

Chief Executive's Report for January 2018 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. 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

January is the traditional time for setting new resolutions and fresh plans. As a LEP we breathed a sigh of relief that the Secretaries of State for DCLG and BEIS remained unchanged and so we anticipate no significant change in their priorities or delays to current plans – i.e. for DCLG its focus remains Housing and BEIS its interest revolves around Industrial Strategy as well as Science and Innovation. We will need to await to understand the implications of the changes to the Dept. for Education and Transport who both have need Ministers.

For the LEP 2018 will mark some major milestones which will potentially significantly influence our next few years. :

- Our new Productivity Strategy is nearing completion so it can be reviewed by the LEP Board and Joint Committee. Please see Paper 5.1.
- Alongside this, the Joint Committee and LEP partnership are progressing discussions with Government on a possible basis for a deal or devolution arrangement. See Paper 5.2
- The recruitment process for Chief Executive is, subject to Board agreement of the plan and specifications, due to commence later this month with a view to progress a

process leading to a new appointee commencing work prior to my retirement at the end of July. See Paper 5.3.

Since the last board we have submitted the proposal for funding of improvements to the North Devon Link Road as we discussed at the last board meeting. If successful this would be the single largest project we have underway in our area – though based on current practices the Dept. of Transport is likely to retain control of this budget and deal directly with the lead delivery authority (Devon County Council). We haven't had the opportunity to bid for any other significant funding in the last two months but have supported bids being made by partners.

On Governance agendas, I regret to confirm that also since our last board Jackie Jacobs has resigned as a LEP Board member due to work commitments. Subject to comments from the board today, the Finance and Resources Committee has recommended that we do not at this time seek an immediate replacement (there is no requirement under our articles for an immediate recruitment process). As discussed at the last board meeting we may wish to review governance issues further after the LEP Review is published later this year and the board considers other issues in respect of District Council representation. In the meantime, we are considering co-opting an additional business representative onto the Finance and Resources Committee to make up for Jackie Jacobs absence. In recent weeks Government has now issued some best practice guidance on how they will require us to implement the requirements of the Mary Ney Review into LEP Governance and transparency. We will need to introduce new systems and resources into this activity. Rather than recruit new staff we have gone out to our Local Authority partners to seek proposals how they might help us take this forward. See Paper 5.4.

As previously mentioned 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;
- Listen keenly to understand future opportunities and share intelligence.

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 investment plan submitted to HMG in March 2014. As flagged above we are working with the Joint Committee on promoting our priorities to Government See Paper 5.2. We are expecting to see the revised draft of our 'Productivity Strategy' in the next few weeks (see Paper 5.1) and this will need to come to both the LEP Board and the Joint Committee in March.
- 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 previously highlighted 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 update is summarised in paper 5.6.

- 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. We do not at this board meeting have any actions to consider in respect of our Growth Deal projects.

However, I would like to flag that at the last meeting of SIP, the Panel considered a letter from Exeter Science Park requesting that its GPF loan agreement for the Innovation Centre be amended to a grant. The Panel indicated they were not minded to meet such a request and so officers were asked to follow up with the Science Park to get further detailed information on the request and the Park's business plan so that options could be considered.

As mentioned previously, the LEP does not always act as the conduit for investment – our HotSW Enterprise Zones are a key tool for us in attracting investment and we are starting to see some positive signs of potential. Revisit what is happening on these is being carried forward to our next board.

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. LEP Staffing – Eifion Jones has now commenced work as our Chief Operating Officer with the University of Plymouth as the employing body. We have also been working to recruit an Inward Investment Manager. To date we have not yet been able to identify a suitable candidate.
- ii. Transport infrastructure –. Government has issued a number of consultations on transport issues, to which the LEP is in the process of responding:
 - a. **Rail Vision and Great Western Rail Franchise** - On 29 November the Secretary of State published a Rail Vision, and launched a consultation on the Great Western Rail Franchise. He has decided to exercise an option to extend the current Great Western franchise until April 2020, and is minded to make a further Direct Award until 2022, providing that this would give benefits for passengers. The consultation, which runs to 21st February 2018, invites responses on the enhancement which might be secured both in the period to 2022, and through the 2020s. It also poses a question of whether it should be retained as a single large franchise, or split into 2 (or more) smaller franchises.

- b. **Major Road Network** - In July 2017 the Department for Transport launched a transport investment plan for Britain, setting out its proposals for investing in transport infrastructure, particularly the road network. One of the key proposals was the creating of a Major Road Network, comprised of the most important local authority routes, together with the Highways England Strategic Road Network of Motorways and Trunk Roads. On 23rd December, the Secretary of State published a consultation document on the proposals for the Major Road network. The consultation runs until 19 March 2018. The LEP will be working with the four Local Transport Authorities and adjoining LEPs in considering the consultation questions, and will also be involved in discussions over a wider geographical base about the scope for regional partnership.
 - c. **Community Rail Strategy** - Government is consulting on an update to its Community Rail strategy. The existing strategy, adopted 10 years ago, had led to more government & rail industry support for local lines, and has been very effective in boosting patronage. The current consultation document indicates strong support within government for Community Rail. In formulating a response, the LEP will be working with Devon and Cornwall Community Rail Partnership. The consultation runs to 28 January 2018.
 - d. **South West Infrastructure Panel** - The LEP has been briefed on the South West Infrastructure Panel which has been set up by the Institution of Civil Engineers. The Panel aims to produce a strategic, evidence based infrastructure vision for the South West to include cross sector scenario planning. They aim to establish communications with MPs and LEPs to build a broad consensus on infrastructure requirements.
- iii. Energy Strategy - Earlier this year, a joint proposal from CIOS, Dorset and HotSW Local Enterprise Partnerships to support the development of an energy strategy across the region covered by the three LEPs was awarded funding from the Department of Business, Energy and Industrial Strategy (BEIS). Govt has offered some funding to establish an SW Energy Hub in Bristol to support turning these strategies into actions and the West of England LEP has agreed to administer this regional facility. This work is moving forward well and could be the subject of a future presentation to the board.
- iv. Rural – I thought it was timely to give an update on our work on rural agendas:
 - The work of the Commission has been fed into the consultation process for the Productivity Strategy
 - We are proposing a Regional Rural Task Force be set up to act as a high-level strategic advisory body. It will not have executive powers. It will provide regular reports and progress updates on its work to the [“Great South West” Leaders’ Group], the LEP Boards of the four LEP areas and to the Heart of the South West Joint Committee. It will publish agendas and minutes of its meetings. The Task Force will comprise:
 - A senior elected local authority representative from each county of Cornwall & the Isles of Scilly, the Heart of the South West, Dorset and Swindon & Wiltshire.

- A private-sector representative from each of Cornwall & the Isles of Scilly, the Heart of the South West, Dorset and Swindon & Wiltshire, covering a diverse range of rural businesses
- A representative from the National Farmers Union
- A representative of Further Education providers within the South West
- A representative of Universities within the South West
- [Natural England?]
- Representatives from the key 4 government departments including BEIS, Defra, DCMS and DCLG
- We are also proposing to identify a Partnership Executive to support the taskforce and its virtual teams and the development of relevant partnerships to:
 - Develop a detailed action plan to take forward recommendations made by the South West Rural Productivity Commission¹ and monitor progress against this plan. The action plan will identify actions for local, LEP, regional and national partners.
 - Seek to align the resources and efforts of local and regional partners to improve the economic performance of rural areas
 - Develop a set of asks and offers that could form part of a “rural deal” with government
 - Act as a focal point for lobbying (e.g. of MPs) and cross-government influencing & advocacy, working with a wide-range of departments including DEFRA, BEIS, MHCLG, DCMS, DFE and DWP.
 - Act as a virtual team with individual Task Force members taking responsibility for progressing key thematic priorities
 - Help to develop a “golden thread” that connects rural economic policies at a local, LEP, regional and national level
 - Help to facilitate a national debate with other rural areas across the UK
- v. Capital to Revenue funding – Further to my report in my last CEX report on future LEP funding the Finance and Resources committee has considered a report from our accountable body on options to meet future income needs. The meeting agreed that we should take forward the arrangements for the first £1m of this income funding which would secure contractual requirements and requested our accountable body to make further enquiries.
- vi. ESIF – the usual update report is set out in paper 5.5. Further background will be provided in the presentation at the beginning of the board.

What are the key decisions needed at this board?

Strategic papers: -

- 5.1 Productivity Strategy update
- 5.2 Joint Committee update

Operational papers: -

- 5.3 CEX Recruitment

¹ The SW Rural Productivity Commission, Key Findings and Recommendations, October 2017

- 5.4 Governance and transparency
- 5.5 ESIF update
- 5.6 GSW / Regional update
- 5.7 Matter referred from SIP

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

- Update on Enterprise Zones
- CEX recruitment
- LEP 2018/19 Budget and business plan

vii. 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.

January 2018

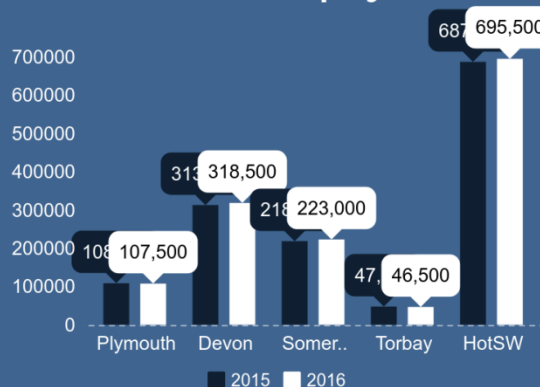
Heart of the SW Economy Dashboard



LATEST - Highlights on GVA, Jobs, Earnings, Claimant Count

- GVA in HotSW grew to £43.3 billion, a 4.34% increase on the previous year.
- This growth has not been consistent across all top-tier geographies within the LEP, with Torbay, having reversed their previous contraction, seeing the smallest growth of 0.9% and Devon experiencing the highest growth of 4.1%.
- Workplace earnings continued to grow in 2017 on the previous year, however for most areas, and nationally on average, this growth is not keeping up with inflation. An exception here are Torbay and Somerset.
- The latest claimant count, which includes Universal Credit claimants, reports a 15% increase in the number of out-of-work claimants across HotSW between November 2016 and 2017, an increase from 1.3% to 1.5% of the working age population.

Number of Employees



HotSW Overview

Output & Productivity



£43.3bn GVA in 2016
(+4.34% on 2015)
GVA per hour at 85.5% of UK

Business



71,520 enterprises in 2017 (69 per 1,000 working age population, vs. 62 UK-wide)
+12.3% since 2011

Labour Market



74.4% employment rate
32.6% of residents NVQ4+ qualified
£488.6 median weekly workplace wages in 2017
(89% of UK average)

Housing



£206,077 average house price (Apr-17)
+5.3% on Apr-16

National & Regional Context

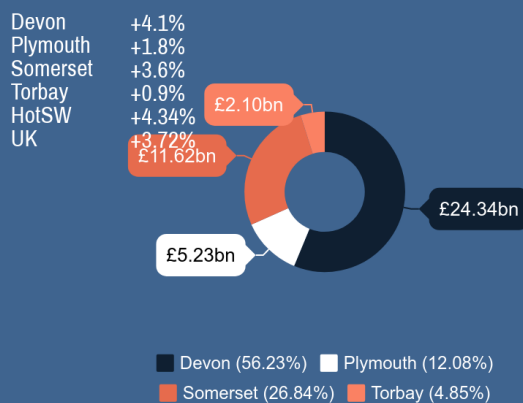


- In Q3 2017, total GDP, construction and services were all weaker than their post-downturn average, however services continue to drive GDP growth. Manufacturing returned to growth, and Q3 2017 saw a much faster growth than its post-downturn average.
- The productivity of UK workers has dropped back 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, and a further 0.1% to Q2-17. The UK has seen a steady economic recovery since the financial crisis, but it has been helped by longer hours and more people working, whereas labour productivity growth has been lower on average than prior to the economic downturn.
- 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 2.8% in September 2017, which was last higher in March 2012.

Heart of the SW Subregional Analysis

Economic Output (GVA, £m, 2016)

GROWTH ON PREVIOUS YEAR



Source: Regional Gross Value Added (Income Approach) ONS, Dec 2017

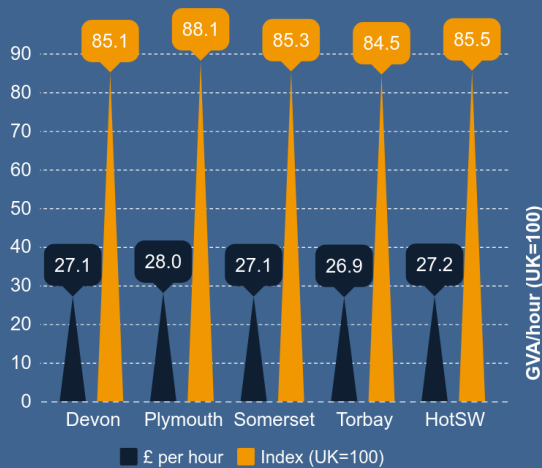
Workforce Earnings

Gross Weekly Workplace Wages (Median, Full-Time)

Positive growth all across the area, however inflation has risen by 2.8% in October 2017 on the previous year, which makes all but Somerset and Torbay workers worse off in terms of take-home pay. The highest workplace pay in the area remains in Plymouth, at 96% of the UK average, but Torbay has seen the highest annual growth.

	Average FT Workplace Earnings (£/week)	% Change 2016-17	% Change 2016-17 net of inflation
Devon	£483.7	1.5%	-1.3%
Plymouth	£528.9	1.8%	-1.0%
Somerset	£484.4	3.6%	0.8%
Torbay	£467.1	10.6%	7.8%
HotSW	£488.6	2.0%	-0.8%
UK	£550.4	2.2%	-0.6%

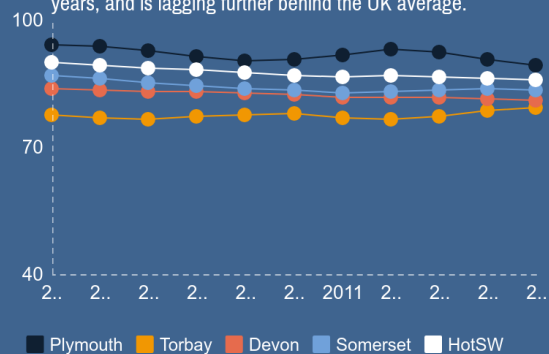
Source: Annual Survey of Hours and Earnings, ONS, Nov 2017



Source: Subregional Productivity - ONS, Feb 2017

Labour Productivity (GVA per Hour Worked)

With the exception of Torbay, productivity growth across HotSW (relative to the UK) has slowed over the past four years, and is lagging further behind the UK average.



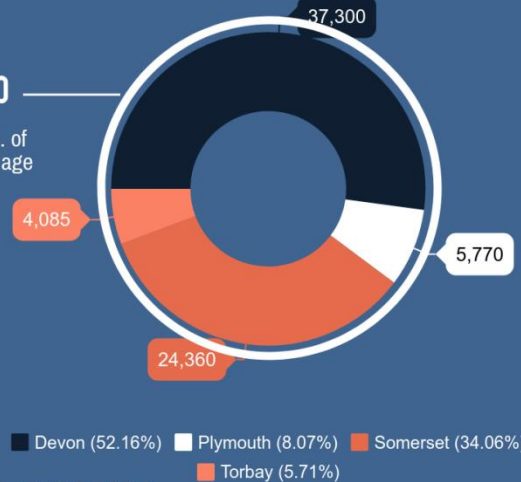
Business Stock & Business Growth

HOTSW TOTAL: 71,520

Business density (2016) - no. of enterprises per 1,000 working age population:

Devon	92.4
Plymouth	44.7
Somerset	86.8
Torbay	64.2
HotSW	80.7
UK	72.6

NUMBER OF ACTIVE ENTERPRISES



HotSW Enterprises by Size:

Micros (89.1%)	63,745
SMEs (10.6%)	7,575
Large (0.3%)	200
Total (100%)	71,520

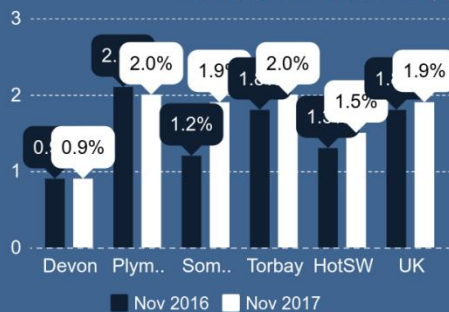
ENTERPRISE GROWTH

	2016-17	2011-17
Devon	+1.7%	+11.5%
Plymouth	+1.4%	+18.6%
Somerset	+1.5%	+12.0%
Torbay	+1.9%	+13.3%
HotSW	+1.6%	+12.3%
UK	+4.5%	+28.3%

Source: UK Business Counts - ONS, Oct 2017

Unemployment

Source: Claimant Count - ONS, Dec 2017



Note: The Claimant Count includes all Universal Credit claimants who are required to seek work and be available for work, as well as all JSA claimants. As Universal Credit Full Service is rolled out in particular areas, the number of people recorded as being on the Claimant Count is therefore likely to rise.

Qualifications

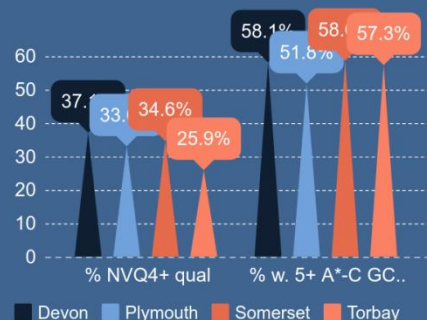
Sources: ONS, Mar 2017
DfE, 2017



% of resident population qualified at a NVQ4 level and above

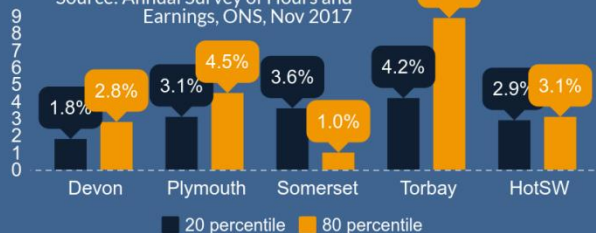


% of pupils achieving at least 5 A*-C GCSEs (inc. Maths & English)



Inclusive Earnings

Source: Annual Survey of Hours and Earnings, ONS, Nov 2017



ANNUAL GROWTH IN WEEKLY RESIDENT EARNINGS - BOTTOM 20 VS. TOP 20 PERCENTILES

In all areas but Somerset, median gross weekly pay at the 80th percentile (for the top 20% of working age residents) has grown faster than for the bottom 20%, particularly so in Torbay. For most areas, this means that the lowest paid residents are already, or close to being, worse off with the rise in inflation.



Glossary & Release Calendar

Economic Output (GVA Income Approach)

Gross value added (GVA) is a measure of the increase in the value of the economy due to the production of goods and services. It is measured at current basic prices, which include the effect of inflation, excluding taxes (less subsidies) on products (for example, Value Added Tax). GVA plus taxes (less subsidies) on products is equivalent to gross domestic product (GDP).

These regional estimates of GVA are measured using the income approach. This involves adding up the income generated by UK resident individuals or corporations in the production of goods and services. The GVA(I) estimates presented here are on a workplace basis (allocated to the location where the economic activity takes place).

Source: Regional Gross Value Added (Income Approach) - ONS
Released annually, around mid-December.

Average Earnings (Median Gross Full-Time Weekly Pay)

Based on a sample of employee jobs taken from HM Revenue & Customs PAYE records.

Full-time employees: 30+ paid hours worked per week, or those in teaching professions working 25+ hours per week. Why full-time pay rather than total? It gives a better idea of the earnings offer of jobs in the area; the 'total' averages earnings across full-time and part-time jobs, according to their distribution, and so areas with higher part-time employment rates would skew the earnings figure. To get an idea of part-time earnings, these can be looked at separately.

Median earnings: The headline statistics for ASHE are based on the median rather than the mean. The median is the value below which 50% of employees fall. It is ONS's preferred measure of average earnings as it is less affected by a relatively small number of very high earners and the skewed distribution of earnings. It therefore gives a better indication of typical pay than the mean.

Earnings by percentile (10%, 20%, etc): show the earnings figure below which that proportion of employees fall. For example, the 10% decile will give the earnings figure below which the 10% of lowest earners fall.

Resident versus workplace pay: The resident-based data set provides information about earnings of employees who are living in an area, who are on adult rates and whose pay for the survey pay-period was not affected by absence. Workplace pay relates to the earnings of employees who are working in an area.

Source: Annual Survey of Hours and Earnings - ONS
Released annually, around end of November

Labour Productivity (GVA per Hour worked, Index)

GVA per head is sometimes used as an indicator of a sub-region's economic performance, and is dividing a workplace-based numerator (GVA) by a residence-based denominator (residential population); this means that this measure does not account for people commuting into and out of a region, and significant commuting flows can lead to highly distorted results. Moreover, by including all the residential population (including students, carers, pensioners and others not economically active) and not just those who are in employment, the denominator includes residents who are not directly contributing to GVA.

For these reasons, **GVA per hour worked** and **GVA per filled job** are the most appropriate measure of regional and subregional productivity. These measures only count the input of those who are directly employed in the production process, rather than the whole population. GVA per hour worked and GVA per filled job can both be used as measures of labour productivity, but these 2 measures are different. GVA per hour worked divides GVA by the total hours worked by the workforce in the subregion; GVA per filled job apportions GVA to the number of jobs in the subregion.

There will be some small differences between the results for the two measures. GVA per filled job does not take into consideration regional labour market structures or different working patterns, such as the mix of part-time and full-time workers, and job shares. For this reason, GVA per hour worked is a more comprehensive indicator of labour productivity and the preferred measure at sub-national level.

GVA per hour worked index: The productivity index shows how well a sub-region has performed compared with the rest of the UK, that is, the UK average. Therefore, a decrease in the productivity index number of a subregion means that the subregion has performed relatively worse than the rest of the UK over the period. Its actual productivity level may have improved, but at a slower rate than the UK overall, thus declining relative to the UK=100 index. Similarly, an increase in the productivity index number means that the subregion has performed better than the rest of the UK.

Source: Subregional Productivity - ONS
Released annually, around February

Business (Number of enterprises, density)

UK Business Counts: An extract compiled from the Inter Departmental Business Register (IDBR) recording the number of enterprises that were live at a reference date in March.

An **enterprise** can be thought of as the overall business, made up of all the individual sites or workplaces. It is defined as the smallest combination of legal units (generally based on VAT and/or PAYE records) that has a certain degree of autonomy within an enterprise group.

A **local unit** is an individual site (for example a factory or shop) associated with an enterprise. It can also be referred to as a workplace.

The choice of metric here is for the number of enterprises, as growth in this metric indicates new businesses, rather than new businesses plus expansions in existing businesses; this would therefore also give the percentage start-up rate net of the rate of business deaths.

The number of businesses by **employment size** are defined as: Micro (0-9 employees); SME (10-249 employees); Large (250+)

Business density: measured as the number of enterprises per 1,000 working age residents

Source: UK Business Counts - ONS

Released annually, dates not always consistent; next release expected mid-July

Jobs & Employment (No. of Employees, Employment Rate)

BRES No. of Employees: BRES is an employer survey of the number of jobs held by employees broken down by full/part-time and detailed industry (5 digit SIC2007). The survey records a job at the location of an employee's workplace. Sample: approximately 82,000 VAT and/ or PAYE registered businesses across the UK.

APS Employment Rate: The Annual Population Survey (APS) is a continuous household survey. The topics covered include employment and unemployment, as well as housing, ethnicity, religion, health and education. The datasets consist of 12 months of survey data and are broken down and rolled over on a quarterly basis. The sample size is approximately 320,000 respondents UK-wide, and it uses data combined from 2 waves of the main Labour Force Survey (LFS), collected on a local sample boost.

Source: Business Register for Employment Survey (BRES) - ONS;

Released annually, around end of September

Annual Population Survey (APS) - ONS; **Released quarterly**

Unemployment (The claimant count)

The Claimant Count/ rate: This series counts the number of people claiming Jobseeker's Allowance (JSA) plus out-of work Universal Credit (UC) claimants who are required to seek work and be available for work. This is the claimant unemployment rate, a headline indicator of the number of people claiming benefits principally for the reason of being unemployed.

The Claimant Count is based on a tabulation of monthly extracts from the Department for Work and Pensions (DWP) administrative systems. Results are published approximately 5 weeks after the reference date that they relate to. The Claimant Count has undergone a number of changes since the introduction of Universal Credit (UC) in 2013. This has led to some inconsistency in coverage and ongoing development work which has caused the series to be reclassified from National Statistics status to Experimental Official Statistics. This period of development is likely to be ongoing until the new benefit is fully rolled out.

The APS unemployment rate: refers to those of working age without a job who have been actively seeking work within the last four weeks and are available to start work within the next two weeks. The way in which the Annual Population Survey is conducted gives rise to quarterly snapshots of the previous 12 months of labour market data. As previously mentioned, this is a household-based survey, with around 320,000 respondents nationally.

The APS unemployment rate is not the proportion of the total population who are unemployed. It is the proportion of the economically active population (those in work plus those seeking and available to work) who are unemployed. This follows guidelines specified by the International Labour Organisation and it ensures that UK unemployment statistics are broadly comparable with those published by other countries.

Source: Claimant Count - ONS; **Released monthly**
Annual Population Survey - ONS; **Released quarterly**

If you have any questions or feedback regarding this dashboard, please contact:

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