### **a) Economic**

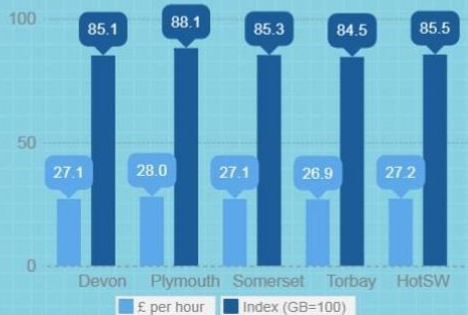
Please note that the data provides a snapshot from the current data and the national sources used often do not present the most up to date picture. For a more up to date picture of the local economy that takes account of the very latest developments Board Directors are encouraged to contact their local economic development teams. If directors require any further amplification on the data sources, please do let us know.

## OUTPUT

Source: ONS

	GVA (£m, 2015)	% Change 2014-15
Devon	23,122	1.7%
Plymouth	5,192	0.8%
Somerset	11,148	2.4%
Torbay	2,081	-0.4%
Heart of the SW	41,543	1.6%
UK	1,666,342	2.6%

## GVA PER HOUR WORKED



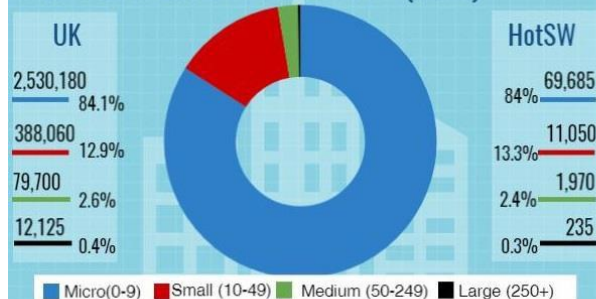
## BUSINESS

Source: UK Business Counts (local units) ONS, 2016

## Net Business Growth since 2011

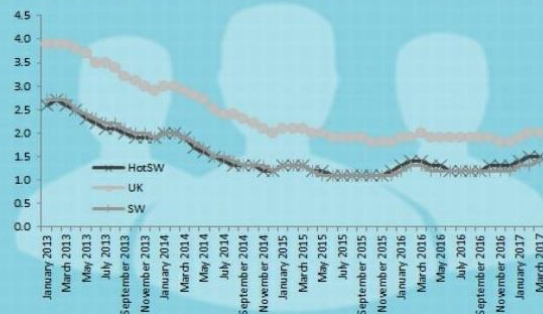


## Size of Businesses in HotSW vs UK (2016)



## LABOUR MARKET

Source: ONS



## EMPLOYMENT &amp; EARNINGS

Source: ONS

	Employment rate (Dec-16)	Total Employees in 2015	% Change from 2014	Gross weekly work earnings (2016)
Devon	73.6%	310,500	0.2% ▲	£477.1
Plymouth	73.8%	107,800	0.1% ▲	£519.8
Somerset	75.9%	217,000	1.4% ▲	£467.7
Torbay	74.7%	46,900	-2.1% ▼	£421.8
HotSW	74.4%	682,200	0.4% ▲	£479.1

## HOUSING MARKET

Source: Land Registry

## Annual % change since Apr 2016

Average House Price (Apr-17) **+5.3%**  
(UK 5.6%)

Average House Price (Apr-17) **£206,077**  
(UK £220,094)

## QUALIFICATIONS

Source: DfE, ONS

	% Pupils with 5+ A*-C GCSE Grades		% Residents NVQ4+ qualified	
	2014/15	2015/16	2016	2015
Devon	56.7%	58.1%	37.1%	40.0%
Plymouth	53.1%	51.8%	33.0%	29.9%
Somerset	53.9%	58.6%	34.6%	35.7%
Torbay	56.6%	57.3%	25.9%	26.3%



## CONTEXT



The productivity of UK workers has dropped back to pre-financial crisis levels. UK labour productivity, as measured by output per hour, is estimated to have fallen by 0.5% from Quarter 4 (Oct to Dec) 2016 to Quarter 1 (Jan to Mar) 2017. The UK has seen a steady economic recovery since the financial crisis, but it has been helped by longer hours and more people working.

Real household disposable incomes in the UK are falling at their steepest rate since 2011. The amount that families have to spend - after tax and benefits are taken into account - fell by 2% in the first quarter of 2017, compared to 2016. This is the biggest decline for more than five years, with inflation the primary reason for the fall – hitting 2.3% in March 2017.

## OUTPUT



Output for the HotSW, currently (as at 2015) standing at £41.5bn, has seen an annual growth rate of 1.6% (UK 2.6%), with positive growth experienced across all of its constituencies: 2.4% in Somerset and 0.8% in Plymouth, 1.7% in Devon and -0.4% in Torbay.

Productivity (in GVA per hour worked terms) is £27.2 (85.5 index or 85.5% of the UK average). This varies across the area, with Plymouth continuing to have the highest labour productivity (88.1% of UK average), and Torbay the lowest yet nearly closing the gap with Devon and Somerset in the last year (84.5% vs. 85.1% and 85.3%, respectively, of the UK average). These estimates represent a fall in productivity in 2015 on the previous year all across the sub-region (except Torbay), while the number of productivity hours has increased, suggesting that the additional jobs have been of a lower value between 2014 and 2015.

## LABOUR MARKET



The ONS believe the Claimant Count may now be providing a misleading representation of changes in the UK labour market. Given the ongoing process of Universal Credit roll-out and future planned expansions, these problems are likely to persist for some time. The Claimant Count is no longer considered an official UK statistic, and has been re-classified as 'experimental'.

There were 15,655 JSA and Universal Credit claimants (1.8% of the working age population, compared to UK 2.0%) across the Heart of the SW in May 2017. This is an annual increase of 19.5% on May-16, compared with a national increase of 4.3%. Across the LEP, the claimant rate is currently: Devon (0.9%), Plymouth (2.2%), Somerset (1.9%), Torbay (2.1%).

The annual changes in total claimant numbers across the LEP since May-16 are widely varying, from a 0.1% decrease in Plymouth, to a 65% increase in Somerset; Devon and Torbay have seen more modest increases, 2.2%, and 7.4% respectively.

The youth (aged 18-24) contribution to claimant numbers are 21.75% of total claimants for HotSW, 22.2% Devon, 23.9% Plymouth, 20.9% Somerset, 20.4% Torbay, and has significantly increased since May-16 in Devon (+6.1%), Plymouth (+8.5%), Somerset (36.3%) and Torbay (+13.8%).

## BUSINESS



There are currently 82,940 businesses across the HotSW, of which 84% are micro-businesses employing between 0-9 people. Every local authority within the HotSW LEP has seen a modest net business growth, with the majority of growth from the Micro-business category. The net Large Business count stayed the same from 2015 to 2016.

## HOUSING



As of April 2017 the average house price in the UK is £220,094. Property prices have risen by 5.6% nationally compared to the previous year. In the Heart of the South West, the average property price stood at £206,077 and has increased 5.3% on April 2016.

Across the LEP, average house prices were: Devon £243,072 (4.17% annual increase); Somerset £222,889 (+7.18% on Apr-16); Torbay £190,965 (+5.87% on Apr-16); Plymouth £167,383 (+4.08% on Apr-16).