

# **Chief Executive's Report – 30 January 2019**

## **1. Introduction**

This report looks at the following areas:

- Business Update – particularly Brexit response and update on recent closure announcements
- A summary of key events and ongoing actions
- Revised Articles Association and the best way forward on legal personality
- Next steps on the HotSW Local Industrial Strategy
- Proposals for joint working on the Future High Street Funds
- Ratification of funding for J25

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

Agree the revised Articles of Association in response to actions relating to legal personality prepared by lawyers Foot Anstey – report 5.1, plus annex 1

Agree the next steps regarding the development of the HotSW Local Industrial Strategy and specifically the Command Paper on emphasis following the analysis of identified opportunities – report 5.2, plus annex 1

Note the proposals to review of Growth Hub services following a discussion and F&R and Business Leadership Group – report 5.3

Consider the LEP role with regard to the High Street Funds – this report

Ratify the recommendation by SIP for delivery at Junction 25 (changes exceed £250k) – report 5.4

Agree the next steps regarding Growth Deal 4G – see paper (5.6)

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

- EU Withdrawal Agreement – not agreed. On this basis the Brexit Resilience and Opportunities group have worked closely with Government on preparations for a NO Deal Brexit
- Annual Performance Review – with Government took place led by the Chair, Chair of F&R and Chair of Scrutiny.
- 3 Challenge session on the HotSW Local Industrial Strategy held with Government

- Suzanne Bond is our new Relationship Manager. Sally Edgington is remaining with the Department but in a new role via some interim RM work with Cornwall
- Plymouth secured £3.5m Cultural Investment Funding – one of only 5 areas across the UK
- HotSW Careers Hub launched in partnership with Careers Enterprise Company and marks a completion of bringing the careers advice and guidance service in house
- Exeter are working with the National Infrastructure Commission on cities infrastructure challenges
- Williams Rail Review is calling for evidence
- £200,000 funding for LEP Review and LIS implementation confirmed
- Future High Street Fund – calls for proposals issued – see below
- LEP senior sponsor – Mike Parsons – visited specifically UK Hydrographic Office which is due to open its new building in the spring.

## **Summary**

At the last Board meeting we updated the Board on the key objectives/milestones up to Christmas and I am proposing the following key priorities to Easter

- Secure agreement on the LIS Command Paper and complete Stage 2 (drafting) of HotSW Local Industrial Strategy (with Government)
- Sign-off our 3-year delivery plan (The Target Operating Model) and budget
- Agree the final HotSW Productivity Delivery Plan - March
- Secure sign off the supply chain by BEIS element of the Nuclear Sector Deal including secured funding for the south west
- Develop a pipeline of activity in line with the priorities set out in the Productivity Delivery Plan
- Secure a Westminster City Hall debate on the south west sponsored by a local MP

## **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/announcements**

At the last Board meeting, we highlighted a number of significant business announcements relating to local companies – e.g. Wolf Minerals, Appledore Shipyard, Flybe and Barden for example. Most of these discussions are ongoing with the LEP directly involved or through the Local Authority.

Board Members will be aware that an offer has been made to Flybe from a consortia which includes Stobart and Virgin Atlantic and Clarks (in Street) and announced a closure of a pilot manufacturing line affecting about 40 jobs.

ii. Brexit Resilience and Opportunities

in partnership with the Joint Committee the work of BROG has stepped up including preparing alongside the Local Resilience Forums for a No Deal scenario. In addition, there are now regular briefings with Government officials coordinated through the LEP network.

iii. Annual Performance Review

This took place on January 9<sup>th</sup> and looked at Governance, Delivery and Strategy. Our submission papers were shared with F&R. Draft notes have been issued and will be circulated once confirmed and moderated. We would expect this to trigger further LEP funding for core activity at the end of February,

iv. Productivity Delivery Plan

The updated delivery plan will go to joint committee and the LEP to the March meeting. Following discussion with Government at the APR meeting, we are proposing to strengthen our pipeline of projects with direct reference to the key priorities within the Productivity Delivery Plan. We are intending to bring a Growth Deal 4 type prospectus probably to the May LEP Board meeting. The consultation of UKSPF has not yet been announced.

v. Target Operating Model

A workshop was held with chairs of our Leadership groups and management team in early January and the final budget is going to the F&R meeting in February including discussion about allocation of reserves etc. Following a further workshop, we intend to bring the TOM to the March Board for agreement assuming we can conclude the legal personality issues at this meeting

vi. Our transport programme

A separate paper (5.4) is included to ratify the SIP decision on J25. The Peninsular Rail Task Force met this month and the shadow Peninsular Sub-national transport Board is now meeting. The CBI are developing a prospectus on regional priorities which may form part of the Westminster Hall debate.

vii. European Structural Funds

An update is provided as a separate report – item 5.5

viii. Hinkley Strategic Delivery Forum / Sector Deal

HSDF is due to meet on February 1<sup>st</sup> in the context of some recent challenging announcements re Nuclear new build in both Cumbria and Anglesey. Sizewell in Suffolk however has gone out for further public consultation.

We have been doing a lot of work with other nuclear LEPS (particularly Cumbria and New Anglia) and the AMRC on implementing the supply chain element of the sector deal and some work with the NSSG on skills. Our approach is supported by EDF – see attached letter.

This has included submitting a detailed business plan to NEIS – including the local offer – essentially to locally-led supply chain delivery over the next 4 years.

ix. Growth Hub

Performance of the Growth Hub is provided in the dashboards and following discussion at F&R and the Business Leadership Group there is an update paper 5.3 on this agenda.

x. Joint LEP Energy Strategy

This report was presented to the Place Leadership group and the south-west energy hub has been launched. The report sets out some detailed challenges to the area particularly around carbon reduction which are currently under review by the Place group, but which require more work before we can recommend a way forward.

xi. Rural Productivity Plan

The GSW meeting is receiving an update report on progress on implementing the recommendations of the Rural Productivity Plan and whether we should continue to lobby for a 'rural deal'. In the context of Brexit and the Agricultural Bill it has not been straightforward securing a dialogue with Defra

xii. The LEP Review

Following the discussion at the last meeting and the Annual Performance Review, there is a separate report to agree the Articles of Association and decision on dormancy. We will be bringing the delivery plan to the Board in March and the Local Authorities have started work on the requirement to have a single Accountable Body.

xiii. Local Industrial Strategy – Wave 2

Following the feedback from Government shared at the last meeting we have developed a detailed piece of work on our strategic narrative and proposed next steps. There will be a presentation to the board and proposed actions and a more detailed update are covered in a separate report.

Before Christmas, all LEPs have been asked to develop Local Industrial Strategies.

xiv. Future High Streets Fund

Just after Christmas the Government issued a call for proposals on the £675m Future High Streets Fund - the regeneration of town centres through innovative proposals around transport, housing delivery and our public services. - with a closing date for initial bids on the 22nd March 2019 – 1 bid per Local Authority.

There is an expectation of engagement with LEPs in developing these proposals which would normally be evidenced in the form of a letter of endorsement following a variable amount of discussion.

The LEP could however strengthen this process and local delivery in 2 ways – firstly we are looking to highlight additional business support opportunities we can provide through the Growth Hub and secondly rather than a series of unrelated individual bids the LEP could notionally assess and prioritise bids in accordance with the criteria and amore strategic approach which could start to feed into the priorities and thinking around the shared prosperity fund. This more strategic approach could provide greater confidence with Government that we are joined up which might lead to a larger chunk of funding, wider sharing of good practice and possibly a more long-term approach but none of these are guaranteed. In reality. It would be difficult to do much ahead of the initial applications but a steer from the Board re pro-active or passive engagement would be welcome.

xv. Scrutiny

The second Scrutiny Panel will be held on 4<sup>th</sup> February 2019– a workshop and formal meeting where we are presenting the information shared with Government for our annual performance review and setting out our proposals to look at addressing issues of social inclusion

xvi. Communications

Our aim for this quarter is to hold a Westminster Hall debate on the south west. We have secured an MP to sponsor this – other MPs are supportive – and if confirmed we will be looking to highlight keep challenges/priorities and hope to secure a response from the appropriate Minister/ We need to time this right in the context of ongoing Brexit discussions.

In our drive to become a more digital enabled LEP, we have gone live with our CRM system to oversee more effective stakeholder management. Becoming better at digital is a key driver of the Target Operating Model but challenges us all.

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

- Feedback from Annual Performance Review
- Local Industrial Strategy – 1<sup>st</sup> draft (March/May)
- Target Operating Model – March

- Pipeline Prospectus – key delivery priorities set out in the Productivity Plan
- Growth Deal 4G – see paper (5.6)

## **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.

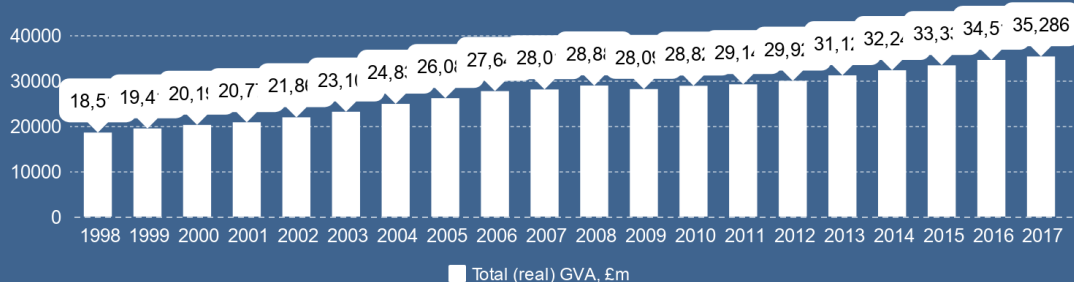
Jan 2019

# Heart of the SW Economy Dashboard



## LATEST - GVA, 2017 (ONS)

HotSW Economic Output - Real Gross Value Added (Balanced), 1998 - 2017



### Headlines:

- HotSW GVA has grown, in real terms, by 0.6% between 2016 and 2017, to £34.7bn (or £35.3bn not accounting for inflation). This brings HotSW's output to 8.7% above its value in 2011 (although in nominal terms it is up 21%), and 31% (91% in nominal terms) above its 1998 value.
- The highest growth came from the production sector, mainly manufacturing (+5.8%), whilst services grew 2.7% and construction expanded by 4.6%.
- Within service activities, education (-0.5%), health & social work (-5.2%), and activities of households (-7.1%) contracted. Information & communication (+0.5%) and real estate activities (+0.3%), and wholesale & retail (+0.1%) grew only modestly. On the other end of the spectrum, professional, scientific & technical services grew 4.2%, transportation & storage + 5.5%, accommodation & food +4.1%, finance & insurance +6.6%, administration & support + 5.6%, arts, entertainment & recreation + 1.7%.
- Looking across the upper tier authorities within HotSW, growth trends were mixed. Plymouth (+2.5%) and Torbay (+2.4%) have seen the positive growth in real terms between 2016 and 2017, whilst Devon CC (-0.1%) and Somerset CC (+0.3%) have seen more modest growth, if not negative growth. Over the 6-year period between 2011 and 2017, Plymouth (+9.5%), Devon CC (+9.2%) and Somerset CC (+9.1%) have seen similar growth, whilst Torbay's growth has been more volatile, and very modest overall (+0.6%).
- Growth across the patch had been driven by the construction sector in Somerset (+5.7%), whilst its services sector had contracted 0.6%; manufacturing in Plymouth (+15.2%), with services also declining 0.3%; construction in Torbay (+5.1%), with a positive growth in services as well (+2.2%); and construction in Devon (+4.4%), with services declining in value by 1.1%.

## 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



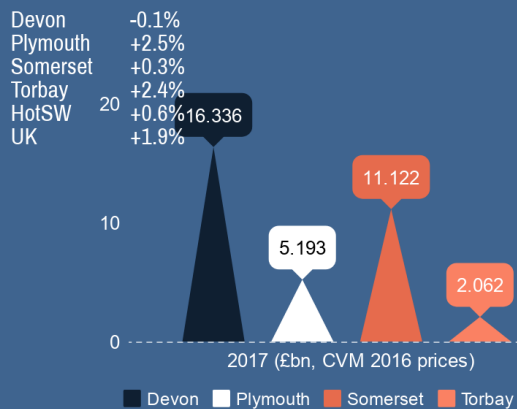
**£215,093 average house price (Apr-18)**  
+5.8% on Apr-17



# Heart of the SW Subregional Analysis

## Economic Output (Real GVA, £m, 2017)

### GROWTH ON PREVIOUS YEAR



Source: Regional Gross Value Added (Balanced) ONS, Dec 2018

## Workforce Earnings

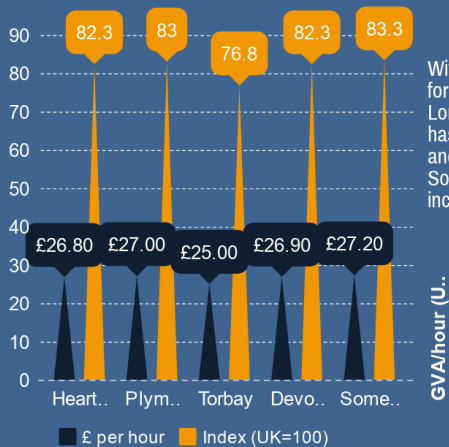
### Gross Weekly Workplace Wages (Median, Full-Time)

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.

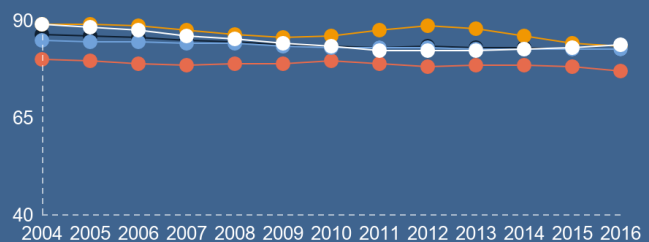
	Average FT Workplace Earnings (£/week)	% Change 2017-18	% Change 2017-18 net of inflation
Devon	£498.3	3.0%	0.8%
Plymouth	£530.3	0.2%	-2.0%
Somerset	£495.5	2.6%	0.4%
Torbay	£444.1	-4.9%	-7.1%
HotSW	£498.3	2.0%	-0.2%
UK	£569.0	3.5%	1.3%

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



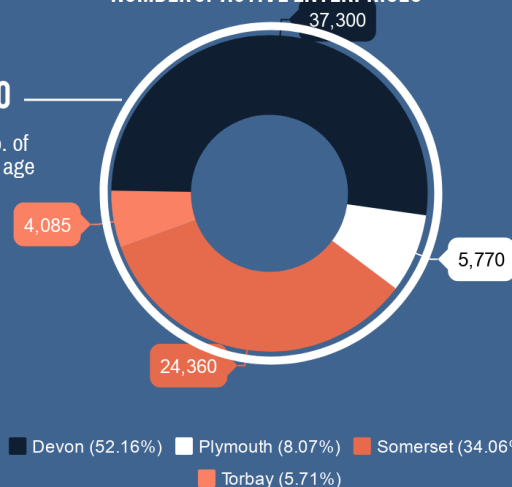
# Business Stock & Business Growth

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

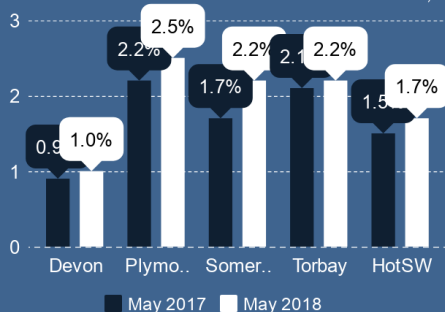
## ENTERPRISE GROWTH

	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

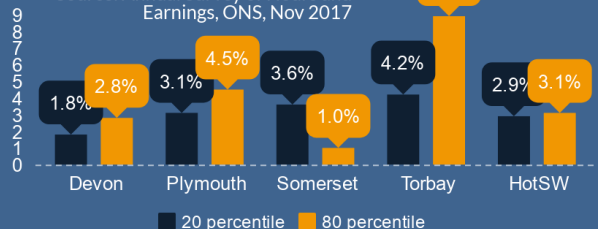
Source: Claimant Count - ONS, May 2018



**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.

## Inclusive Earnings

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



## Qualifications

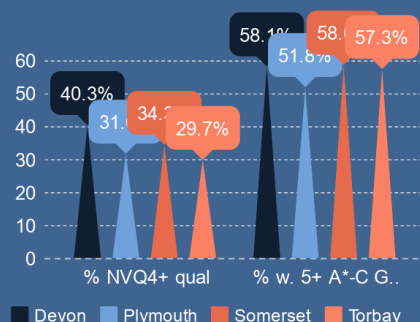
Sources: ONS, May 2018  
DfE, 2017



% 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

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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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