

# Chief Executive's Report for September 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. Due to meeting cycles, I am afraid one or two of the board papers will only be finalised over the next few days and will follow. 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**

Last month I opened my report with the expression “we live in interesting times”. As the summer, has progressed it is becoming clearer that we are living in ‘different times’. No longer is it a world where Govt issues a straightforward invitation to all LEPs across the country to bid for investment. Rather Govt has limited attention span outside of Brexit and increasingly it is those areas of the country which take the initiative, are doing better than those areas which wait for the ‘rules’ to be announced. Govt appear to be keenest where there are robust partnerships making the business case for investment easy for Govt to respond to. So, for example, those areas with a Combined Authority in place do appear to be getting higher up Govt priorities for investment.

Perhaps the most significant specific investment announcement has been that Govt plans have been published for the £1.6 billion Stonehenge Tunnel. This marks the first step of the long-awaited improvement to the A303/358/30 corridor.

I have no further significant news to announce on fresh investment awards since the last board. We continue to:

- Work hard on the delivery of our current programme to maximise impact
- Support individual bids for funding being progressed by partners;
- Work actively to facilitate partnership at a variety of levels; locally, regionally, in sectors and nationally;

- Input into the preparation of a new HotSW Productivity Plan that reaffirms our area's priorities and opportunities (paper 4.1 reflects the latest iteration)
- Listen keenly to understand future opportunities and share intelligence.

One further development over the summer was that Fiona McMillan has volunteered to be our Vice Chair following the retirement of Frances Brennan. This will need the ratification by this board meeting.

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

- i. Championing our common priorities and build partnerships – these are currently 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 4.1 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 Committee holds its first shadow meeting later this month and in Paper 4.2 we request Board continuing support for LEP engagement on this agenda.

Director will be aware that the Government has announced a 'Review of LEPs'. We understand that we should view this in a positive light and it represents an underlying commitment to LEPs by the Govt – as flagged in the Conservative manifesto they wanted to see LEPs' role established more clearly. Given the parliamentary pressures this is unlikely to mean enshrined in statute.

- 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 no longer focuses particularly on bids for Local Growth Fund (as this is finished) but we still facilitate and advise on ESIF monies as well as working with partners on lobbying for allocations from central budgets.

As highlighted above the current funding pipelines appear to be focused on those areas coming forward with strong partnerships supporting relevant 'Deals' or opportunities. In view of this we are working on a broad front so we can support existing HotSW partnerships and emerging new partnerships at regional level or in sectors. In this vein our Great South West work continues; the latest developments are summarised in paper 4.3. I would like to highlight:

- The work of the SW Rural Productivity Commission whose report we anticipate later this month. We will have a brief presentation on their recommendations at this Board meeting.
- This year's SW Growth Summit – please do register to attend on 20 October;
- We are in discussion with Innovate UK about signing a Great South West MOU with them

- 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. A verbal update will be given on Amber projects.

## 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 the most significant announcement has been the publication of the route for the £1.6 billion Stonehenge Tunnel, a key part of the 'South West expressway'. Linking the M3 in the South East and the M5 in the South West, the 'expressway' will upgrade this key route and support economic growth.

In their press release Govt highlight that congestion and slow journeys have long had a negative impact on our region's economy. The tunnel at Stonehenge will additionally remove the traffic blight on local communities and enhance the famous landmark as it will reconnect the two halves of the 6,500-acre World Heritage Site which is currently split by the road, and remove the sight and sound of traffic from the stones.

- ii. North Devon Link Road – Last year the LEP indicated to DfT its support for a North Devon Link Road scheme in the context of the 2016 invitation for Local Majors Funding. The LEP Board approved and we submitted a "holding" bid for funding from DfT of up to £150m towards the NDLR. Since then there has been no opportunity for the LEP to secure capital to contribute towards the project.

Going forward, our understanding of the DfT process is that although the business case preparation is being done by DCC, and that is who DfT direct engagement is with, DfT still do want the submission itself to come from the LEP and have our Board's explicit support. We therefore anticipate a proposal / bid coming forward at November's board meeting for approval.

- iii. Building our relationships with Districts – At our last Board I reported the 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 LEP Network company has now undertaken the independent research of the governance arrangements for District Councils at other LEPs and the levels of support provided to those LEPs by Districts. In conclusion, this research does highlight that we may be a little light in District representatives on the Board compared to other LEPs of similar size. A number of ideas have been circulated for discussion with Districts and this will most likely be an item for discussion at Nov's Board.

Feedback has been:

- Somerset Districts have said that they are receptive to providing a second director but their priority would be to improve circulation of board agendas and non-confidential papers before Board meetings
- Devon Districts have said they would like to discuss the ideas circulated at their Devon Districts Forum meeting in October

- iv. Cross LEP activity – we are continuing cross LEP activity. Plans and activities are currently underway in Nuclear, Aerospace, Marine and Agri-tech. A presentation will be given at this Board meeting on our Nuclear work and our efforts to provide the Place input to the emerging Nuclear Sector Deal commissioned by Greg Clark before the election. As part of this our LEP working alongside Cumbria LEP to collaborate on this agenda as representatives of our regions.

I previously highlighted the work around Great South West. It is increasingly apparent that most of the UK regions do now have a broader brand that they use to support cross LEP priorities. The SW brand has yet to be recognised by Govt (because it's not yet seen as having sufficient broad support). The SW Growth Summit on 20 October will in essence be a 'make or break' event for our regional working. It will be critical for consensus for regional working to be apparent if we are to have sufficient weight to make any impact.

- v. Housing Infrastructure Fund – Local Authorities have been invited to submit bids for funding to support extra housing. As a LEP we have been asked to endorse that these bids are in the right strategic places – we have asked our Place Leadership Group to review bids for this and a report on those recommended for endorsement is attached as Paper 4.4. An update on the Place Leadership group meeting will be given at the Board.
- vi. Strategic Investment Panel Decisions for ratification – There are a couple of items being discussed at the SIP meeting on 13 September and a Board paper 4.5 will be forwarded post this meeting.
- vii. Building our distinctiveness – alongside our work on the Productivity Plan we have been looking for ways of building our distinctiveness and making an impact on prosperity. Given the importance of connectivity the Board has previously indicated the importance it gives to digital connectivity. In addition to the physical infrastructure we see it is vital to facilitate take up and utilisation of digital technology. In Paper 4.6 we set out an opportunity to become a Digital Skills Pilot Area and ask for confirmation of Directors support for this.
- viii. ESIF – the usual update report is set out in paper 4.7. We have recently received a formal letter advising us that our LEP area is not committing to ESIF programmes as fast as other parts of the country and seeking suggestions on whether we might want to see some money released. In general, we believe that the pipeline is going to pick up the slack. The report highlights one area where we thought we had reached agreement to via £3m of funding from one category to another – but which now appears less certain. I can also report that DCC has engaged a consultant to support work around 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.
- ix. 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. Please could all directors put this in diaries.
- x. Publicity - I am delighted that we continue to showcase some of the positive LEP work going on across the HotSW and Great South West area through a series of articles published in the WMN and WDP.
- xi. LEP Staffing – it is hoped that by the time of our Board meeting we will get clearance from our accountable body to commence recruitment for someone to fill the role of Head of Strategy and Operations. Having undertaken a survey of similar LEPs a more appropriate job title for this role is Chief Operating Officer.

I thought I should also flag that I am starting work on a succession plan for my own role as I am due to retire in July 2018. A more detailed plan will be tabled at November's Board with recruitment probably commencing after our January 2018 Board meeting (at which job specifications and interview panels will be discussed)

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

### Strategic papers: -

- 4.1 Productivity plan
- 4.2 Joint Committee update
- 4.3 GSW update

### Operational papers: -

- 4.4 HIF Endorsements
- 4.5 SIP approvals
- 4.6 Digital Skills Pilot Area
- 4.7 ESIF update

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

- District representation in LEP Governance (Nov 2017)
- LEP CEX Recruitment (Nov 2017)

## **xii. LEP Dashboards**

### **a) Economic**

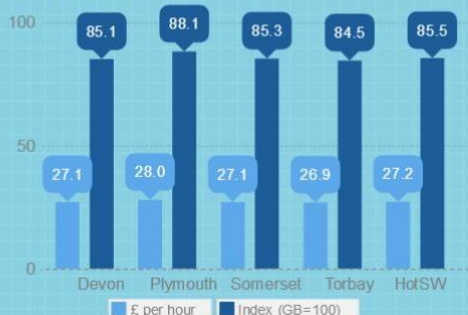
Please note that the data provides a snapshot from the current data and the national sources used often do not present the most up to date picture. For a more up to date picture of the local economy that takes account of the very latest developments Board Directors are encouraged to contact their local 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



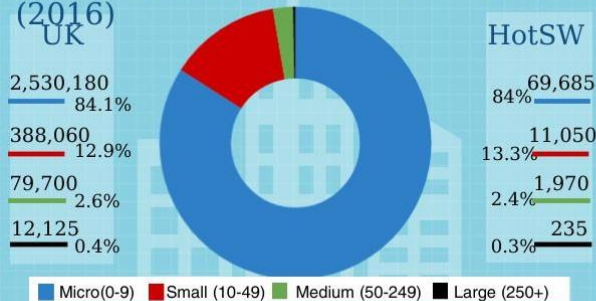
## BUSINESS

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

Net Business Growth since 2011

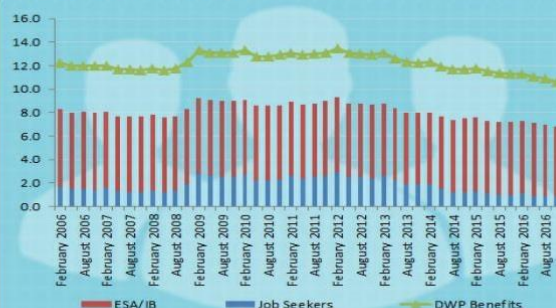
PLY  
825  
+12.2%DEV  
3,185  
+8.1%SOM  
2,395  
+9.4%TOR  
360  
+7.9%HotSW  
6,765  
+8.9%

Size of Businesses in HotSW vs UK (2016)



## LABOUR MARKET

Source: ONS



## EMPLOYMENT &amp; EARNINGS

Source: ONS

	Employment rate (Mar-17)	Total Employees in 2015	% Change from 2014	Gross weekly work earnings (2016)
Devon	74.7%	310,500	0.2% ▲	£477.1
Plymouth	74.8%	107,800	0.1% ▲	£519.8
Somerset	76.3%	217,000	1.4% ▲	£467.7
Torbay	76.0%	46,900	-2.1% ▼	£421.8
HotSW	75.3%	682,200	0.4% ▲	£479.1

## HOUSING MARKET

Source: Land Registry

Annual % change since Apr 2016

Average House Price (Apr-17)

+4.4%  
(UK 4.9%)

Average House Price (Apr-17)

£206,430  
(UK £223,257)

## 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



As previously explained, the Claimant Count is no longer considered an official UK statistic, and has been re-classified as 'experimental'. Consequently, an analysis of DWP benefits in conjunction with Annual Population Survey (APS) unemployment statistics would be more insightful. The DWP figures include job seekers, as well as some economically inactive such as Employment Support Allowance (ESA)/ Incapacity Benefit (IB) claimants, lone parents, and others. The APS unemployment rate refers only to those of working age and actively seeking work.

The APS unemployment rate has seen HotSW nearing 'full-employment' in recent years; however, it saw a steep increase (113%) between Apr 2016 - Mar 2017 and the previous 12-month period, and currently stands at 4.6%. Significant variations have been experienced across the sub-HotSW top-tier geographies: Plymouth (-7.1%) and Somerset (-5.9%) continued to see declines - to currently 4.9% and 3.8% currently. On the other hand, Devon's and Torbay's unemployment rates rose 36.8% and 6.1%, respectively, over the same period, to rates of 4.8% and 5.8%.

Moreover, 10.6% of HotSW's working age population were claiming a DWP benefit in Nov 2016. This breaks down to only 0.8% of these residents claiming a benefit as job seekers, and 6% claiming ESA/ IB. Whilst the job seeker claimant rate has fallen significantly over the years post-recession, the ESA/ IB rate has been stubbornly stagnant. Across the sub-LEP geographies, variations occur, with Torbay (16.9%) and Plymouth (14.1%) seeing the highest DWP benefit claimant rates; Devon and Somerset rates stood at 9.3%.

## 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 June 2017, the average house price in the UK is £223,257. Property prices have risen by 4.9% nationally compared to the previous year. In the Heart of the South West, the average property price stood at £206,430 and has increased 4.4% on June 2016.

Across the LEP, average house prices were: Devon £246,180 (6.8% annual increase); Somerset £224,621 (+7.1% on Jun-16); Torbay £184,879 (+1.2% on Jun-16); Plymouth £170,039 (2.3% on Jun-16).