

Chief Executive's Report for March 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 the Business Plan, ESIF, Matter referred from SIP and Growth Hub papers have been classified as commercially confidential.

Executive Summary

What we are doing

I came across the following quote on LinkedIn this week "Don't worry so much about the first 90 days of your job – it's the last 90 that really count, [says Kellogg School of Management Dean Sally Blount](#). Especially for leaders, it's the end of your tenure that makes a lasting impression."

There are slightly more than 90 days to go until I retire but I feel the principle behind this quote is in my mind already in that my tenure as Chief Executive will be judged more on how my time finishes rather than how it commenced back in 2013. So, I am determined to maintain the momentum that we have already underway and hopefully position the new CEX well for future successes.

Talking of successes, the recent announcements of over £60m of Housing Infrastructure Fund awards to our area represented the third largest award to any LEP area in the country. Our LEP Place team supported a number of Local Authority partners with their bids for this

funding and all bids were also appraised by the Place Leadership Group and endorsed by the Board. A good example of teamwork.

For the LEP 2018 is likely to be a busy period with activities progressing on multiple fronts. In particular our focus since our last Board has continued to be on:

- Our new Productivity Strategy which is ready to be signed off by the LEP Board and Joint Committee. Please see Paper 5.1.
- Alongside this, we are now considering the implications likely to be arising from the (yet to be developed) Productivity Strategy's Delivery Plan. Also at a national level the Govt's strategic Review of LEPs has commenced although we do not now expect to hear what its recommendations will be until after the May elections. Initial impressions suggest a strengthened role for LEPs going forward and that Govt want a more consistent approach by LEPs across the country; from governance structures and committees, to transparency to strategy methodologies to delivery organisation and tools. Please see paper 5.2.
- The recruitment process for Chief Executive is underway and by the Board meeting we will have completed first round interviews. See Paper 5.3 for a brief update.
- Enhanced governance and transparency arrangements were expected at our January board meeting and these had to all be in place by the 28 February. Paper 5.4 summarises the formal feedback now received from our annual conversation, work that has been done and next steps on the implementation of the enhanced 'scrutiny' arrangements. A number of questions and issues arose during the implementation and we have a short discussion to help clarify which issues we should refer to CLOG at the commencement of the Board. Our company Secretary Ashford's will also attend to help explore these questions.

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 last month we are working with the Joint Committee on promoting our priorities to Government
- 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. See paper 5.5 on ESIF issues.

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. We are now funding jointly with Dorset and Cornwall LEPs some support on Great South West and Rural Productivity to help raise the profile of these asks and offers. A further update on this will be the focus on a paper in next month's board. We are also supporting preparatory work on this autumn's SW Growth Summit – with a working group lead by Exeter University. A key first step is choosing a date at which a senior minister could attend.

- 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 anticipate that (at the time of writing this report) we will have one project related matter referred to the Board by SIP that will need consideration. Please see paper 5.6 sent separately to the main board pack.

At the last meeting of the Board I flagged that at a meeting of SIP, the Panel considered a letter from Exeter Science Park. The Panel indicated they were not minded to meet their 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. I can report that David Bird the Chair of SIP with LEP Officers met the Chair and Chief Executive of the Science Park company and their advisors. A number of positive options were discussed and the company is now considering these so that a future meeting of SIP can conclude this issue. We are hopeful a workable way forward has been potentially identified subject to due diligence by all parties.

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. There will be a presentation on this at our 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 – At the last board we mentioned we have also been working to recruit an Inward Investment Manager. In this connection I am delighted to say that Hayley Wallbank, who previously worked on regional stakeholder engagement for the ICAEW

will be joining us shortly.

- ii. Transport infrastructure – We are working with partners to see if we can identify funding to undertake a feasibility study or the options to reopen the railway line between Taunton and Minehead. Also, as flagged in some detail for our last board Government has issued a number of consultations on transport issues, to which the LEP is in the process of responding. The number of transport consultations hasn't let up – latest being:
 - a. Great Western franchise (submitted last week),
 - b. Three different consultations on the A303/A358 (A 358 dualling, and A303 Sparkford - Ilchester will be responded to this week; A303 Stonehenge consultation closes 6 April)
 - c. Major Road Network consultation (due 19 March)
 - d. Cross Country franchise (later this Spring).
- iii. Energy Strategy - Govt has now confirmed the funding to establish an SW Energy Hub in Bristol to support turning these the relevant 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. Modernising Defence Programme – the LEP wrote a letter of support for the Amphibious Ships following the representations made at the last board. The nature of the debate has now changed and Ian Bowyer will update the board on the thread to prosperity arising from the current review.
- v. Rural – the Exmoor National Park has developed a proposal to help Govt test the new funding regimes being envisaged post Brexit. We are working with Park executive on this Exmoor Ambition proposal, and helping its promotion to Govt.
- vi. Capital to Revenue funding – Further to my report in my last CEX report on future LEP funding the Finance and Resources committee is progressing discussions with our accountable body on the arrangements for the first £1m of this income funding which would secure contractual requirements
- vii. ESIF – the usual update report is set out in paper 5.6. Further background will be provided in the presentation at the beginning of the board.
- viii. Growth Hub – as indicated in previous items Govt is increasingly looking for more consistent approach by LEPs across the country; from governance structures and committees, to transparency to strategy methodologies to delivery organisation and tools. One of the tools impacted will be how growth Hubs are operated and Paper 5.7 sets out issues which will be discussed at Business Leadership Group and SIP in the period before this board.
- ix. Sector and cluster support – an increasing amount of LEP resources and effort is going into support for our key sectors and clusters. Two current developments are:

- a. Nuclear – we are representing all LEPs in the emerging Nuclear Sector Deal negotiations with Govt and hope this might facilitate further investment in our area
- b. Marine – we have agreed the secondment of Sheldon Ryan into the LEP (jointly funded with Cornwall and Dorset) to facilitate the development of the South Coast Marine Cluster

What are the key decisions needed at this board?

Strategic papers: -

- 5.1 Productivity Strategy signoff
- 5.2 LEP Business Plan

Operational papers: -

- 5.3 CEX Recruitment
- 5.4 Governance and transparency
- 5.5 ESIF update
- 5.6 Matter referred from SIP
- 5.7 Growth Hub update

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

- Marketing and Comms
- Progress on cross LEP working inc Rural and GSW.
- CEX recruitment appointment update

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.

March 2018

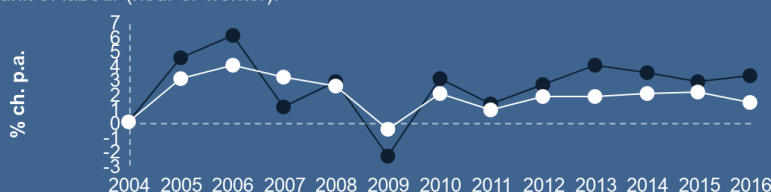
Heart of the SW Economy Dashboard



LATEST - Highlights on Labour Productivity

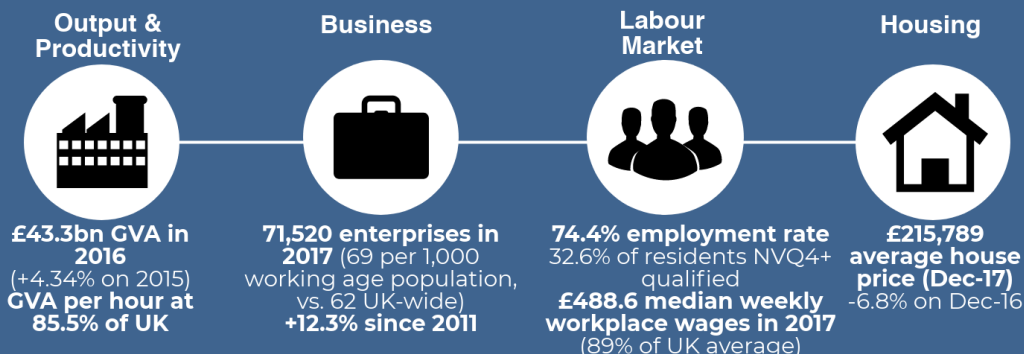
- HotSW productivity growth in 2016, in nominal terms (i.e. not accounting for inflation), has seen a sharper slow down relative to UK-wide (less London) growth. HotSW average productivity stood at 82.3% of the UK average in 2016, 1.4% higher than the previous year, compared to 2.1% growth between 2014 and 2015.
- GVA in HotSW grew to £43.3 billion in 2016, a 4.34% increase on the previous year. The chart below shows HotSW GVA to have picked up pace during this year, whilst productivity growth had slowed over the same period, after fairly consistent growth rates post-2012.
- This suggests that the economy grew in 2016 as a result of an expansion in the total labour input, rather than improved productivity per unit of labour (hour or worker).

% Ch. per annum in
HOTSW GVA and GVA
per hour worked



■ Nominal GVA ■ Nominal GVA per hour worked

HotSW Overview



National & Regional Context

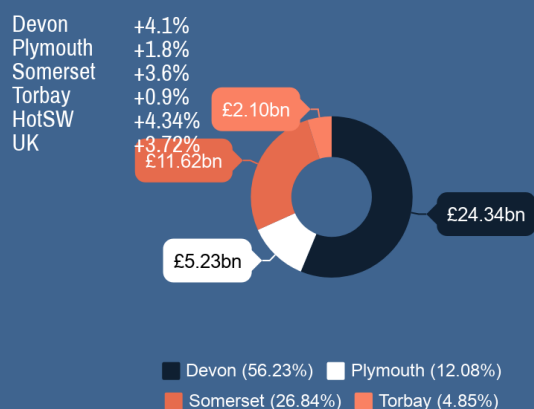


- In Q3 2017, total GDP, construction and services were all weaker than their post-downturn average, however services continue to drive GDP growth. Manufacturing returned to growth, and Q3 2017 saw a much faster growth than its post-downturn average.
- The productivity of UK workers has dropped back 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

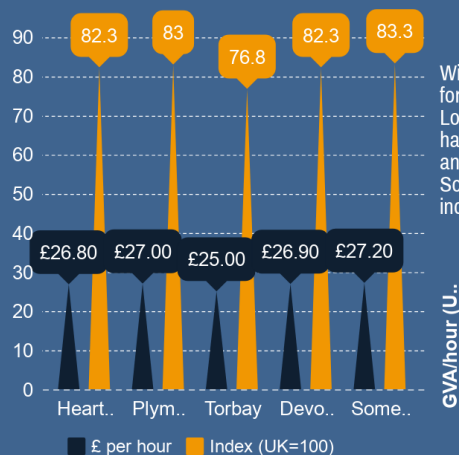
Gross Weekly Workplace Wages (Median, Full-Time)

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.

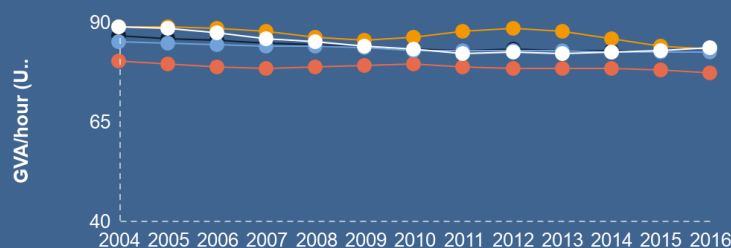
	Average FT Workplace Earnings (£/week)	% Change 2016-17	% Change 2016-17 net of inflation
Devon	£483.7	1.5%	-1.3%
Plymouth	£528.9	1.8%	-1.0%
Somerset	£484.4	3.6%	0.8%
Torbay	£467.1	10.6%	7.8%
HotSW	£488.6	2.0%	-0.8%
UK	£550.4	2.2%	-0.6%

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

Labour Productivity 2016 (GVA per Hour Worked)



With the exception of Somerset, productivity growth in nominal terms (i.e. not accounting for inflation) across HotSW has continued to slow down relative to UK-wide (less London) growth. After years of consistently higher productivity, Plymouth's productivity has converged with the Devon and Somerset averages in 2016, having seen a sharp and consistent decline relative to the UK average from 88.3% in 2012, to 83% in 2016. Somerset's productivity has experienced a different trajectory, with productivity increasing from 82%, to 83.3% over the same period.



Source: Subregional Productivity - ONS, Feb 2018

Legend: Heart of the SW (Black), Plymouth (Orange), Torbay (Red), Devon CC (Blue), Somerset (White)

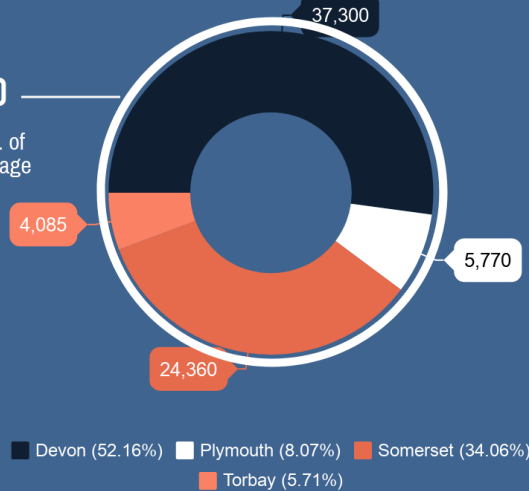
Business Stock & Business Growth

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

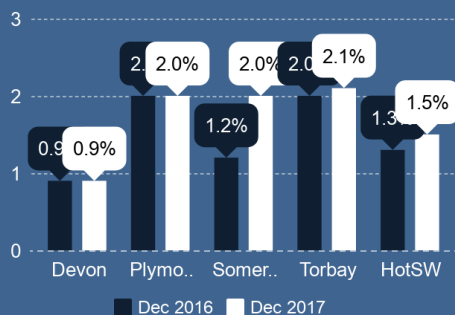
ENTERPRISE GROWTH

	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, Feb 2018



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.

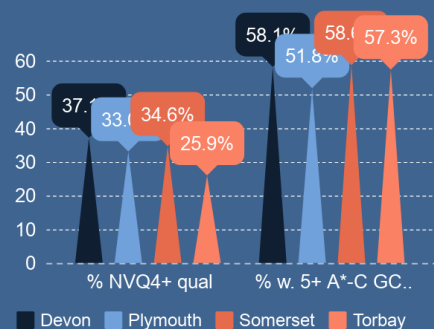
Qualifications

Sources: ONS, Mar 2017
DfE, 2017



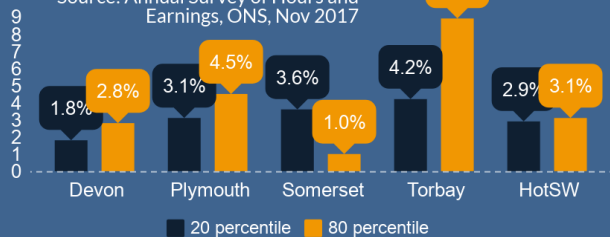
% of resident population qualified at a NVQ4 level and above

% 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 Statistic 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:

Adriana Curca
Economic Development Officer
Plymouth City Council

Email: adriana.curca@plymouth.gov.uk
Tel: +441752 308688

