

Report title	Place delivery theme update – Agenda item 6 c)				
Purpose	This paper is for Decision				
Link to LIS^b	Inclusive Growth		Clean growth ✓		
	Energy ✓	Engineering		Digital ✓	
	Ideas	People	Infrastructure ✓	Bus. Environment	Places ✓
Non-LIS purpose	N/A				
Timing	Report covers infrastructure and place related activity in period to end November 2020				
Financial impact	The proposal relating to Natural Capital (Appendix A)				
Decisions requested	Endorsement of proposals in Appendix A – Potential investment for Natural Capital pilot project				
Authors and contact details	Place Leadership Group Chair – Mel Squires mel.squires@nfu.org.uk Place theme lead – Paul Hickson PHickson@somerset.gov.uk Place theme operational contact – Anne-Marie Spalding AMSpalding@somerset.gov.uk Transport update – Ian Harrison ianbharrison@btinternet.com				

1.0 Summary

1.1 This report is an update about delivery against the LEP’s infrastructure and place theme.

2.0 Place Leadership working arrangements

2.1 Scope of the LEP’s infrastructure and place-related activity.

The Place Leadership Group has an overview and delivery responsibility for the infrastructure and place priorities of the Heart of the South West (HotSW) Local Industrial Strategy. This includes energy, natural capital, employment land and premises (including the portfolio of Enterprise Zones in the HoSW area), rural productivity, and coastal and market town matters.

2.2 Place Theme Updates

A - Rural Productivity

The Rural Productivity Steering Group has not been convened since its first meeting in November, the next is scheduled for 4 February 2021.

A list of potential actions, in light of Covid-19 and Brexit, have been collated and these will be discussed at the next meeting. These will look at short, medium, and long term actions to support the Rural economy. It will seek to support sectors such as tourism, hospitality, and food production which have been seriously affected.

A study on Community-Led Economic Development is to be commissioned, subject to F&R approval, as this was a local intervention that the Steering Group is keen to establish. The study will need to look at how this will operate within the Heart of the South West, the benefits for the local economy and the potential to link the rural economy to the aims set out within the Local Industrial Strategy, 10 Point Green Industrial Strategy, Energy White Paper, etc.

This was endorsed at the Place Group meeting in November 2020 and a report to request funds to commission will be taken to the F&R Committee. The study will be brought before the Board.

B - Energy

The Energy White Paper – Powering Our Net Zero Future – was published in December 2020.

This sets out the Government’s aim to achieve a world-leading net-zero target and how it aims to do so. The way that energy is produced is at the heart of the White Paper with a decisive shift away from fossil fuels to clean energy for heat and industrial processes.

Following on from the Ten Point Plan and the National Infrastructure Strategy, the Energy White Paper provides further clarity on the measures and puts in place a strategy for the wider energy system that:

- Transforms Energy
- Supports Green Recovery
- Creates a fair deal for consumers

The strategy highlights the decarbonising of the energy system over the next thirty years by replacing fossil fuels, as far as possible, with clean energy technologies such as renewables, nuclear, and hydrogen. The HotSW LEP will be exploring its links to nuclear (for production purposes) We are collaborating with regional Stakeholders to support WEA’s Hydrogen Summit happening next month, and will be working with others to start to map put a hydrogen strategy for the SW region. . This is good news for the SW Nuclear Supply Chain who can now also potentially access fresh contracts at SZC, as well as capitalising on knowledge transfer. The White Paper also references the National Supply Chain & Business Competitiveness Programme, with local delivery which featured in the Nuclear Sector Deal. This raises again the hope that the LEP will be able to draw down funding to **support the continuation of the Hinkley Supply Chain Programme.**

A single-subject Deep Dive meeting is planned for the Place Group meeting in February 2021 and key findings will be subsequently reported to the LEP Board.

C - Natural Capital

A report was brought forward to the Board meeting in November 2020 however due to time constraints this was not fully discussed. The detail is set out again in Appendix A of this report for discussion at the January meeting.

Informed by the work of the task and finish group to date the place leadership group recommends to the LEP Board the proposal of developing a natural capital demonstration fund to pilot on a loan basis investment in schemes that combine natural capital principles and the LEP's economic objectives. A suggested sum for the fund would be £1 million – possibly secured via the LEP's growing places fund budget -with approaches made to other bodies eg utility companies to co-finance this fund. A more detailed outline is set out in Appendix A of this report.

D - Digital

Three companies have been selected to roll-out full fibre broadband networks on behalf of the Connecting Devon and Somerset (CDS) programme, backed by Government funding.

Airband, Truespeed, and Wessex Internet will be installing full fibre broadband across Devon and Somerset to more than 56,000 rural homes and businesses over the next four years.

The combined public and private sector investment of around £80million will be in the vanguard of the Government's ambitions to build a Gigabit-capable network across the UK. The three companies all have experience of working in the region and, between them, have already delivered connections to nearly 41,000 premises in the CDS region.

CDS will be undertaking further work to create the business case for the remaining Growth Fund allocated funds.

E - Getting Building Fund

Most projects are now nearing the end of the contracting phase and the final information is imminent.

Two projects are still unable to enter the contracting phase – these are Smarter Carbon and, also, the Devon Biosphere AI project. Both projects have not yet been able to secure match funding to cover the revenue elements of the projects. Smarter Carbon will be given a deadline to secure this funding. As the Biosphere project was approved at a later date they will have a little more time to seek match.

F - Place Shaping

Enterprise Zones – The LEP is working with the local authority leads from the three Enterprise Zones in the HoSW area – Oceansgate in Plymouth, the Exeter and East Devon Growth Point, and Gravity in Somerset – to review and update their implementation plans. In November the strategic investment panel received and endorsed a presentation about progress with Oceansgate as the basis of the updated implementation plan and will review likewise the position with the other Enterprise Zones at future meetings. The Government has recently launched its Freeports Bidding prospectus - <https://www.gov.uk/government/news/freeports-bidding-process-opens-for-applications> and the LEP is engaged with stakeholders to consider options for bids which need to be submitted by 5 February 2021.

Future of our Market Towns - A market towns study is currently out to tender, which closes shortly. The successful bidder will be appointed in early February 2021. The completed study will be taken to the Place group and then to the Board for sign off.

Future High Streets - The funding to boost local high streets was announced in December 2020. The intention is to help these areas transform their high streets into vibrant hubs for future generations and to protect and create jobs.

Provision funding offers have been made to the following towns in the HotSW area:

Plymouth City Centre - £12,046,873

Barnstaple, North Devon - £6,548,876

Newton Abbot, Teignbridge - £9,199,364

Paignton, Torbay - £13,363,248

Yeovil, South Somerset - £9,756,897

Taunton, Somerset West & Taunton - £13,962,981

The outputs listed are locally reported and will undergo further quality assurance before being finalised and confirmed in grant offer letters.

Employment land – work is ongoing following the HotSW Employment Land Study published in early 2020. The recommendations of the report will be reviewed in the context of the planning white paper and a work programme developed for taking this forward with partners.

Review of recommendations will be undertaken with stakeholders following White Paper approval/revisions.

G Transport

A303/A358 corridor

Following the Secretary of State's approval of the Development Consent Order application for the Stonehenge Tunnel, Highways England has now appointed contractors Osborne to conduct the advance works necessary to prepare for the main construction contract. Wessex Archaeology has

been appointed to lead the archaeological investigations, which will mainly be conducted in advance of the main construction work.

For the Sparkford to Ilchester dualling, the Secretary of State is due to decide on the Development Consent Order application by 29 January 2021.

Highways England has announced that the design development of the A358 dualling from the M5 at Taunton to Ilminster will be taken forward by Taylor Woodrow. It is anticipated that a statutory consultation on the proposed design will be conducted in 2021, before submission of the Development Consent Order application.

Major Route Network / Large Local Major schemes

DfT has advised Peninsula Transport that one consequence of the single year CSR is that the budget did not include the full 5-year allocation for the MRN and LLM programme, instead only including 1 year. With this, and the impact of Covid 19, the timescales for completion of projects will be extended, and there is inevitably some uncertainty for the whole national package.

Rail Network Resilience

Dawlish – Teignmouth Sea Wall

Construction of the second section of the £80m sea wall upgrade at Dawlish resumed this month and is expected to be completed by late 2021, with the final stage of works at Dawlish to follow later. The raised sea wall will provide enhanced protection from waves under storm conditions and should prevent the closure of the railway under all but the most severe weather conditions.

The second element of threat to the operation of the railway is on the section of line between Parson's Tunnel and Teignmouth, where the concern is about landslips of the cliffs above the railway. In Spring 2020 Network Rail conducted an extensive public consultation on proposals for realigning the railway between Parson's Tunnel and Teignmouth, to move the railway away from the cliffs which can be unstable after periods of prolonged rain.

Given the level of local concern about the likely loss of beach which the scheme would entail Network Rail has announced that they will be reviewing their proposals and bringing forward a revised scheme for further public consultation later this year. They have also indicated that it is unlikely that such a scheme could be completed until the mid-2020s. Funding has not yet been allocated for these works.

Diversionsary Route East of Exeter

The severe weather experienced in the 2012-2014 period also highlighted the vulnerability of the Western Route to flooding, particularly at Cowley Bridge, Exeter; Hele and Bradninch; and on the Somerset levels. This emphasised the need for diversionsary capacity between Exeter and Castle Cary, using the Exeter to Waterloo route between Exeter and Yeovil Junction.

Network Rail has completed a strategic study of the Exeter to Waterloo route which confirms the need for additional passing loops between Exeter and Yeovil Junction, both for diversionsary purposes and to support a more frequent train service in East Devon.

Network Rail is now preparing a Strategic Outline Business Case for the passing loops, which is to be submitted to DfT in Spring 2021.

It is suggested that the LEP should continue to make the case to Government for funding to complete the works to ensure greater resilience on the coastal section of the route from Dawlish to Teignmouth, and for additional passing loops on the Waterloo to Exeter route.

Restoring Your Railway Programme/ New Stations

The Chancellor's statements and National Infrastructure Strategy (NIS) included announcements about the development of the Restoring Your Railway initiative and funding for new railway stations.

The NIS included a reference to the re-opening to passengers of the Exeter to Okehampton route (Final Business Case has been submitted to DfT/ Treasury) and the provision of stations at Cullompton and Wellington (Strategic Outline Business Case just submitted to DfT). From the second round Restoring Your Railway bids a proposal for a new station serving Somerton and Langport has secured £50k funding to develop its business case.

Edginswell station, Torbay, has been successful in securing funding from the New Stations Fund. [Edginswell was initially included in Growth Deal 1 but could not be progressed at the time owing to a shortage of match funding.]

Appendix A – Proposal for a Natural Capital Demonstrator Fund

Definition

The definition of Natural capital is the stock of natural resources which includes geology, soils, air, water and all living organisms that provide benefits to people. All these underpin economy and society. In the South West clean air and water, productive seas, and fertile soil are paramount, underpinning industries such as agriculture, forestry, fisheries and tourism. It is an extension of the economic notion of capital (resources which enable the production of more resources) to goods and services provided by the natural environment. Changes in the current and future performance of natural capital assets will impact on people's well-being and the economy.

Strategic Context

The Productivity Strategy and Local Industrial Strategy sets out a key strategic objective of protecting and enhancing the natural capital assets and facilitate a new model of natural capital led growth. This has a firm link to the Clean and Inclusive Growth Agenda as set out in the Local Industrial Strategy.

The document, 'Investing in Natural Capital for the Heart of the South West', was adopted in January 2020 by the LEP board having been developed by the LEP Place Group with the support of the LNP partners on the group. This recognises that Growth in the Heart of the South West economy is underpinned by its outstanding natural environment, providing and underpinning a significant value, not just financial but in health and wellbeing to the economy and society.

As we move forward there is a need to progress from the emerging consensus around the principles of natural capital and its relationship to economic prosperity to developing approaches to the role of the LEP in investing in natural capital and how our programmes can support investment natural capital objectives.

Next Steps

To embrace the natural capital agenda in the Heart of the South West we need to consider how we as a LEP can facilitate investment which combines natural capital and economic growth outcomes. There is enthusiasm and passion from stakeholders to be harnessed to move this agenda forward and produce exemplar projects for the Heart of the South West area, establishing it as a leader in this area of work. The Place Leadership Group has established a stakeholder group to assist in this work and as a result two initial approaches are proposed for this:

- **Capturing the natural capital impacts and outcomes of existing planned LEP investments** – the LEP's portfolio of Getting Building Fund schemes provides an early opportunity to do this. While we are not proposing to apply formal conditions relating to natural capital will request that project sponsors identify and where possible measure relevant impacts of schemes funded through the Getting Building Fund. An advisory note is being developed for this purpose so that all Heart of the South West recipients of Getting Building Fund are requested to report on the natural capital impacts resulting from the delivery of their schemes.

- **Natural capital pilot demonstration fund** – the creation as part of our Covid 19 recovery actions of a pilot investment/loan fund to invest in natural capital schemes and test their ability to deliver clean growth and wider economic benefits. While some natural capital investments are likely to generate direct financial returns to project sponsors that can be used to repay borrowings, other categories of natural capital investment are more likely to generate a wider economic return not captured by sponsors (eg tourism benefits) or create “system” savings or benefits which a financial value can be placed on but not monetised as a financial return (eg carbon capture and nature recovery). It is suggested that the pilot demonstration fund looks to support a combination of these categories of natural capital investment and that as a result of a commissioning call the LEP seeks to support 3 - 5 pilot schemes for this purpose.

It is proposed that the LEP seeks to identify £1 million of its own resources for this demonstrator fund and that the LEP issues a call for co-investors, such as utility companies serving the Heart of the South West area, to seek their interest in co-investing in the fund. This approach will build on an initial informal “expressions of interest” exercise undertaken with stakeholders which demonstrated both the appetite for this activity and the likely challenge in developing suitable business cases for this activity. For this reason, it is suggested that a facilitation resource is created for a fixed period (eg six months) to support the pilot demonstration fund.

Appendix B – Transport Update