

Agenda item 8

1st draft - Response to CSR 2020 from HotSW LEP

Thank you for the opportunity to respond directly to the CSR. HotSW wanted to highlight some particular concerns directly relevant to our local area and economy.

Whilst the overall number of cases of Covid-19 in Heart of the South West is one of the lowest in the country, the economic impact is amongst the most severe of all places. Evidence indicates that the impact is focused disproportionately on coastal and rural areas where there is a greater reliance on the hardest hit sectors. For example, the area has:

- 7 of the 25 local authority areas in England and Wales with the most jobs at risk (source: RSA)
- 8 local authority areas expected to experience a loss in output greater than the national average of 35% (source: Centre for Progressive Policy).

In addition, the mix of businesses in our area mean that the impact is expected to be deeper and longer here, with potentially catastrophic consequences for jobs and livelihoods. Many of these places already have some of the poorest social mobility in the UK partly as a result of rural dispersal but also areas of high social deprivation in our cities and market towns which are therefore directly relevant to the Government's levelling up priorities.

HotSW LEP is broadly supportive of the priorities identified in the CSR which closely align with our objective **to deliver increased prosperity and productivity through the delivery of clean and inclusive growth.**

You will be aware that our the South West Rural Productivity Commission and Evidence Base <https://heartofswlep.co.uk/wp-content/uploads/2017/10/HotSW-14332-A4-Overview-report-digital-doc-FINAL.pdf> was published in October 2017; the HotSW Productivity Plan – Stepping Up to the Challenge <https://heartofswlep.co.uk/wp-content/uploads/2018/04/HeartoftheSouthWestProductivityStrategy.pdf> in October 2019; our Local Industrial Strategy was forwarded to Government last Autumn. We

published our Covid-19 Route Map to Recovery in June this year

<https://heartofswlep.co.uk/wp-content/uploads/2020/06/Heart-of-the-SW-C-19-Route-Map-to-Recovery-June-2020.pdf>.

We will use these plans to underpin our full recovery plan later in the year working closely with local partners and stakeholders including working pan-LEP particularly with Cornwall and Dorset as part of the Great South West.

Our response essentially looks to the CSR 2020 to reassert the delivery of sustainable growth through place-led leadership by clarifying the role of LEPs to develop and implement economic recovery plans through partnerships of local public and private sector stakeholders. Recovery plans should set out how they will contribute to a green recovery, deliver progress towards carbon net zero and how they will contribute to levelling-up the economy through inclusive growth and locally led delivery.

Specifically, CSR2020 should assist this by:

- Putting local areas at the centre of setting out how places will reach the UK 2.4% R&D target including extending Enterprise Zone benefits to 2025 and if appropriate support a freeports programme
- Support SMEs, scale-up, start-up and Covid-19 support for business by extending and increasing Growth Hub Funding for the duration of Parliament - to £30m nationally
- Develop local talent through a further commitment to Skills Advisory Panels, retraining and further devolution of skills funding including further support for careers hubs and Digital Skills Partnerships
- Support locally led delivery through its manifesto commitment to develop a UKSPF programme to support local and regional recovery re-committing to a devolved locally led single pot of both capital and revenue funding comprising:
 - Replacement EU Structural Funds
 - New Local Growth and Regional Growth Programmes embedding levelling-off
 - Devolving ESFA funding to the local level to provide skills programmes tailored to local needs and opportunities

- Recognising some of the particular local dimensions to Brexit including supporting food and farming, our ports infrastructure and our ability to trade internationally.

We are also particularly concerned that the issue of potential bad debt from CBILs, CLBILs and other Covid-19 loan support programmes likely to accrue in early 2021 is directly addressed in CSR 2020. The support at the moment protects bank balance sheets through Government guarantees but fails to protect businesses whose revenues may still be weak in the context of the economic impact of the pandemic. We believe this issue needs to be addressed head-on and could potentially be delivered through a regional bank model

Background

The Covid-19 crisis has delivered a shock to the economy. However, it is important that the pandemic is seen in the context of significant changes that were already happening;

- The way we transact business and the Future of Work
- The need to develop the skills of the future and retain our best talent
- The productivity challenge and lack of resilience and diversity of the UK economy not least through poor transport and digital infrastructure
- The Climate Emergency
- Brexit and the need to increase trade
- The need to develop more knowledge economy jobs including commercialising key R&D assets more successfully

Route Map to Recovery

Local Enterprise Partnerships (LEPs) have had an important role in limiting the economic damage of the pandemic. Growth Hubs have been at the front line of supporting businesses and increasingly issuing grants as well as advice and guidance.

Business led local economic development is an important principle and means that our wealth creators are at the forefront of strategic decision making in terms of restarting, revitalising and growing our economy and that Government priorities are

fine-tuned to reflect effectively the diversity of different places. A solution that supports and urban conurbation is unlikely to be similar in a rural dispersed area. Place-led approaches, for example supporting our beleaguered visitor economy, are likely to give rise to better targeted support at the appropriate size and scale.

Through its Getting Building Fund, Government helped kickstart the recovery with LEP locally generated 'shovel ready' projects and many LEPs have been at the forefront of working with local partners and Local Resilience Forums and planning for economic recovery throughout the disruption.

Whilst far from perfect, LEPs have delivered with minimal overhead compared to their predecessors. Where local leadership has been dispersed, LEPs have often provided coordination across both economic geographies and sectors. While there remain some LEPs whose boundaries seem to create conflict between political variables and economic functionality, some improvements have been made but should be concluded with, in our view, no overlaps. Partnership working between LEPs – of which many have a good record – should be increased in the context of pan-regional powerhouses throughout the nation where they can deliver clear added value.

However, their proposition and those of LEPs need to be aligned but differentiated. For example strategic transport planning e.g. Midlands Connect, delivering net zero carbon regions, strong Science Powerhouses; Trade and Investment Hubs may be best delivered pan regionally whilst skills improvements including retraining, local growth programmes, business support, inclusive growth plans and locally led development are better delivered and targeted locally

Through MHCLG annual performance reviews, pretty much all LEPs are confirmed on Governance, Strategy and Delivery as Good or Excellent. There is broad cross-party support confirming their future (alongside MCAs) but LEPs need a clear framework on their future role where the benefits they bring to the table, namely the powerful combination of private sector influence with public sector partnership, are maximised.

Research shows that LEPs are broadly popular, with 60% of local government stakeholders across the UK rating their local LEP to be either good or very good. Many people indicated that some LEPs, mostly those in areas of historical

collaboration between public and private sector, had been very successful in establishing an entrepreneurial vision; be it through offering strategic guidance on industrial policy or directing infrastructure funding where it is most needed by the local economy.

The 38 LEPs have developed into substantial operators – some £18.5bn of public money has already been allocated for their input (not always control) – but many think LEPs are only halfway to a success story, as they have yet to fully reflect the localist and devolved rhetoric upon which they were formed.

Research indicates that LEPs have been constrained as:

- Much of the funding allocated to LEPs so far has been determined by central priority and is overly ringfenced, is almost entirely capital but has been delivered, with significantly lower transaction costs than previously
- LEPs are often perceived to be sub-optimal and under resourced (although it must be noted that there is little appetite to revert back to previous structures)
- Although some improvements have been made, LEP boards still do not reflect their local business community – women, BME communities, small business representation needs to be increased
- Some LEPs are more equal than others – in terms of funding and performance, LEPs covering areas where there is a precedent of collaboration and political alignment tend to be more advanced than those which arguably do not represent a functional economic geography. LEPs vary significantly in size and scale yet are often resourced the same.
- Where LEPs work alongside Elected Mayors, they have proved useful allies and sometimes a useful foil.
- LEPs need to play a strategic role while maintaining local government's democratic importance. LEPs have evolved at different speeds and devolution has not proceeded at a uniform pace across the country. Emerging further local Government re-organisation may prove distracting in some areas at a time when effective local leadership and delivery is crucial.

These are neither meagre changes, nor are they overly imposing. The recommendations which we have outlined will give LEPs the stability and funding that they need to influence (and grow) local economies sustainably; form pan

regional working to deliver clear added value; and bring the private sector wealth creators in what it does best – innovation and entrepreneurialism – to the decision making table.