

## **Heart of the South West LEP - Chief Executive's Report**

Lead Officer: David Ralph, Chief Executive, HotSW LEP

Contact Details: 07543 21930 – david.ralph@heartofswlep.co.uk

### **1. Summary**

This report provides an update on current issues, what's going well and what's not, and progress on the clean growth blueprint. Elsewhere on the agenda we more updates from the Leadership groups and progress on delivery of the Build Back Better plan etc.

### **2. Recommendations**

#### **2.1. It is recommended that the Board:**

**Agree – F&R recommendation to update the Local assurance Framework**

**Agree – Strategic Investment Panel terms of reference - Annex 6a)**

**and to note within the CEO report**

**(a) Actions arising from the Board Effectiveness Review**

**(b) Update on clean growth blueprint**

**plus**

**(c) Update on productivity plan delivery - Annex 6b)**

### **3. Introduction**

Covid has accelerated many trends and changes that were already occurring pre-pandemic. The restructuring of retail transforming town and city centre roles, remote working and virtual meetings, the increasing digitalisation of business, markets, commerce, and society – have all taken a big leap in the past 18 months.

Whilst between 1 and 2 million job losses have been forecast between 2019 and 2021, jobs creation is rebounding very quickly, and the labour market is tightening due in part to the loss of 1.3 million foreign-born residents. There is also ongoing significant supply chain disruption to the UK economy and youth unemployment, exclusion and inequality, business indebtedness and continued uncertainties over international trade and investment are some of the main challenges. In summary, recovery is happening faster than expected but is more uneven with a tighter labour market now than before the pandemic hit. Increasing productivity is consequently even more important now than pre-pandemic including increased digitalisation and digital skills.

Policy and institutional change for local economies are going to happen in Autumn. It seems unlikely to depart radically from increasingly competitive grant funding and a few new areas given modest devolution powers and funding. A "Green Recovery" package could help to accelerate economic recovery and deliver on climate change targets – but the implementation of low carbon and sustainable solutions and structural change remains slow.

#### 4. Impact of Covid-19

The immediate and long-term impacts of Covid-19 are significant and could be far-reaching for certain industries and communities. Patterns of investment, employment, and how and where people work may change in the future. The main highlights, in terms of the UK economy, are as follows:

**Significant fall in GDP:** UK gross domestic product (GDP) is estimated to have decreased by 1.6% in Quarter 1 (Jan to Mar) 2021, revised from the first estimate of a 1.5% decline. The level of GDP in Quarter 1 2021 is now 8.8% below where it was pre-pandemic at Quarter 4 (Oct to Dec) 2019.

**Claimant unemployment peaked at 2.678 million** (6.4% of the working-age population) in February 2021, increasing from 1.256 million (3.0%) in February 2020. Claimant unemployment now stands at 2.268 million (5.4%) in July 2021. **Youth unemployment** is a particular concern, especially for school leavers transitioning to entry-level jobs and Apprenticeships, where the number of openings has fallen.

**Furloughs peaked at 8.9 million** employments in May 2020 – representing one-quarter of all workforce jobs. Furlough and relief schemes have prevented much higher rates of job loss and unemployment. Similarly, bankruptcies are much lower than you would expect through a severe recession but may increase as the ‘taps’ are turned off with bounce back loans have to be paid back and vat holidays cease as firms levels of borrowing and liquidity is significantly higher than pre-pandemic. **CityUK** suggests that, by the end of March 2021, £35bn of unsustainable debt will be owed by UK businesses from government loan schemes; and £100bn of total unsustainable debt will be owed by UK businesses. This may lead to pressure on financial markets including a credit crunch.

**Covid-19 has amplified existing inequalities** in communities, and the impacts have been uneven both spatially and according to income group, age, ethnicity, and gender.

**In particular, retail, hospitality, and the visitor economy industries** – have been severely affected. Office-based activities that provide jobs and footfall for urban areas have also been curtailed, with many people working from home. Many businesses are looking for certainty and therefore more local supply chains which might provide opportunities for local procurement etc.

**Spatial unevenness of Covid impacts.** Covid has impacted large city centres, coastal and rural areas disproportionately. Some smaller towns have benefitted from buoyant spending and footfall as residents were forced to shop and consume locally during the pandemic.

Covid has had a huge **impact on UK businesses**. The October 2020 Bank of England DMP survey estimated that sales were still 17% lower than they otherwise would have been in 2020 Q3, while employment was 8% lower and investment 24% lower. As of June 2021, businesses owed local councils almost £2.5bn in unpaid business rates. Insolvency practitioners Begbies Traynor also provided analysis that shows a record 527,000 businesses are in significant financial distress. In “Supporting Economic Recovery – Recapitalising Businesses post COVID-19”, a detailed report on this issue, the banking lobby group.

## 5. Key Events – what’s going well and what isn’t

**AGM** – Immediately after this meeting we are hosting our 2020-21 AGM covering the key lockdown periods of the pandemic. In addition to our Annual Report will be publishing:

- a) a programme review of the Local Growth Fund
- b) An annual review of the Growth Hub

**Cabinet Reshuffle** – clearly lots of changes particularly at the newly named MLUHC both ministerially and a little in policy lead eg the new Permanent Secretary for Levelling-Up. Some changes at Treasury, DCMS, and obviously Foreign Office and International Trade and the Energy Minister changed at BEIS. In his post reshuffle messaging the BEIS SoS, Kwasi Kwarteng MP highlighted 5 key priorities.

- Supercharging R&D
- Decarbonising our economy
- Revising the spirit of enterprise
- Addressing impacts of past 12 months
- Private finance to create jobs

**LEP Review** – I have circulated 3 briefing notes over the summer on the LEP review to all Leaders, HotSW Scrutiny, and MPs. Suffice to say that we have as yet little clarity but expect some details in the Spending Review – October 27<sup>th</sup> and publication of the Levelling-Up White Paper when it appears. The LEP Network submitted a paper into CSR called ‘a New Deal’ which in essence asked for (additional) core funding costs and increased funding for Growth Hubs.

**Future Flight** – last month saw the first electric flight in England (from Exeter to Newquay) as part of the 2Zero programme. We are currently working with partners on a Phase 3 bid

**Hinkley PC** – at the end of September, Hinkley Point C celebrated 5 years since its start on site, and accelerating delivery at HPC is ongoing. At their event Dome 2022, EDF stated that they were about 6 months behind schedule. Bridgwater Bay is on the long list for STEP (Nuclear Fusion) - a decision on whether Bridgwater goes forward is expected at or about the spending review at the end of October. We are still awaiting an MOU to deliver the Nuclear Supply Chain Places programme and if not will need to identify additional local funding for supply chain support post-February 2022

**SW Tourism for 2030** - has been published and presented to the Minister (still in place) through the GSW APPG. The next GSW APPG is proposed for the end of November and will look at rural issues.

**Train4Tomorrow** - secured some £1.7m of further delivery funding to support retraining (mostly in technical skills). The tight labour market is making delivery challenging.

**Ocean Futures** – has published its prospectus at International Shipping Week in September. It has been well received and submitted to CSR

**HotSW Technopole** – HotSW contains important tech companies and important Science Park assets and yet our innovation ecosystem is not as strong as it should be, does not attract the level of Government funding compared to some other places, and certainly doesn’t reach out throughout the area. The HotSW Technopole, working with our

universities, Innovate UK, and other stakeholders at how this might be improved and an update is provided elsewhere on the agenda. **Exeter University** has published its 2030 Strategy – Together we can create the possible - [Strategy 2030 | Strategy 2030 | University of Exeter](#)

**Town Deals, CRF, and Levelling Up bids** – following confirmation of funding, Town Deals in Torquay, Bridgwater, and Glastonbury are starting to prepare business cases for their Town Deal projects. All areas are still waiting to hear on bids relating to the Community Renewal Fund and the first phase of Levelling-Up Funds. County Deal EOIs were submitted for Somerset, Devon, and Plymouth – The government has now concluded its follow-up meetings nationally and has indicated a small number of County Deals (possibly 6) as a first step.

**Various construction capital projects** funded through Local Growth Fund or Getting Building Fund - including Taunton and Plymouth stations, I-Aero, Burrows Centre, Exeter Bus Station, have either concluded, topped out and a couple of the later ones have recently started on site. A small amount of Getting Building Fund underspend has been reallocated (to contribute to the delivery of Phase 2 of the North Devon Enterprise Centre) – see SIP update agenda item 9 (iii).

**The LEP had its mid-year conversation** with Government officials last month – any feedback will be provided verbally but we await confirmation of the 2<sup>nd</sup> half of 2021/22 core funding (although received the offer letter for the first half last month!)

**HotSW Growth Hub** – engaged some 3500 businesses over the past 12 months. We have recently extended provision through a contact with SWMAS to provide business support and are currently out to tender for additional access to financial support. Developing the Growth Hub into a 'one-stop shop' for business (subject to funding) will be a key priority going forward.

**Proposed revised delivery to support Digital Transformation is elsewhere on the agenda.** Following weak delivery, the changes to the Mobility Boost programme – a new technology solution - to support improved mobile connectivity in the home (which may also improve access to higher broadband speeds seems to be a better product. We are closely monitoring delivery not least as the approval was subject to a 6-month review. As discussed at the deep-dive session, CDS will be reviewing the Local Broadband plan. We have asked that this include how best they may spend the LEP funding to December 2024 but as yet I haven't seen the terms of reference of the review.

**Celtic Sea Offshore cluster** – had its launch at the end of September which we attended. We have a follow-up meeting scheduled with the Catapult etc later this month.

**SW Food Hub** – Crown Commercial Services have stated that they wish to proceed directly to national roll-out rather than through an (SW) pilot and have withdrawn from the agreed MOU. The SWFH is reviewing how they might best move forward to support local food producers.

**Access to Finance** – the LEP convened a workshop with local business representatives and the British Business Bank to look at the recent mapping study and current delivery. Gaps in access to capital funding is an important work strand in facilitating recovery.

**DMO review** – an independent review of DMO's published its report last month. The Towards 2030 publication was highlighted as good practice; the fragmentation of delivery in

Devon was not. We expect Government (DCMS) to comment perhaps in December and local partners are discussing what actions they should be taking.

## **6. Clean Growth Update**

We have continued to promote our commitment to clean growth, as set out in our blueprint, over the last three months as part of a coordinated communications campaign. Activity has included my blog in Business Insider on how the South West can pioneer clean growth, a press release and social media content for the launch of the Ocean Futures prospectus, support for the WEAFF conference on sustainable aviation including a presence on the panel, and a speaking slot, a new dedicated 'Clean Growth News Highlights' section introduced in the LEP September newsletter, and the social media hashtag #CleanGrowthHotSW has been posted at least 3 times/week on Twitter and once/week on LinkedIn over the past 6 weeks. The campaign will culminate with the launch of an interactive map during the first week of COP26 which has more than 50 projects, assets, and business activity highlighted.

SWMAS has been contracted to deliver a new programme to help businesses on their journey to Net-Zero. Called Make It Net Zero, this will provide 20 SMEs across several different sectors with a detailed action plan to help them make the necessary changes within their business. The funding forms part of the Growth Hub budget and is therefore only available this financial year. The primary focus is therefore on developing web content for the Growth Hub and a range of case studies, as well as running a series of events to help raise awareness of the need to transition.

Other clean growth updates not mentioned elsewhere in the Board pack:

- The Crown Estate has given the green light to a 100MW floating offshore wind project off the North Devon coast. Offshore Wind Ltd has passed the initial criteria to be awarded a demonstration zone lease for their Whitecross project. They have now progressed to the next stage which is a plan-level Habitats Regulations Assessment (HRA) to consider the possible impacts on protected marine habitats. Subject to the outcome of this assessment, Offshore Wind Ltd could then be granted a seabed agreement for lease. We are discussing this and other similar opportunities with North Devon, Torridge District, and Devon County Councils and are planning to commission a supply chain study to better understand the potential economic benefits and what the public sector could do to realise these.
- With the help of Somerset County Council, we have completed a survey of all local authorities to establish what developments are grid constrained across the area. Of the responses received, five authorities identified developments where the grid costs and timeframe for enhancements are a barrier to growth. This is particularly acute around the Exeter area both to the east and South West, in Newton Abbot, Bridgwater, and Yeovil. We have asked for a meeting with Western Power Distribution to establish how these sites could be unlocked and also to better understand the grid upgrades needed to achieve the clean growth ambitions of both HotSW and GSW, including the aim of becoming a green energy powerhouse and a net exporter.
- The retrofit skills and supply chain study mentioned in the July update has yet to be commissioned as the SW Energy Hub, which is funding this work, is trying to secure

support from all the South West LEPs. This analysis is now critical and therefore we have asked that work for the HotSW area be fast-tracked.

## **7. Actions Arising from 2021 Board Effectiveness Review**

**At its last meeting, the Board reviewed the refreshed Board Effectiveness actions as follows**

1. Confirm that in the Board's opinion it has been effective over the past year.
2. Future Board meetings to be a mix of face-to-face and via Teams to limit virtual meetings to 2 hours. Consider an extra meeting where the agenda dictates.
3. LEP management team prepare a briefing note for the Board signposting the LEPs latest work and reports on:-
  - a. diversity, (a formal report is required for our October Board Meeting) see below at 7.
  - b. nominations committee process and members
  - c. schedule of delegations
4. LEP management team (with the support of Board members) develop a strategy to maximise impact in the LEP priority areas. The strategy will take account of the Government LEP review originally for discussion at the October 2021 board meeting – this will now be deferred till after the completion of the LEP Review at the January board meeting. The strategy will include, but be not limited to, the following:
  - a. the makeup of subgroups to ensure fit for purpose post-LEP Review
  - b. maximise active engagement with organisations on the key stakeholder register
  - c. measure the real impact of work on individuals, businesses, and communities within our region
  - d. Improve accountability and reporting of performance
5. New regular agenda item for Board meetings from October 2021: “How well did we discharge our duties as a board of Directors today?”

## **8. Actions Arising - Progress on Diversity**

As anticipated, the standing down of two female Board Members at today's AGM means that the LEP Board will no longer be compliant with its gender balance. Recognising that LEPs live in uncertain times – including the freeze on recruitment – The government has indicated a 'compliance holiday' on this issue until after the outcome of the LEP review.

In consultation through the Chair, we have agreed not to recruit replacement Board Members until after the outcome of the LEP review – when we understand our future functions more clearly – and a Governance review. We have also agreed to carry out a skills audit of Board Members which we have also put on hold.

We have been working with our BROs on a 3 point plan to deliver greater diversity and inclusion not just to the LEP Board but to Board NEDs more widely. They are supportive of this shared approach – all are doing work in this area. The HotSW plan comprises:

- a) **Campaign** - to promote and attract greater diversity at the Board level including existing leaders targeting particular networks
- b) **A programme** to support greater diversity into Boards – particularly women but not restricted to gender. This could potentially piggyback on work already going on with existing BROs
- c) **Identifying 6-8** potential future LEP Board reps and supporting them through shadowing, mentoring, etc.

Devon and Plymouth Chamber have been commissioned to lead the programme – called HotSW Future Leaders – which broadly follows the Peer Network model.

In addition, under the Tech Talent Charter we are funding some workshops to support firms – particularly but not only in the tech sector – to become more inclusive and diverse including access to a diversity toolkit/playbook. We are looking at whether we might - as an organisation - sign up to the Charter but as yet haven't committed.

We are currently concluding the Clean Growth campaign ahead of COP 26 – we are planning some work to highlight rural challenges and have started to think how best to execute a campaign but probably feel we need to make more progress before we can lead.

We wrote to all the (8) candidates who were not successful at interviews for LEP NED roles last time. 3 (all male) confirmed interest in a shadowing/mentoring role. Two others (both women) who applied, were longlisted but were not taken forward for interview have confirmed interest in still being considered and a further Female business leader has also expressed interest.

### **Local Assurance Framework and Scheme of Delegation**

Following amendments to the National Assurance Framework, an audit from HMG, F&R have agreed on amendments and updates to the Local Assurance Framework. Minor in substance they include for example:

- a) Highlighting the Innovation Board as an advisory group
- b) Minor updates to the scheme of delegation etc

Following their last meeting. F&R Committee, endorsed by the S151 Officer is recommending the updated LAF to the Board for approval.

### **Nominations Committee**

The Nominations Committee will be asked to make a recommendation to the Governance Review following the outcome of the LEP review.

## **9. Great South West – The UK's Natural Powerhouse**

The 3 LEP Chairs continue to meet regularly – largely to discuss the LEP review - and a GSW APPG was held in July to present the Tourism 2030 plan to the Tourism Minister. The Western Morning News wrote an open letter to the PM asking to 'Back the Great South West' and we have written to both Mr. Gove and the new Minister for Regional and Local Growth, Kemi Badenoch MP to share the Great South West prospectus - [GSW Brochure A4 new colours.indd \(greatsouthwest.co.uk\)](#)

The Autumn APPG is scheduled for the end of November (TBC) and will focus on rural issues. The winter meeting will look at Levelling-UP and the spring meeting on energy.

## **10. Next Steps**

The LEP review has without question created uncertainty across LEPs but we still have an extensive agenda to deliver including our plans to Build back Better, legacy local growth and Getting Building Fund projects, Enterprise Zones, and the HotSW Growth Hub. In total, we

still think there is some £40m investment to oversee as well a supporting Town Deal Boards and local recovery plans.

We are currently carrying out 1:1 meetings with Districts and as soon as we get any insights into the outcomes of the LEP review we will let people know.