

# Chief Executive's Report – 18 September

## Introduction

This report highlights and introduces 3 particular issues:

- Updates on progress and events– what is working and what's not working
- The LEP review
- The development of HotSW Local Industrial Strategy and how this builds on the work of the Productivity Strategy and Delivery Plan which are covered in detail in separate reports.

The report starts with a short summary and headlines, provides summary reports from People, Place and Business (as well as Finance) followed by operational annexes including our dashboard and a forward view.

The overall structure is:

### **1. Executive Summary**

- a. Headlines/Events – key milestones since the last meeting***
- b. Key decisions needed at this board?***
- c. What's going well and what isn't?***
- d. Forward Look - 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**

## Executive Summary

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

Strategic papers: -

- 5.1 LEP Review – Geography and Next Steps
- 5.2 HotSW Productivity Strategy Delivery Plan, + Draft Delivery Plan + Opportunities 4.0
- 5.3 Communications Strategy 2018/19 (for noting)

Operational papers: -

- 5.4 Terms of Reference Innovation Board
- 5.5 ESIF update
- 5.6 Dormant HotSW LEP CIC accounts

## **Decisions/Action Required for this Board**

Confirm the geographical coverage of the LEP moving forward in response to the LEP review.

After discussion of the emerging response to the LEP review, delegate to F&R the completion of the annexes in response to the review and specifically proposals to Government for additional resource.

Agree the Opportunities 4.0 document - to be referred to HotSW Joint Committee in early October (to be circulated on the day at the meeting).

Agree the HOTSW priority 'asks of Government' in the run up to the Autumn Budget.

Agree the Terms of Reference of the Innovation Board (paper 5.4)

Note the progress on the Delivery Plan for the Productivity Strategy and the need to align this work with the HotSW Local Industrial Strategy (paper 5.2)

Note the refreshed Communication Strategy (paper 5.3)

Note the key propositions of the Great South West Partnership

## **Headline Events since last Board meeting**

- LEP review published – July 2018
- Announcement of 2nd wave Local Industrial Strategies (incl. HotSW (and WECA) and kick-off meeting with BEIS held on Sept 4<sup>th</sup>, 2018
- CBI publish 'Driving Delivery – Turning plans into action for Regional Infrastructure -
- Digital Innovation Fund announced
- House of Lords Rural Economy Committee – Call for Evidence submitted as HotSW and Great South West geographies referencing Rural Productivity Partnership
- Defra Fisheries Consultation – response submitted
- MPs meetings and Great South West Partnership MP briefing
- Nuclear South West conference; initial discussions re Defence Sector Deal and ongoing discussion re implementation of Nuclear Sector Deal and emerging Maritime Sector Deal
- ESIF calls published

- AGM confirmed for 12 November 2018

## Summary

At the last meeting (July) I set out the three initial goals of the first 100 days.

**Handover** - a smooth transition in Executive Leadership which was recognised was proceeding well.

The other two more which were interdependent with the publication of the LEP Review (at the end of July) and allied to the announcement of Wave 2 Local Industrial Strategies

**Stronger Governance** – in the light of the National LEP review

**Restated Priorities** – owned and understood by all partners – translating the Productivity Strategy into delivery

Following a successful handover, the latter part of the summer has therefore been dominated by the positive publication of the LEP Review (end July) which clearly strengthens the role of LEPs and the importance of the business voice whilst challenging them to address issues of geography (e.g. overlap), transparency, accountability and scrutiny. In addition to the LEP review, Government announced the Local Industrial Strategy Wave 2 areas and (which included both HotSW and WECA). This meeting will start to unpick both the strategic and operational implications of these two important policies.

In recent weeks I have also been meeting with many HotSW MPs and assisting in raising the profile of the Great South West Partnership and we have submitted initial business cases for the 'rural deal' which I am now referring to as the 'rural productivity programme'

Moreover, whilst a couple of sub-committees were cancelled (SIF and F&R are now being run back to back) due to holidays etc, our current delivery is continuing to move forward at pace with important capital, revenue and ESIF projects going through commissioning, appraisal and approval and a number of activities such as Careers Enterprise are being delivered in different ways and our Enterprise Zones are developing stronger propositions. We are starting to frame a Digital Strategy and there is an update on the Natural Capital discussion.

Much of the work has been about 'smartening' the Delivery Plan for the Productivity Strategy which importantly is as much about reviewing what we do currently as well as the new opportunities such as the Institute of Technology and Careers Hub. For example, later this month we shall be celebrating 2 years since the start on site of Hinkley Point C, The National College for Nuclear now has its first cohort of Level 3 and Level 6 students underway and we recently opened the HPTA facility at Exeter College both of which start to demonstrate that the hard yards of planning and development are starting to pay dividends across (both the region and the country. Moreover, over the coming weeks one of the Tier 1 contractors will be bringing on 4 cohorts of civils apprentices over the coming weeks.

HotSW is blessed by excellent further education and A-level performance this summer was excellent with a strong increase in STEM subjects. This allied to our Universities is demonstrating the 'escalator of learning' across the HotSW area reinforcing are smart specialisations that underpin our Productivity Strategy and I would envisage the Local Industrial Strategy.

So, over the next 100 days – to Christmas - there are some very clear milestones:

- To confirm our geography and response to the LEP Review (By end Sept and end October)
- Deliver a successful AGM on November 12 complete with an increased narrative about impact and voice
- Secure some of our 'asks' from the Budget specifically Government support for the Great South West Partnership and progress on a 'rural deal'
- Publish our Opportunities briefing and first draft of the Productivity Delivery Plan
- Complete Stage 1 (diagnostic) of Local Industrial Strategy with Government
- Affirm our financial plan until the end of the year and start work on next year's (3 year) delivery plan (The Target Operating Model)

### **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. Productivity Delivery Plan – as part of this Board meeting, we will be sharing the draft delivery plan for a number of key opportunities in our LEP area.
- ii. Our transport programme – Attached is a short update briefing covering A303 and the rail franchises (under 3 other operational papers) and I draw Board Members attention to the CBI publication – Driving Delivery (Aug 2018) which looks at regional infrastructure - <http://www.cbi.org.uk/insight-and-analysis/driving-delivery/> not least as it calls for a single sub-national Transport Board for the south-west.
- iii. European Social Fund: Additional Calls – Further calls have been issued covering £10.13m of ESF monies:
  - **£1.98m – Young Opportunities**  
Supporting young people to access good quality careers and employment, avoid NEET status and provide them with both the support and advice and guidance they need to progress within the world of work. This call is particularly keen to support young people furthest from opportunity or those already struggling with progression, by providing the support and tools needed to successfully move from education into higher value learning or well-paid work

- **£7.0m - Skills in Employment**

Offering in-work skills development, with a focus on intermediate / technical and higher-level skills (e.g. NVQ Level 3 and 4), as well as high demand skills at lower levels which enable growth (e.g. NVQ Level 2 qualifications within transformational / opportunity sectors).

- **£1.15m - Shaping Future Skills Provision**

Ensuring that the design and fit of skills and training activity within the HotSW is fit for purpose, with a focus upon:

- Enhanced engagement between Employers and Providers, improving how skills demand can be anticipated, curriculum developed or adapted;
- Improving intelligence on core sectors and transformational opportunities, refining local skills provision

- iv. Careers Hub / Enterprise Advisor Network – Following the approval of our Careers Hub bid, work to bring the service 'in house' (Devon County Council) to provide an expansion and broadening of activity, with the additional of a Careers Hub providing a wider array of support and advice to members is proceeding.
- v. Hinkley Strategic Delivery Forum / Hinkley Point Training Agency – The LEP Chair formerly opened the Exeter College HPTA facility and the HOTSW is speaking at the Nuclear South West conference
- vi. Construction Skills Group – Following the announcement from CITB of a bidding opportunity for construction skills we have worked closely to bring partners together from across the HotSW area to deliver some of our ambitions in this area to encourage collaboration and avoid competing bids.
- vii. Growth Hub – the Business Leadership Group is starting to implement the review of the Growth Hub service following decisions made at the last Board meeting
- viii. Joint LEP Energy Strategy - we have been working with colleagues in Cornwall and Isles of Scilly and Dorset LEPs to deliver this and the project is nearing completion with the target being to sign off the work at the LEP Boards that follow the Expert Panel review later this month.
- ix. Rural Productivity Plan - we have submitted draft business cases on each of our key themes – Digital, Food and Drink, Tourism – and are awaiting a response from Government
- x. Greater South West Partnership – following the letter to James Brokenshire MP, representatives to GSW met with local MPs in London to try to instigate some lobbying relating to the attached summary document
- xi. The LEP Review - this was published at the end of the July and is covered in a separate report with immediate requirements to confirm our geography.
- xii. Local Industrial Strategy – Wave 2 – following the announcement that HotSW is in the Wave 2 areas, we have held an initial kick off meeting with BEIS – chaired by the

Director of Cities and Local Growth Unit. We are putting in place a project plan (overseen by the LEP Management Board) and will need to think carefully about the integration of the Productivity Delivery Plan and Local Industrial Strategy. The LEP leads the preparation of the LIS and it is intended that it will be completed by June 2019. It is a joint-design with Government and initially we will be looking to complete the diagnostic piece - agreement of our evidence base and diagnosis - by Christmas 2018. We will report further on progress at the next meeting.

- xiii. Scrutiny – Terms of reference for the Scrutiny Panel have been agreed with the first meeting due to take place in early November. With the additional resource from the LEP review, the LEP has agreed to meet the costs of the administration – capped at £8k.
- xiv. Innovation Board – earlier this year the Board agreed to establish an Innovation Board and Terms of Reference are attached (paper 5.4). As part of the future Delivery Plan, we will need to reflect on the roles and purpose of our Leadership groups and their alignment with the joint committee.
- xv. Communications Refresh – as part of increasing ‘our voice’ we have been looking at a refreshed comms plan – see attached report (paper 5.3) - and stakeholder engagement E.g. the quarterly business update and impact report being prepared for the AGM together with our Autumn lobbying with MPs. We now have a CRM system that will enable better management of our stakeholders (and could be potentially extended to cover all HotSW businesses as part of the Growth Hub review). We are looking to affirm our visibility through a hub and spoke model of office accommodation and proposing we use the hashtag #betterliving as part of a social media branding – details to be confirmed. I am also keen to discuss (with the comms group?) the concept of ‘TeamSW’
- xvi. Asks of Government - as part of our increased lobbying with MPs and with reference to the Great South West Partnership we have identified several ‘policy asks’ of Government in advance of party conferences and the Autumn Budget. As identified in the comms refresh we are looking to socialise these asks over the next couple of months. They are:
  - Recognition of Great South West Partnership (in Autumn Budget Statement’ together with a commitment to co-design a Rural Deal - a ‘Rural Productivity Partnership’ with GSW following publication of Rural Productivity Commission Report earlier in the year
  - Strategic Connectivity
    - Confirmation of Sub National Transport Body/ (ies)
    - Peninsular Rail – e.g. commitment for funding Dawlish
    - Funding commitment for A303 improvements
    - Superfast Broadband and 5G trials
    - M5 Growth Corridor study by National Infrastructure Commission
  - Transforming Cities and Strength in Places bids agreed
  - EU Fisheries underspend proposal
  - Nuclear Sector Deal (and others specifically Maritime and Defence) to have clear place-based elements/funding

- LIS specific
  - encourage joint working with WECA on Wave 2 Local Industrial Strategies
    - particularly around connectivity and Smart specialisations e.g. Nuclear and Aerospace
  - BEIS analysts to help review evidence base

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

- Local Industrial Strategy – Project Plan (next meeting)
- Affirm LEP review response following F&R
- Terms of Reference of Growth Hub review
- Local Industrial Strategy Diagnostic
- 19/20 Delivery Plan

**i. 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.

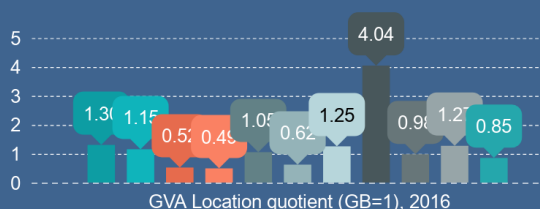
Sep 2018

# Heart of the SW Economy Dashboard

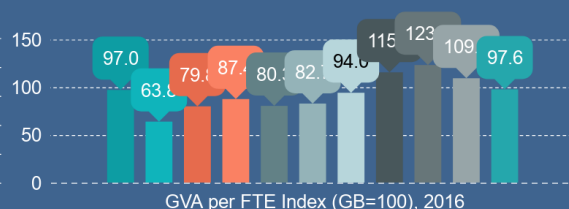


## LATEST - Productivity (GVA per FTE) & Specialisation

### HotSW Specialisations



### HotSW Productivity



## 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



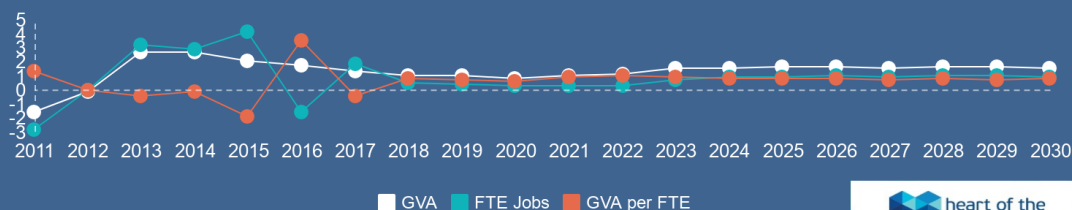
**77.9% employment rate**  
36.2% of residents NVQ4+ qualified  
**£488.6 median weekly workplace wages in 2017**  
(89% of UK average)

### Housing



**£215,093 average house price (Apr-18)**  
+5.8% on Apr-17

Real HotSW Growth (i.e. a/c for inflation) in GVA, Jobs and Productivity to 2038 (% ch. p.a.)

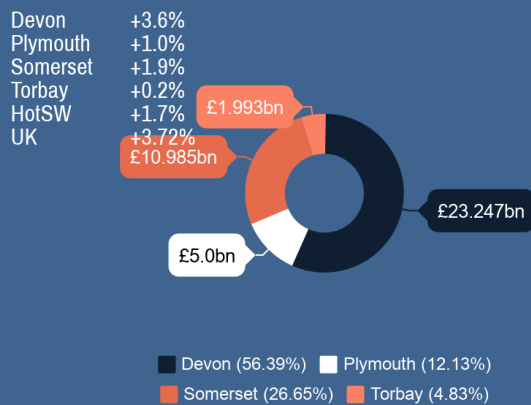




# Heart of the SW Subregional Analysis

## Economic Output (GVA, £m, 2016)

### GROWTH ON PREVIOUS YEAR



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

## Workforce Earnings

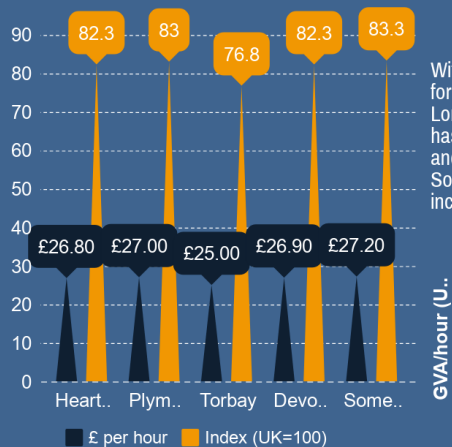
### Gross Weekly Workplace Wages (Median, Full-Time)

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.

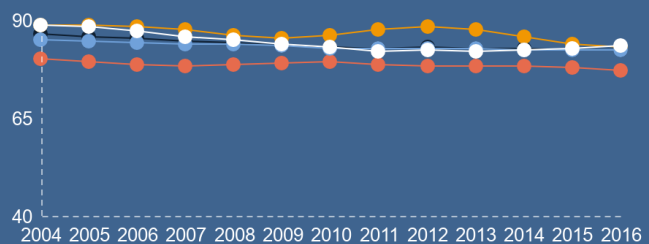
	Average FT Workplace Earnings (£/week)	% Change 2016-17	% Change 2016-17 net of inflation
Devon	£483.7	1.5%	-1.3%
Plymouth	£528.9	1.8%	-1.0%
Somerset	£484.4	3.6%	0.8%
Torbay	£467.1	10.6%	7.8%
HotSW	£488.6	2.0%	-0.8%
UK	£550.4	2.2%	-0.6%

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)

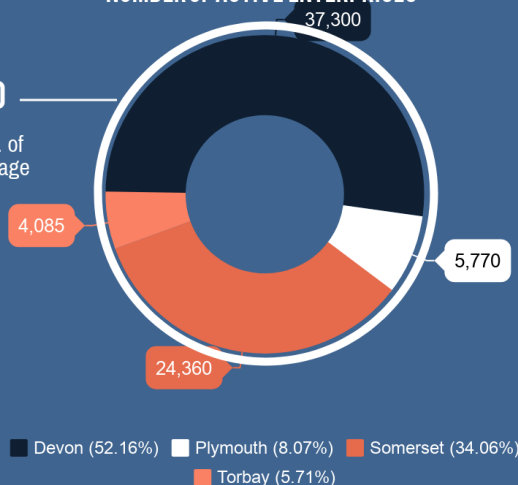
# Business Stock & Business Growth

**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
<b>Total (100%)</b>	<b>71,520</b>

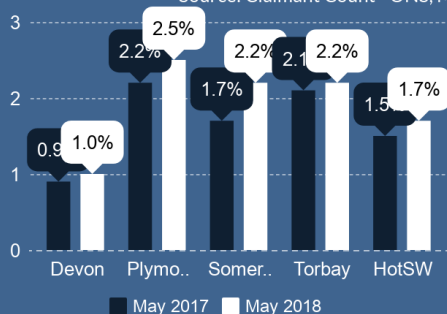
## ENTERPRISE GROWTH

	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, May 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

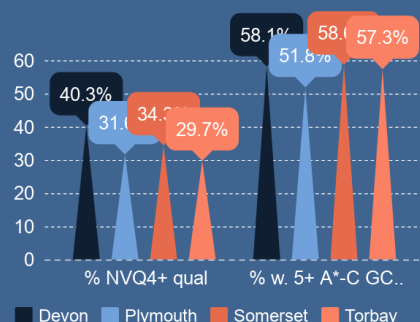
Sources: ONS, May 2018  
DfE, 2017



% of resident population qualified at a NVQ4 level and above

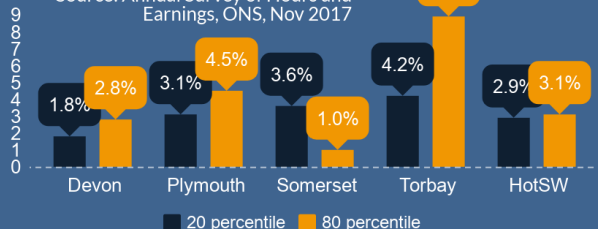


% of pupils achieving at least 5 A\*-C GCSEs (inc. Maths & English)



## 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

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## 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:

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