

Chief Executive's Report – 20 November 2018 V3

1. Introduction

This report looks at the following areas:

- Business Update, Budget response (already forwarded) and recent closure announcements – Appendix 5.1
- To consider the best way forward in response to the LEP review and attached legal advice on legal personality – Appendix 5.2
- The Agricultural Bill – a short update presentation from Board Member Mel Squires
- The Progress/Impact Report – Appendix 5.3
- Feedback from Government on the development of HotSW Local Industrial Strategy – Appendix 5.4
- ESIF update Appendix 5.5

Decisions/Action Required for this Board

Note the business update and agree specific approaches to significant local recent business closure announcements

Consider and agree the preferred option for legal personality and next steps

Note the feedback from Government on the emerging HOTSW Local Industrial Strategy

Ask the Local Authorities to develop a process to secure a single Accountable Body by 2020

Note the ESIF update paper.

Headline Events since last Board meeting

- Response to LEP review submitted – agreed through F&R and previously circulated to Board
- Kick-off meeting and initial challenge session on Local Industrial Strategy – initial feedback attached in Appendix 5.4
- Annual Conference 12 November 2018 – 350 delegates Annual Report published together with Prospectus (Opportunities) document
- Budget Announcement (already forwarded)
- Productivity Delivery Plan agreed by joint committee (end October)
- 1st Joint Committee Scrutiny panel held

- Transforming Cities confirmed for Plymouth
- Garden Communities bids submitted
- Annual conversation confirmed for 9 January 2019

Summary

At the last Board meeting the following objectives/milestones up to Christmas: were highlighted

- To confirm our geography and response to the LEP Review (By end Sept and end October) - done
- Deliver a successful AGM on November 12 complete with an increased narrative about impact and voice - done
- Secure some of our 'asks' from the Budget specifically Government support for the Great South West Partnership and progress on a 'rural deal' – see below for update
- Publish our Opportunities briefing - done and first draft of the Productivity Delivery Plan (Signed off but not to be published)
- Complete Stage 1 (diagnostic) of Local Industrial Strategy with Government – see update and Government feedback
- 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) – revised budget presentation initial report shared with F&R

It is interesting that it has felt a more challenging 6 weeks or so and clearly, we didn't get the recognition in the Budget for the Great South West or rural productivity plan that we were hoping.

Through F&R we have submitted our response to the LEP review and started to take them through the shape and direction of the Target Operating Model (Business Plan 19/20 onwards) which we intend to bring to the Board at the January meeting.

After Christmas, we will need to hold our annual conversation with Government and then move into the preparation of the Local Industrial Strategy and new business plan – the Target Operating Model.

What's going well and what isn't

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

i. Recent Business Closures

Board Members will be well aware of the challenges facing the High Street and a number of Local Authorities are working directly with retailers on local responses. Within the Budget, some funding for High Streets was identified and we will need to think how we respond as an area to this programme. Similarly, we are still waiting for various announcements relating to coastal communities funding. The Strength in Places Funding announcements is also imminent.

However, in recent weeks there have also been a number of significant announcements relating to local companies – Wolf Minerals, Appledore Shipyard and Barden for example. The LEP has a specific responsibility to respond to such announcements and the Board should identify and confirm any specific actions. Specifically, the LEP could establish a response task force if it is appropriate. All have specific and complex issues and causation is not the same.

With regard to Wolf Minerals, the response and coordination has largely been led by Devon County Council in liaison with the LEP. Government have asked the specific question about whether a formal task force should be established but it has felt sufficiently coordinated at a local level for that not to be necessary at this stage. They will provide any further information at the meeting if required.

Despite local lobbying etc from MPs etc, Babcock International have announced that they intend to close Appledore Shipyard in March 2019. This affects 198 staff but also a local supply chain of possibly 100 people. I have met with Torridge District Council and a couple of times with SW Business Council to discuss the approach and SWBC have been talking with local partners. Whilst I believe attempts are being made to encourage Babcock to keep going and they will continue to be opportunities for staff at both Hinckley and Devonport, we and the Local Authority are working with SWBC to put in place a local process to support local staff should that be required.

Finally, Barden in Plymouth have also indicated a closure over a longer period and cited Brexit as the cause. We have discussed this with the City Council who are coordinating a response.

ii. Productivity Delivery Plan

The draft delivery plan was agreed by the joint committee at their October meeting and the key opportunities document was published at the LEP AGM. It is intended that a further update of the delivery plan completed for March 2019.

iii. Our transport programme

The Budget provided some further funding for the Dawlish sea wall but little else at this stage.

iv. European Structural Funds

The current calls remain open and later in the agenda is a separate update.

v. Hinkley Strategic Delivery Forum / Hinkley Point Training Agency

The Hinkley Point Supply chain has just published its annual report with the headlines:

At the end of the first year the programme has achieved the following:

- Engaged with over 30 Tier 1 contractors to the HPC project
- Over 90 work packages identified and assessed
- £200 Million opportunity pipeline
- Over 2000 companies matched across the region to the opportunities
- Over 300 companies have started the support journey through the programme
- 50 companies have received intensive support
- 12 companies have been supported to invest in the region

The initial impact reviews indicate that the companies the programme has supported are predicting over 150 jobs being created and more than £12m in additional GVA. Copies are available.

The HPTA Board have confirmed their intention to close in February 2019 as it is no longer considered the right approach with contracts etc underway. The LEP People Group are developing a new model for delivery. I am speaking at the NIA conference alongside the Minister/

vi. 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. Growth Hub numbers have been reported to the Business Leadership Group.

vii. Joint LEP Energy Strategy - the report is now available in draft and a verbal update will be provided with further discussion at the Board meeting in January. January.

viii. Rural Productivity Plan

Mel Squires met with Lord Gardiner earlier this month which was helpful- she can update Board Members.

ix. Greater South West Partnership – see below

x. The LEP Review

For this meeting we have shared the legal advice (Foot Anstey) with reference to the next steps relating to legal personality. I am proposing that in the light of this advice, we agree a way forward for decision at the January Board meeting. We also need to be asking the Local Authorities for a plan in response to the requirement to have a single Accountable Body.

xi. Local Industrial Strategy – Wave 2

Following the update at the last meeting we have received initial feedback thoughts from Government which is attached in a separate appendix

xii. Scrutiny

The first Scrutiny Panel met on November 2nd and agreed a draft work programme of work for the coming 12 months. They were particularly interested in how they might influence future activity rather than past actions and specifically how we might deliver inclusive growth; how we prioritise certain programmes; and feeding into the annual conversation with Government.

xiii. Innovation Board

I have met with the universities to review the scope the initial work programme of the Innovation Board

xiv. Communication

We have been working with new Parliamentary lobbyists to better engage MPs secure relevant questions in the House relating to local priorities. These are recorded on our MPs register of engagement. Depending on the outcome of the meeting with Jake Berry MP we are considering whether to hold a parliamentary reception probably now in the New Year.

xv. Asks of Government

We sent out to MPs our Opportunities document and key asks as follows:

- Recognition of Great South West Partnership - **a meeting is being held with Jake Berry MP on November 19th, 2018**
- A Rural Deal – **Mel Squires was part of a LEP group that met Lord Mortimer – she can update the meeting**
- Strategic Connectivity
 - Confirmation of Sub National Transport Body/ (ies) -first meeting of shadow board took place last week, but approach not yet confirmed by Government
 - Peninsular Rail – e.g. commitment for funding next stage of Dawlish sea wall was made in the budget
 - Funding commitment for A303 improvements – nothing further
 - Superfast Broadband and 5G trials – nothing further
 - M5 Growth Corridor study by National Infrastructure Commission – following their visit to the area we have written asking for this to be considered

- Transforming Cities and Strength in Places bids agreed – Plymouth secured Transforming Cities status – still awaiting SIPD outcome
- EU Fisheries underspend proposal - £10m agreed for SW in Budget
- Nuclear Sector Deal (and others specifically Maritime and Defence) to have clear place-based elements/funding – still ongoing but working closely with NIA on implementation
- LIS specific
 - encourage joint working with WECA on Wave 2 Local Industrial Strategies particularly around connectivity and Smart specialisations e.g. Nuclear and Aerospace

Garden Communities bids – the LEP has endorsed Garden Communities bids to Homes England for Greater Exeter and North Devon

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

- Local Industrial Strategy – Focus document/strategic narrative
- Terms of Reference of Growth Hub review
- 19/20 Target Operating Model

2. 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.

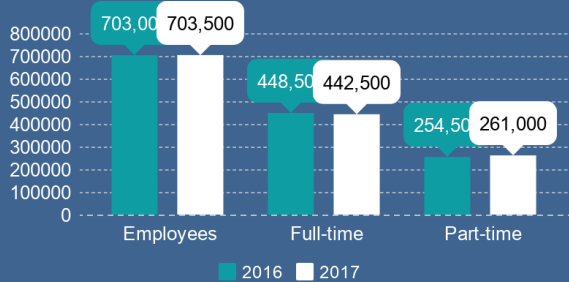
Nov 2018

Heart of the SW Economy Dashboard



LATEST - Jobs, 2017 (BRES)

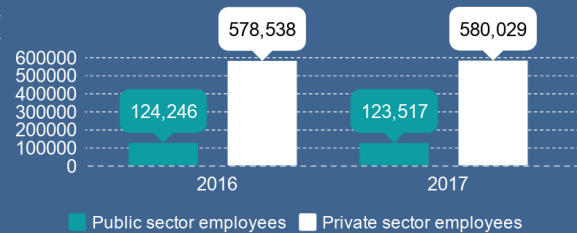
HotSW Employees - FT v. PT
Breakdown, 2016 v. 2017



Employees: +0.1%
Full-time employees: -1.3% (to 62.9% of total v. 67.5% GB)
Part-time employees: +2.6%

Public sector employees: -0.6%
(to 17.6% of total v. 17.2% GB)
Private sector employees: +0.3%

HotSW Public v. Private Sector Employees, 2016 v. 2017



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



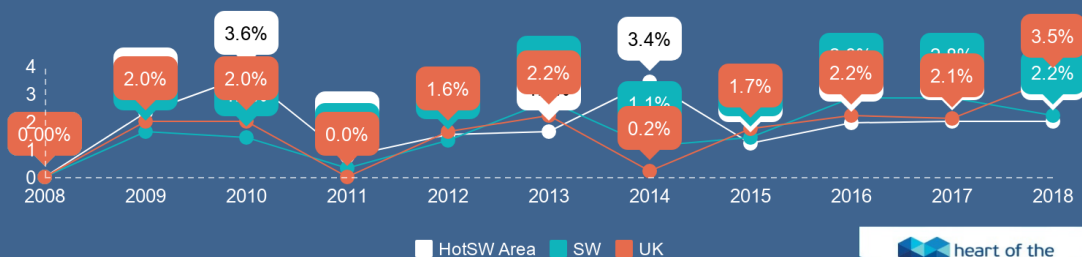
77.9% employment rate
36.2% of residents NVQ4+ qualified
£498.3 median weekly workplace wages in 2018
(87.6% of UK average)

Housing



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

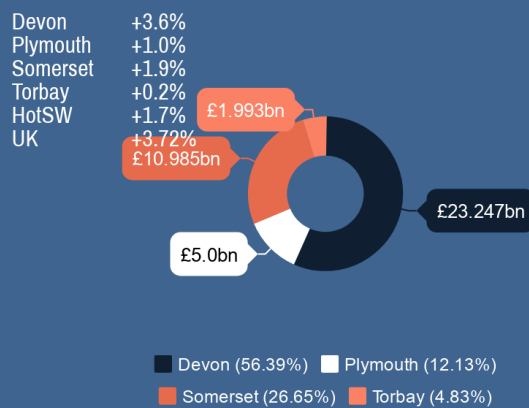
Gross Weekly (Workplace) Pay - Nominal Growth (i.e. not a/c for inflation), 2008 - 2018



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

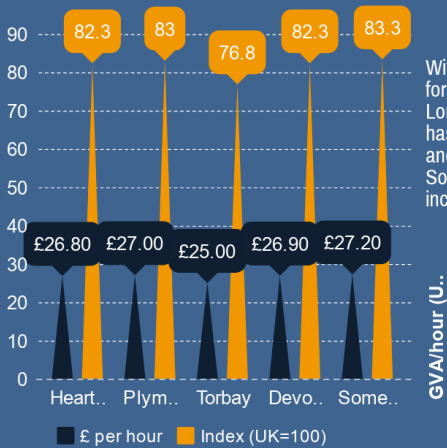
Gross Weekly Workplace Wages (Median, Full-Time)

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.

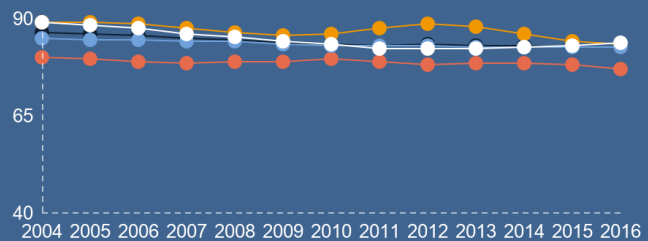
	Average FT Workplace Earnings (£/week)	% Change 2017-18	% Change 2017-18 net of inflation
Devon	£498.3	3.0%	0.8%
Plymouth	£530.3	0.2%	-2.0%
Somerset	£495.5	2.6%	0.4%
Torbay	£444.1	-4.9%	-7.1%
HotSW	£498.3	2.0%	-0.2%
UK	£569.0	3.5%	1.3%

Source: Annual Survey of Hours and Earnings, ONS, Nov 2018

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

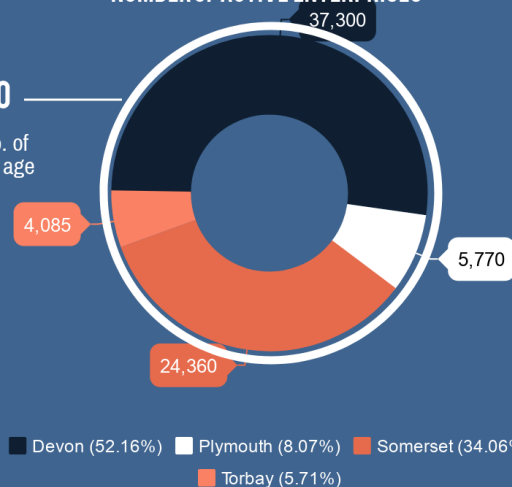
Business Stock & Business Growth

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

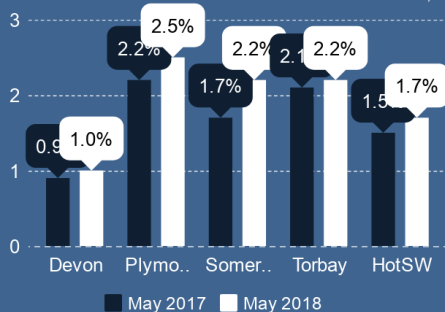
ENTERPRISE GROWTH

	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

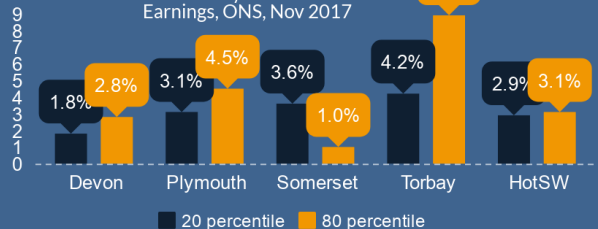
Source: Claimant Count - ONS, May 2018



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.

Inclusive Earnings

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



Qualifications

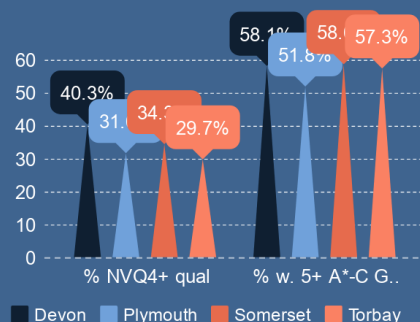
Sources: ONS, May 2018
DfE, 2017



% of resident population qualified at a NVQ4 level and above



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



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:

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