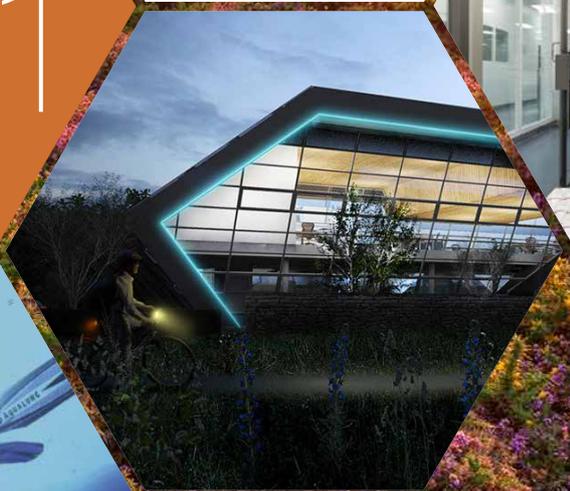




# ANNUAL REPORT 2021



heart of the  
south west  
local enterprise partnership



## Looking Forward

### Delivering social mobility through levelling up

#### Foreword from Karl Tucker – HotSW LEP Chair

I believe the lack of social mobility is one of the core issues facing our communities today and one that, if left unaddressed, will lead to bigger societal issues in the future, hampering the ambition for levelling up the country and becoming Global Britain, a leader in the world economy. Unless we take action and make the necessary investments and interventions soon, we will see continued and increasing inequality, social unrest, crime, disorder, and worsening health outcomes. It will require more investment in our NHS, social care, police, and in the support for the more vulnerable in society to manage the impact and outcomes of failing to address this fundamental issue.

**“ Raising social mobility should be at the heart of levelling up. LEPs, and specifically business, could play a key role in making it happen.**

I believe the historic root cause of the problem stems from the de-industrialisation of our country over the last 40 years or so. The predominant areas of deprivation in the UK map seamlessly with lost industrial activity which removed the opportunities for mass employment in areas – such as Sedgemoor with the closure of British Cellophane and the BAE Munitions Factory, in Torbay following closure of ‘Nortel’ telecoms equipment manufacturing and also with the decline in domestic tourism. As a consequence, an area such as West Somerset has one of the lowest levels of social mobility in the UK.

The reduction in industrial activity has removed a massive number of jobs that were available in those communities, giving people the opportunity to learn,

develop and progress where they displayed talent and drive. With more challenges to enter the workplace, inequality within society continues to increase, compounding the situation with an ever-growing number of children being born into families and communities devoid of positive role models, and living in an environment that fails to show them the opportunities that exist and what is required to take advantage of them.

I believe that business and the state need to work together to invest in, and intervene at scale, with the ambition to fill this gap in the development, guidance and encouragement of our young people. To fail to do so would be to ignore the opportunities that exist for them to fulfill their potential for themselves, their families, their communities and the country as a whole. Initiatives are not the solution. One can readily point to the many initiatives conducted to, and within, these communities over the past 30-40 years to try and address these issues. However, given that these areas continue in the same state of deprivation with ever worsening social mobility, it is clear that none have made the wholesale impact required. It is unfair to say that none have had any impact, but the lack of scale, continuity and commitment to the funding required to make a sustained impact has been lacking.

Raising social mobility should be at the heart of levelling up. LEPs, and specifically business, could play a key role in making it happen – but I fear we may be entering further fragmentation, further initiatives and lots of activity but little change in outcomes. This is the challenge and opportunity now and in the coming years.



## Managing Challenging Times

#### Introduction from David Ralph – HotSW LEP Chief Executive Officer

2020-21 was an exceptional and challenging year for businesses and communities alike. Despite this, I feel proud to reflect on a job well done across the Heart of the South West sub-region. When faced with an existential crisis to our economy we were able to step up. We have delivered support and guidance where it was most needed, extended delivery and collaborated with businesses and partners to minimise the impact of the pandemic on our economy, reduce the incidence of business failure and support local communities. I foresee this ‘can-do’ attitude continuing as we build back better and support the Government’s agenda to level up throughout the UK. This is especially important in the South West.

Our contribution is tangible: we have continued to deliver important capital investments, completing spend of our £197.8 million Local Growth Fund and contracting 24 new investments through the £35.4 million Getting Building Fund, we have lobbied our MPs for recognition of the specific challenges and opportunities facing our region, empowering them to advocate for these nationally, and we have extended our reach and support for businesses. Using our power as a convener, we have led important conversations with local partners as well as with Ministers and their officials to provide support where it is most needed and likely to have maximum impact. In a time of unparalleled complexity, we have sought to communicate clearly and consistently and to secure alignment locally to achieve a common purpose.

The impact of the pandemic has been severe; some once-thriving businesses have failed, unemployment has risen and liquidity has weakened. I believe, and early indications suggest, the pandemic has accelerated and highlighted changes that were already underway: the need to transition our economy to one that is carbon neutral,

to raise productivity and exploit the opportunities presented by digital technologies; the growth of online shopping and transactions at the cost of conventional bricks and mortar retail in the High Street and the evolution in commuting and work patterns – the future of our work.

**“ In summary, over the past year we exceeded our key performance targets with Government, including completing our Local Growth Fund programme and successfully bidding for new funds.**

The impact of Brexit and the agility of response required in sectors such as farming, fishing and tourism is significant. Whilst we will see new markets emerge for trade, our food and agricultural systems will need to be restructured. Pressure on the labour market will continue and skills shortages will persist. This will underpin the development of technology solutions to increase productivity. Business will continue to drive and support prosperity. The government are currently reviewing the role of LEPs for the future but whatever the outcome of this, the voice of business must continue to be pivotal to building back better through clean and inclusive growth across the Heart of the South West.

In summary, over the past year we exceeded our key performance targets with Government, including completing our Local Growth Fund programme and successfully bidding for new funds. We restructured ourselves to deliver the key mission of clean and inclusive growth and improve our communications and partnerships and our business-led Board continued to provide effective oversight to both our thinking and delivery. The details of this are set out in this report.

# Heart of the South West in numbers



**93** projects  
**63** complete  
**30** underway

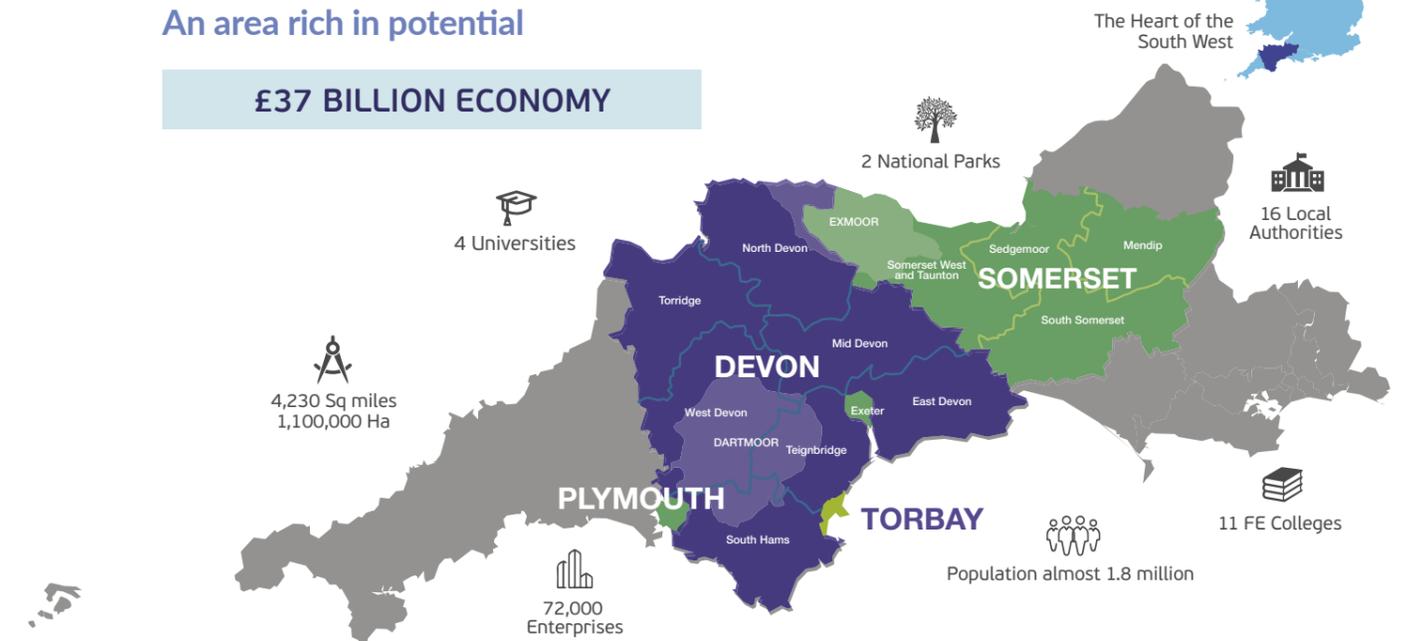
The Heart of the South West's £37 billion economy and 1.8m population is equivalent to that of a major UK city.

2020-21 saw the pandemic hit this area harder than many other parts of the country; although case rates typically tracked below national levels, the economic impact here was much more severe, with higher levels of unemployment caused in particular by the area's industry mix. This has exacerbated many of the long-standing challenges faced by our residents and businesses, especially in the remoter areas.

Unfortunately, the pandemic will not be the last crisis which makes it even more important to build a stronger more resilient economy that means the area's residents and businesses will be better protected against future events and can enjoy a more prosperous future. The LEP has set out how it will go about this in the Build Back Better plan.

## An area rich in potential

**£37 BILLION ECONOMY**



## Changes since 2014...

- Employment growth to early 2020 had been strong for the previous 6 years and not far off national levels, but our industry mix meant Heart of the South West experienced a bigger reduction in employment than nationally, almost halving the rate of growth since 2014. This has exaggerated the challenges faced by many people especially in our remoter coastal and rural communities.
- Recent productivity growth has been stronger than the UK nationally but year-on-year change remains below that seen 2000-08; typically 1-2% now compared with 3-4% per year pre financial crisis.

|   | Heart of the SW vs 2014                         | UK vs 2014                                      |
|---|---|---|
| <b>Economy</b><br><small>Real GVA 2015 prices</small>             | <b>+5.4%</b>                                    | <b>+8.6%</b>                                    |
| <b>Population</b>   | <b>+3.1%</b>                                    | <b>+3.3%</b>                                    |
| <b>Employment</b><br><small>Jobs full time equivalent</small>     | <b>+3.0%</b><br><small>(+5.75% 2014-19)</small> | <b>+6.0%</b><br><small>(+6.45% 2014-19)</small> |
| <b>Productivity</b><br><small>Nominal GVA per hour worked</small> | <b>+12.0%</b>                                   | <b>+9.3%</b>                                    |
| <b>Wages</b><br><small>Average earnings per week</small>          | <b>+12.3%</b>                                   | <b>+12.7%</b>                                   |

## The LEP has achieved or worked in partnership to support several notable achievements for the area which have included:

- Publication of the Build Back Better plan setting out transformational programmes to deliver clean and inclusive growth in our area, supported by business, local government and education.
- Secured £35.4 million Getting Building Fund from Government, the 7th highest award across LEP areas. Now invested in 24 projects across the area, helping to build back better.
- 5G testbed established to improve and enhance connectivity for the marine and maritime sectors accessing and testing technology within Smart Sound Plymouth.
- Growth Hub secured £747,364 to help local businesses, especially in the tourism and hospitality sector, to offset the impact of the pandemic. Growth Hub has supported over 3,300 businesses through the year.
- Launched ERDF inward investment soft landing programme, helping new and existing overseas owned businesses locate and expand in the area.
- Completion of spend on the £197.8 million awarded to the LEP through the Local Growth Fund since 2014.
- Continued delivery of the three Enterprise Zone sites; investment in the access road to Gravity, investment which has brought phases 1 and 2 of Oceansgate on stream and investment to further develop the Science Park on the Exeter & East Devon Zone.
- Development of the Coastal Productivity Plan setting out the specific challenges for coastal communities.
- Secured two rounds of the Department for Education's Skills Bootcamp provision to deliver over 1,500 Level three and above fast track training places with a value of circa £5 million.
- Decision to progress the Ilminster to Sparkford section of A303 improvements; news on the challenge to the Stonehenge development is awaited and the LEP continues to make the case on this.
- Completion of first phase of the new sea wall to protect the rail corridor at Dawlish. Second phase is under way.
- Workspace projects across the area continue to provide more space for businesses to start up and grow; Burrows Centre Northam, EPIC Torbay and iAero Somerset all open for business.





Growth Deal spend was completed on target by March 2021 and Getting Building Fund projects must complete spend by March 2022; this milestone is on track.

The outputs this investment is contributing towards are shown in the infographic and the LEP has published a separate Growth Deal end of programme report which sets out key lessons learned. In 2023-24 an economic impact study will be conducted to understand the broader impact these investments have had on the local economy.

| £ millions (excl match funding) | Growth Deal  | Getting Building Fund | Growing Places Fund | Defra Rural Pilot | EU Structural Funds | Totals       |
|---------------------------------|--------------|-----------------------|---------------------|-------------------|---------------------|--------------|
| <b>Clean growth</b>             |              | 4.4                   |                     |                   | 4.0                 | 8.3          |
| <b>Innovation</b>               | 47.1         | 12.9                  | 9.5                 |                   | 21.0                | 90.4         |
| <b>Natural capital</b>          | 13.0         | 0.6                   |                     |                   |                     | 13.7         |
| <b>Skills</b>                   | 18.3         | 1.3                   |                     |                   | 40.6                | 60.2         |
| <b>Transport &amp; housing</b>  | 91.9         | 5.5                   | 5.9                 |                   |                     | 103.4        |
| <b>Workspace</b>                | 4.9          | 9.9                   | 2.9                 |                   | 8.6                 | 26.2         |
| <b>Business Support</b>         | 2.8          |                       |                     |                   | 12.5                | 15.3         |
| <b>Digital</b>                  | 17.9         |                       | 4.2                 |                   | 5.0                 | 27.1         |
| <b>Rural</b>                    |              |                       |                     | 3.8               | 18.3                | 22.1         |
| <b>Other</b>                    | 2.0          | 0.8                   |                     |                   |                     | 2.8          |
| <b>TOTALS</b>                   | <b>197.8</b> | <b>35.4</b>           | <b>22.5</b>         | <b>3.8</b>        | <b>109.9</b>        | <b>369.5</b> |

# Heart of the South West Investment Programme

The LEP secured £35.4 million through the Getting Building Fund, the 7th highest award across LEP areas in the country, and together with the final contracting of EU Structural Funds, means the total investment portfolio is now almost £1 billion. Together, Growth Deal and Getting Building Fund now cover 93 projects, more details of which are shown on the LEP website. The investments across both funding streams and key themes are shown below.

| £ millions                        | Government Award | Match Funding  | Total          |
|-----------------------------------|------------------|----------------|----------------|
| <b>Growth Deal - HotSW LEP</b>    | £197.8m          | £351.1m        | £548.9m        |
| <b>Getting Building Fund</b>      | £35.4m           | £59.6m         | £95.1m         |
| <b>Growing Places</b>             | £22.5m           | £48.4m         | £70.9m         |
| <b>Rural Growth Network Pilot</b> | £3.8m            | £15.1m         | £18.9m         |
| <b>ESIF</b>                       | £109.9m          | £146.4m        | £256.3m        |
| <b>TOTALS</b>                     | <b>£369.4m</b>   | <b>£620.6m</b> | <b>£990.2m</b> |

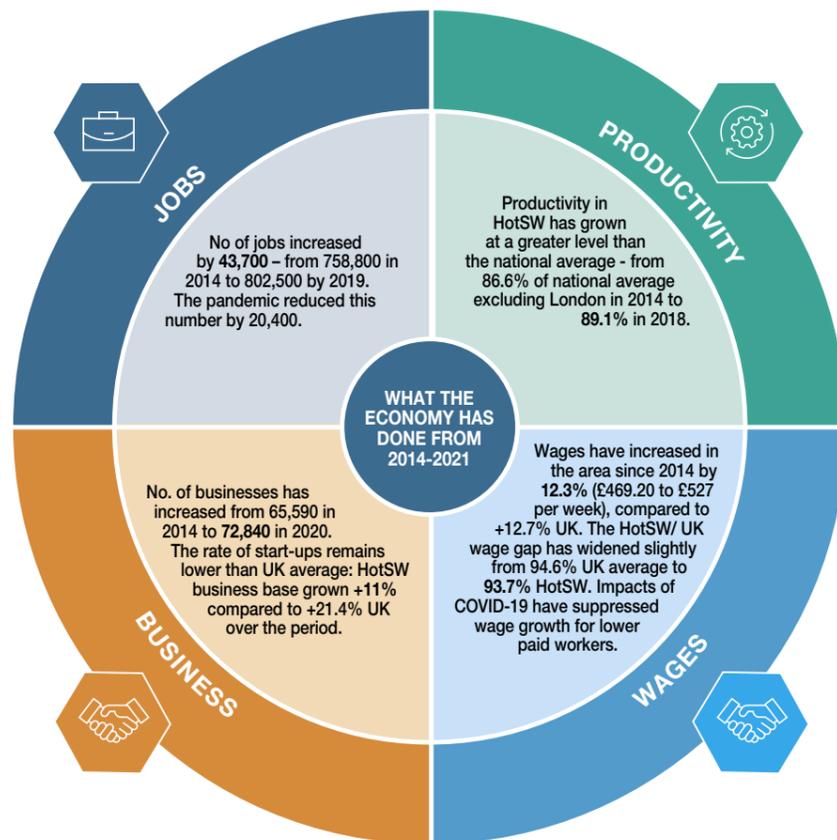
# About our area

Population of almost **1.8 million**

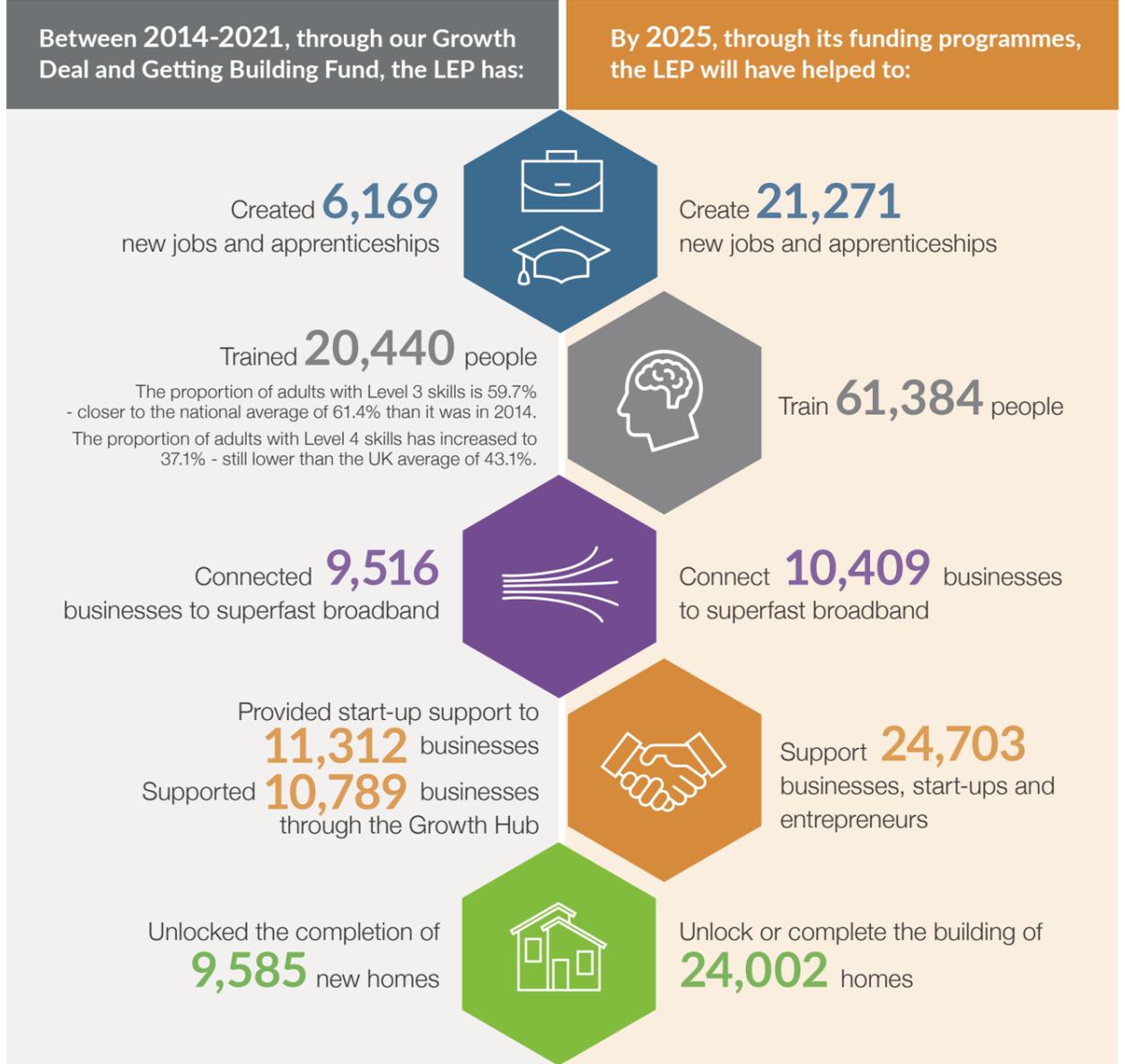
**72,840** Businesses

**£37 billion** economy – equal to Greater Birmingham or Liverpool City Region

The economy has grown by around **£2 billion** since 2014



## The impact of the HotSW LEP's funding programmes

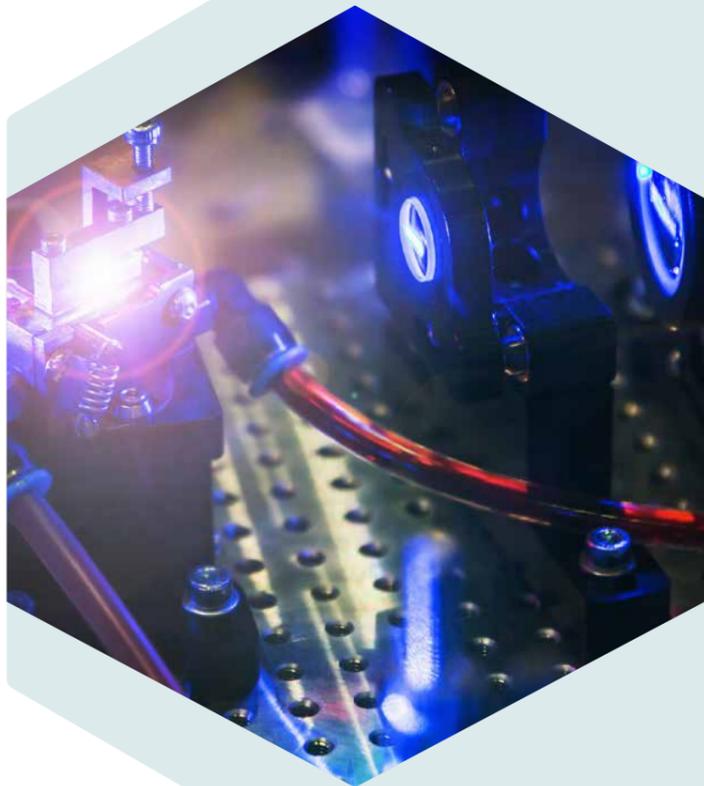


### HotSW LEP's future focus

- Response to COVID-19 targeting hardest-hit sectors and places.
- Developing skills for the future, meeting business needs and supporting individuals to achieve their potential.
- Building back better through clean and inclusive growth.

Delivery of **£35.4 million** Getting Building Fund portfolio by March 2022

## Case studies

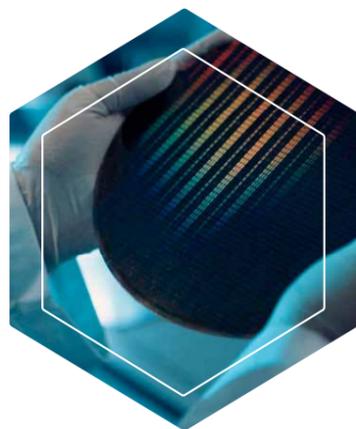


### Photonics High Potential Opportunity

Nanusens opened its UK Headquarters in Paignton's Electronics and Photonics Innovation Centre (EPIC) in 2021 with help from the Heart of the South West LEP's Inward Investment Support Grant, funded from the European Regional Development Fund (ERDF) and a loan through the Torbay Council Economic Growth Fund.

Nanusens is a market-disrupting microelectronics specialist whose innovative technology enables them to shrink Micro Electro-Mechanical Systems (MEMS) sensor structures. These nanoscale sensor structures are up to ten times smaller than competitive technologies and can be used in everyday items such as earbuds and smartphones. Their small size frees up additional space for larger batteries and additional features. The grant has enabled Nanusens to recruit three high level engineers to continue the research and development of their technology and ultimately grow the engineering team within EPIC.

Nanusens invested in the Heart of the South West region in response to the High Potential Opportunity (HPO) programme developed by the LEP in partnership with the Department of International Trade. The HPO is a unique designation that sets out the capability and opportunity for foreign owned photonics and electronics companies looking to expand into the area and is actively promoted world-wide by the Department for International Trade. Nanusens are now firmly within the heart of the Hi-tech Cluster and are already collaborating with other local businesses.



### Investing in Digital Connectivity

Over the past year the LEP has continued investing in digital connectivity; an additional £4 million has been provided to three digital projects with the aim of extending digital coverage to businesses and homes in the hard-to-reach areas of the Heart of the South West region.

A £1 million grant has been provided to Connecting Devon and Somerset to offer vouchers to improve the uptake of mobile connectivity solutions. These vouchers are targeted at small businesses, homeworkers and residential premises with partial or total indoor mobile 'not spots' with the aim of improving their indoor 4G coverage.

A further £1.13 million has been invested in the Further Education Digital Accelerator Programme to accelerate the modernisation of Information and Communications Technology within local Further Education Colleges. This will enable them to embed high-end digital capacity at the heart of the learning network, generating new opportunities to learn, invest and innovate, improving connection speeds, display, desktop and laptop technology as well as server and storage capacity. It will also deliver significant enhancements to local Wi-Fi and wireless network capabilities and capacity. This programme will benefit College estates across the Heart of the South West region in Barnstaple, Bicton, Cannington, Exeter, Plymouth, Street, Taunton and Yeovil. The LEP's funding has been matched by £1.29 million from the Colleges themselves.

Smart Sound Plymouth has received £1.8 million to provide a comprehensive service for industry to test and prove the latest autonomous systems in a live and, most importantly, safe environment. As these systems have developed and proliferated, the need for immediate situational awareness in order to make operational decisions autonomously has become vital, resulting in the need for a low latency, high bandwidth data network. The LEP's investment has established a 5G testbed that offers the opportunity to prototype and test 5G and other technologies incrementally, positioning Smart Sound Plymouth as the UK's premier testing and proving ground for advanced marine innovation. The other partners are Plymouth City Council, Plymouth Marine Laboratory, the University of Plymouth, Vodafone and Nokia.



## Project 2ZERO

The LEP is part of a consortium exploring regional electric aviation transport solutions which has been successful in winning £2.4 million from UK Research and Innovation's Future Flight Challenge programme to fund a £5 million 2ZERO (Towards Zero Emissions in Regional Aircraft Operations) project. Led by Ampaire, a pioneer in hybrid electric aircraft technology, the first demonstration flight has operated out of Exeter Airport using the Electric EEL technology aircraft. This has provided an important research and development platform to study the ecosystem required to enable the future of electric aircraft within existing airport and airline operations and will advance the use of sustainable aviation to drive down costs and emissions on short regional routes.

The 2ZERO consortium also includes Exeter Airport, Rolls-Royce Electrical, the University of Nottingham, Loganair Ltd, Cornwall Airport Ltd and UK Power Networks Services. Links have also been made with Exeter College's Future Skills Centre, which the LEP has supported with a £1 million grant from the Getting Building Fund. This will enhance, transform and equip the centre to be a nationally significant hub for training and education in future-facing high-tech jobs in engineering, digital, construction and clean growth.



## South West Food Hub

The South West Food Hub has been established to lead a collaborative food community to support the region's food network, encouraging consumers to buy local and establish shorter, more sustainable supply chains across the South West's food sector. With funding from the LEP, together with the University of Exeter, Exeter City Futures and the National Farmers' Union, the Hub has improved connections between buyers and sellers and also provided information and signpost services for the region's diverse food community.

A particular focus has been on developing a dynamic public procurement platform to enable public sector organisations to gain better access to the region's rich and varied range of local produce. Anchor institutions such as local councils, schools and hospitals have been engaged in this work while small and medium sized enterprises in the food and drink sector have been supported to meet the necessary procurement entry criteria and requirements. A food supply chain mapping study will provide valuable information to support this ambitious project, establishing the willingness to buy and supply food locally, identifying barriers such as a lack of in county processing infrastructure and identifying the opportunities and barriers to switch existing food production so that local produce is suitable for procurement by public organisations.



## Investment in Public Transport

The LEP has continued to invest in a number of projects that improve sustainable transport options for communities, ensuring they are better connected to the transport network. Enhancements to Taunton Rail Station have been completed with £4.6 million from the LEP's Local Growth Fund, repositioning the main station entrance towards the town centre and adjacent Firepool development. Construction of the new Marsh Barton Rail Station in Exeter is now underway, supported by £4.4 million of Growth Deal funding. This station will serve communities living on the rail line in Exeter, Teignbridge, Torbay and East Devon, and is central to supporting economic growth to the southwest of Exeter and to the Marsh Barton employment area itself.

The LEP has used the Getting Building Fund to continue investing in the modernisation of important public transport gateways. Plymouth Rail Station has received an additional £4.17 million to refresh the concourse with new shops in the station, more self-service ticket banks and a new waiting area. The new Bus Station in Exeter has also opened,



following an £800,000 investment, providing high quality public transport facilities aimed at promoting the use of buses as a viable alternative to private car journeys into the city centre.

The LEP continues to work with local councils and rail operators to develop proposals under the Government's Restoring Your Railways initiative. Funds were successfully secured to develop the business case for new stations at Wellington and Cullompton. The LEP is also working with the West Somerset Railway to explore the case for linking it with the main line at Taunton.



# European Funding



Three European funding programmes are together worth £122 million to Heart of the South West region and represent a significant part of the investment portfolio across innovation and business support (European Regional Development Fund), the development of skills (European Social Fund) and supporting development in rural areas (European Agricultural Fund for Rural Development). Each Fund is managed by a separate Government department and the LEP works with Government and local partners to ensure that funding which has been secured is invested in local priorities. All three programmes are in the final stages of contracting and further details are provided in the Annual Financial Statement.

The critical priority for the immediate future is developing a timely understanding of the Government's plans to replace this funding stream now that the UK has left the European Union. The UK Shared Prosperity Fund (UKSPF) has been trailed as a replacement for EU monies but details around its allocation and the priorities it will cover currently remain unclear. It is likely that a gap in provision may result as European-funded projects close from 2021 onwards and domestic funding to replace these is not yet in place. The Community Renewal Fund was launched in the 2021 budget as a pilot for UKSPF but, at the time of writing, Government decisions on investments are yet to be announced, meaning there is limited time for any learnings from the pilot to be applied to UKSPF.



## Examples of programmes which have received funding

In a dispersed geography like the Heart of the South West, having access to workspace where businesses can start up and grow continues to be a priority, even with changes in working patterns caused by the pandemic.

The ERDF has invested £12.9 million in smaller workspace facilities across the area.

Two of these, the **Wiveliscombe and Wells Enterprise Centres**, opened their doors in October and December 2020, each providing a mix of light industrial, office and meeting space to local businesses.

**The High Value Manufacturing Advisory Programme** received £1.1 million in ERDF funding. Through this support, marine sail and boat cover manufacturer EXE Sails & Covers, diversified their product range to respond to the need to produce Personal Protective Equipment and clothing for NHS staff in the pandemic. Since starting off producing gowns, scrubs and face shields for a hospital in Exeter, they have seen demand grow and have subsequently purchased a number of 3D printers with 150 outworkers tasked to turn material into the gowns. The ERDF Manufacturing Advisory Programme supported them with a business review, and they are now looking at opportunities to enter new markets.

**Empowering Enterprise** received £2.2 million from the European Social Fund. The project supported disadvantaged 18-24 year olds across Devon, including Plymouth and Torbay, to overcome challenges they face travelling to work, education or training. Run by Petroc College it was co-funded by The National Lottery Community Fund and delivered in partnership with organisations that have extensive experience in working with young people across the South West.

Through a combination of one-on-one mentoring and group activity sessions, young people have gained confidence, experience and skills for life and work, and have been supported to navigate a path into work, education or training without being overwhelmed by other issues in their lives. Support has ranged from encouraging an anxious and isolated young person to leave the house, to giving participants opportunities to organise events like beach cleans, gaming tournaments and working with a local community to increase opportunities for refugees as well as improve local services.

The project also developed closer links with local services such as mental health support and housing. It also engaged with local employers on issues such as helping young people who have gaps in their history and how to support them, addressing issues related to gender equality and equal opportunities, and helping local communities and businesses become more resilient and sustainable.

Over its three year life the project exceeded its participation target, working with over 650 young people, 50% of whom have made a positive progression.

The European Agricultural Fund for Rural Development has provided 100 grants to smaller businesses and organisations across the Heart of the South West area, each worth on average £180,000. The LEP has conducted a study of the benefits from these schemes to help inform design of the forthcoming UK Shared Prosperity Fund.



## Business Support

The LEP's Business Group leads the LEP's business support work which includes the Growth Hub service and a range of business support programmes. These services have been much in demand through 2020-21, both to weather the storms of the last 12 months and to help businesses grow over the longer term.

Key achievements for the year have included:

- The Growth Hub provides small businesses with independent diagnosis and referrals to other business support services; more than 3,300 businesses were supported through 2020-21. It experienced a huge increase in demand through the pandemic and the COVID toolkit on the Growth Hub's website received national recognition and has been shared as an example of best practice. The Growth Hub also added additional support for business including specialist 1:1 digital support interventions; sector specific support for Nuclear, Aerospace and Defence; a pilot programme for BAME businesses; specialist export help; and Alison Edgar sales webinars hosted by Devon and Plymouth Chamber of Commerce.

- Ten peer networks were delivered by the end of March 2021 within a tight delivery window. Enabling businesses to learn from other successful businesses, the programme received high acclaim and is now confirmed to deliver 17 funded cohorts in 2021/22.
- The LEP and Growth Hub worked with Enterprise Nation to promote their Amazon Small Business Accelerator Programme, leading to the LEP area being in the top five for the highest number of Accelerator signups.
- The Scale Up programme was extended for another year, supporting 53 existing and new businesses through the pandemic.
- The group have also laid the groundwork for business support which will be moving to post-EU funding in the next 12 months, completing a study of the existing provision to understand potential gaps and demand.



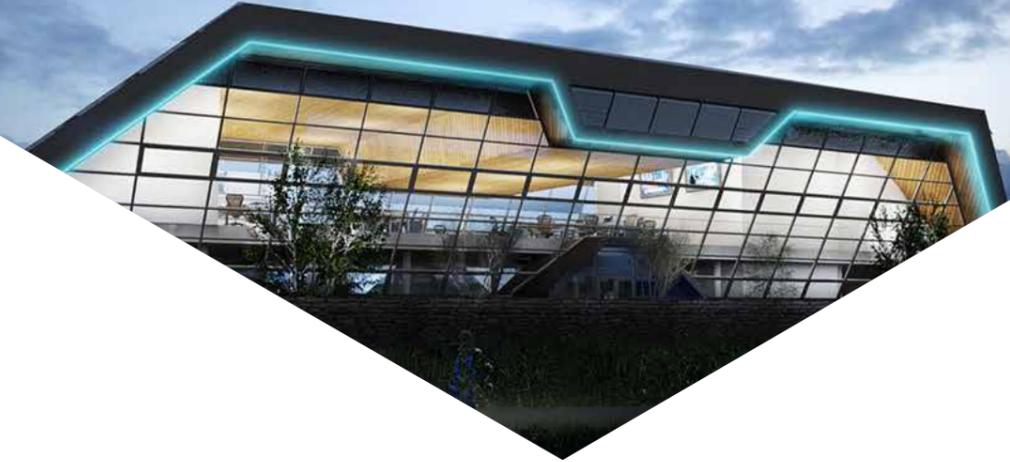
## Skills

The LEP has continued to support the Skills Advisory Panel, which brings together leading skills and employment service providers, employers and wider stakeholders to enhance opportunities for businesses and employees. Key achievements for the year have included:

- Publication of the first Local Skills Report in March 2021, providing a shared blueprint for local skills and employment priorities and activity for the next 3-5 years. This focussed on extending opportunity to all, meeting the needs of the business community and economy, and creating the conditions and securing the infrastructure to drive forward future skills provision. The accompanying Skills Action Plan provides partners, businesses and residents across the Heart of the South West with a series of objectives and ambitions to pursue through investment rounds and forthcoming delivery to promote productivity improvements across the economy, close the gaps between our communities and enable every individual to thrive.
- Development of core intelligence, evidence and assurance role across the LEP area, focusing on social mobility issues which affect the economy, marshalling and reporting on emerging core labour market and skills-related issues and providing a shared view on shorter term priorities and needs. This has included responding directly to the Government on its recent Skills White Papers, feeding intelligence into the National Skills and Productivity Board, and supporting the LEP Board with decision making around reallocation and digital skills expenditure.
- Expanding direct delivery of training and skills activity across the Heart of the South West and a significant increase in both the level of investment secured and the amount of direct delivery taking place. This includes securing two rounds of the Department for Education's Skills Bootcamp provision as well as leading on behalf of wider South West LEP partners on the contracting and delivery of over 1,500 Level three and above fast track training places with a value of around £5 million. This included specialist provision around digital skills, cyber security, systems and database engineering, new engineering capacity,

photonics and electrical skills and specific onboarding training to support individuals into guaranteed roles in the marine, energy and construction sectors.

- The Heart of the South West Careers Hub expanded to cover every mainstream secondary school, college and special school across the area (157 in total), whilst also maintaining its progress in all areas towards achieving the Government 8 Gatsby benchmarks. The Hub also continued to develop its well-regarded Cornerstone Employer programme and secure a new Enterprise Advisor, representing businesses and wider partners from across the economy.
- The Digital Skills Partnership has also continued to provide strong sectoral leadership across digital skills strategy and delivery, taking forward and securing the initial Bootcamp offer on behalf of the local area, securing additional funding and programme activity around education, digital inclusion, working with harder-to-reach employees and with digital partners to reshape and renew the partnership itself.
- Completing the delivery of legacy programmes and projects notably the European Social Fund (ESF). Securing additional resources in 2020, delivery began of five ESF programmes over the course of the year, worth around £12-15 million. This included support in Somerset around in work skills and supporting young people and those young people at risk of not being in education, employment or training (NEET) to achieve their potential. Within greater Devon the investment will help develop skills for higher value sectors, digital roles and supporting individuals to move into and achieve more within the Health and Social Care sector. Collectively, the programmes begun in year will secure around 7,500 additional places through to 2024 across high demand and high need areas of the economy and labour force.



## Place and infrastructure

While much of the focus this year has been on the relatively short-term economic crisis, the LEP's Place Group has maintained a longer term outlook to ensure future conditions will support a strong economy. This has included creating the conditions for growth through infrastructure such as transport and digital, maximising productivity especially through employment and housing, and securing transformational opportunities such as specialist sites and facilities ('smart specialisms'). Key progress this year includes:

- The LEP's Local Transport Board completed its work advising on the prioritisation of transport projects and overseeing management of the Growth Deal transport programme. Since 2014, there have been three rounds of Growth Deal funding resulting in the delivery of 26 transport projects, alongside business and skills projects. By March 2021, 16 of these projects were complete and the remainder under construction and in total this will support the delivery of over 16,000 dwellings and 22,000 jobs.
- The LEP submitted a bid to the Department for Transport jointly with the West Somerset Railway for the restoration of a regular train service from Taunton. The LEP has also worked in partnership with the local MPs and district councils to reopen rail stations at Cullompton and Wellington, with the outline business case now complete and awaiting a decision from government.
- Contracts were awarded by Connecting Devon and Somerset (CDS) for the roll-out of the full fibre network. The LEP's investment will enable around 56,000 homes and businesses to be provided with access to Gigabit capable broadband.
- The LEP has had strategic engagement with the Community Renewal Fund and Levelling Up Fund submissions from the Heart of the South West, and also supported the work of three Town Deals worth £68.7 million.

- A Coastal Productivity Plan has been prepared, working closely with the Heart of the South West Joint Committee, highlighting action needed to address challenges in some of the area's most deprived places.
- A pipeline of community owned renewable energy projects continues to be developed across the whole area, with support from the South West Energy Hub.

Work began towards the end of the year on development of a Blueprint for Clean Growth. As part of this, the LEP signed up to the United Nations Race to Zero campaign, pledging to help place the Heart of the South West area on a resilient pathway to net zero by the 2040s or sooner. The Getting Building Fund has provided one means to deliver on this commitment by supporting a project to retrofit public buildings and social housing, which will also help those in fuel poverty. The focus has now turned to ensuring the area has a skilled retrofit workforce and local supply chain that can support delivery of, and realise the economic benefit from, the significant challenge of reducing the carbon footprint of the domestic housing stock.

A £1 million loan fund has also been established to invest in natural capital demonstrator projects to test a new way of financing the protection and enhancement of the area's natural assets. The LEP hopes the fund will be able to support a portfolio of projects that can be replicated in other areas and scaled up.

## Innovation

During 2020, BEIS arranged for six UK regions to pilot a slimmed-down version of the Regional Entrepreneurship Acceleration Program (REAP) programme, led by Massachusetts Institute of Technology (MIT), before a potential national roll-out. REAP is a structured course, used by 49 regions across the world, to develop strategies to foster the growth of Innovation Driven Enterprises (IDEs) and the contribution they make to their economies. Heart of the South West was one of the six regions in the pilot, and the LEP has used this structure as the vehicle to direct its approach to innovation with establishment of a new Innovation Board, which was one of the key recommendations from this work.

The Innovation Board now provides strategic leadership for innovation under the LEP area's Build Back Better plan and Productivity Strategy. It is one of the key sub-groups of the LEP and has been established in an advisory capacity.

Early activity has focussed on two key areas:

- The establishment of a Heart of the South West LEP Technopole to provide new innovation support for enterprises in the LEP geography - independent of location and supported by the expertise available through our Science Parks and specialist providers such as SETSquared. A scoping study is underway and is expected to report in Autumn 2021.
- Identifying and defining our globally significant strengths in Marine and Environmental Science and working to develop a unique offer to government, emphasising where we can work with them to boost productivity, innovation and deliver levelling up. This has been led by the universities of Exeter and Plymouth, working closely with the LEP.

To support these developments and ensure they are responsive to genuine business need, the Innovation Board has established a panel of entrepreneurs running Research and Development intensive businesses within the region, who can be consulted through online surveys and focus groups.



# ANNUAL FINANCIAL STATEMENT 2021



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## Introduction

Welcome to the Heart of the South West LEP's Annual Financial Statement for April 2020 – March 2021.

The Heart of the South West (HotSW) LEP is a strong and dynamic business-led partnership between the private sector, local authorities, universities and colleges. The LEP seeks to lead and influence economic growth, job creation and prosperity across the Heart of the South West area covering Devon, Plymouth, Somerset and Torbay.

Our vision is for a dynamic, highly prosperous region with high living standards and an outstanding quality of life and our mission is focused on raising productivity and ensuring prosperity for all. The LEP does this through;

- influencing Government policy and decision-making to create the conditions for economic growth in Heart of the South West, including for example, investment in the strategic transport routes connecting the area to the UK and internationally.
- managing an investment portfolio of £259 million of Government funds and working with Government to shape the investment of a further £122 million of European Structural & Investment Funds in the area. Total investment across these programmes including match funding is over £990 million.

The LEP does this through close working with a broad partnership across business, local authorities, universities, colleges and the National Parks. This support and contribution is highly valued.

More details of the LEP's investments, policies and governance can be found at <https://heartofswlep.co.uk/>

## 2020/21 LEP Activities summary

The following tables summarises the movement in year of the various funding streams and activity. Each of these funds are further explained in more detail throughout the report.

| LEP activities 2020/21  |                                   |                     |                       |                     |                        |
|---|-----------------------------------|---------------------|-----------------------|---------------------|------------------------|
|   | Operational activity and reserves | Growth Deal Funding | Getting Building Fund | Growing Places fund | HotSW Capacity Project |
|   | £m                                | £m                  | £m                    | £m                  | £m                     |
| Fund opening balance  | 2.142                             | 13.024              | 0                     | 22.433              | 0.486                  |
| Income  | 2.531                             | 38.459              | 17.700                | 0.055               | 2.745                  |
| Expenditure   | -1.646                            | -51.483             | -4.205                | -0.006              | -3.007                 |
| In year draw from reserves                                    | -0.938                            | 0                   | 0                     | 0                   | 0                      |
| <b>Fund carry forward</b>                                     | <b>2.089</b>                      | <b>0</b>            | <b>13.495</b>         | <b>22.482</b>       | <b>0.224</b>           |
| Of which funds lent out due for future repayment              | 0.120                             | 0                   | 0                     | -17.138             | 0                      |
| Funds/cash currently available to support the work of the LEP | 2.089                             | 0                   | 0                     | 6.713               | 0                      |

The operational fund comprises in year operational revenue activity, as detailed on page 23. There is use of reserves from funds built up over time or through funding exchanges made up of underspends or management overheads (top slice) from Growth Deal and Getting Building Fund project funds. The building of a reserve was a purposeful strategy to support the operational activity of the LEP as government grant reduces; this is reflected in the forward budget assumption on page 32.

Both Growth Deal and Getting Building Funds are capital grant funds that are allocated to specific projects. All funds are to be spent by 31/03/2021 and 31/03/2022 respectively.

Funds are allocated and contracted with any timing differences being managed through the use of Government allowed Freedoms and Flexibilities. Project specific allocations are detailed on pages 26-28.

The Growing Places fund is the LEPs revolving loan fund. The majority of the fund is currently allocated with all loan repayments expected back by March 2032. A summary of activity and balances is reported on page 29.

Capacity projects are in part funded from the LEP's core operational budget. Details of total project income and costs for live projects can be found on page 30.

## 2020/21 Core Operations Financial Report

The following table shows the income and expenditure for the year on the core operational budget held by the HotSW LEP.

| HOTSW LEP Core Operational budget        |         |              |         |              |       |
|--|---------|--------------|---------|--------------|-------|
|  | 2019-20 |              | 2020-21 |              | Notes |
|  | £m      | £m           | £m      | £m           |       |
| <b>Income</b>                            |         |              |         |              |       |
| Grant from Government                    | 0.700   |              | 0.588   |              | 1     |
| Local area match funding                 | 0.150   |              | 0.150   |              | 2     |
| Additional local area contributions      | 0.661   |              | 1.148   |              | 3     |
| Cashflow interest                        | 0.358   |              | 0.176   |              | 4     |
| Draw from reserves                       | -       |              | 0.469   |              |       |
|  |         | <b>1.869</b> |         | <b>2.531</b> |       |
| <b>Expenditure</b>                       |         |              |         |              |       |
| Salaries & expenses                      | 0.469   |              | 0.504   |              |       |
| Admin & office costs                     | 0.171   |              | 0.088   |              |       |
| Service level agreements                 | 0.671   |              | 0.738   |              | 5     |
| Governance                               | 0.014   |              | 0.020   |              |       |
| Enabling fund                            | 0.150   |              | 0.064   |              | 6     |
| LEP review                               | 0.119   |              | -       |              |       |
| Operational delivery                     | 0.307   |              | 0.232   |              |       |
|  |         | <b>1.901</b> |         | <b>1.646</b> |       |
| <b>Surplus of (Deficit) for the year</b> |         | <b>0.032</b> |         | <b>0.885</b> |       |

### Notes to the accounts

- The core revenue grant received was £500,000 with no additional capacity funding received in 2020/21. The additional £87,500 relates to revenue to support the operational capacity in delivering the Getting Building Fund.
- As part of the grant offer from central government, there is a requirement to receive cash contributions from the local authorities within the LEP boundary, this is known as match funding.
- The £1,148,000, relates to additional revenue contributions from Somerset County Council to go towards the running costs of the LEP. This is in response to the LEP supporting their capital programme from the Growth Deal and Getting Building Fund as part of funding exchanges.
- Interest earned on Growth Deal and Getting Building Fund project funds held by the LEP. A downturn in market rates and reduced amount of surplus project funds held led to a reduction in interest earned.
- The Local Authority Service Level Agreements deliver back office and project support.
- Enabling fund – a repayable fund used in 2019/20 and 2021/22 to accelerate delivery of the Enterprise Zones. Repayments are due to start during 2021/22.

The following table details the movement in the core operational reserve. Between financial years. This reserve is held to fund the future running costs of the LEP (as detailed in the forward budget scenarios on page 32).

| HotSW LEP Operational Reserve                    |              |              |
|--|--------------|--------------|
|  | 2019-20      | 2020-21      |
|  | £m           | £m           |
| <b>General reserves</b>                          |              |              |
| As at 1 <sup>st</sup> April                      | 1.818        | 1.629        |
| In year draw from reserve                        | 0.000        | (0.750)      |
| Transfer between reserves                        | 0.019        | 0.033        |
| Surplus/Deficit for the year                     | (0.208)      | 0.785        |
| <b>As at 31<sup>st</sup> March</b>               | <b>1.629</b> | <b>1.697</b> |
| <b>Earmarked reserves</b>                        |              |              |
| As at 1 <sup>st</sup> April                      | 0.519        | 0.513        |
| In year draw from reserve                        | (0.163)      | (0.188)      |
| Transfer between reserves                        | (0.019)      | (0.033)      |
| Surplus/Deficit for the year                     | 0.176        | 0.100        |
| <b>As at 31<sup>st</sup> March</b>               | <b>0.513</b> | <b>0.392</b> |
| <b>Total reserve as at 31<sup>st</sup> March</b> | <b>2.142</b> | <b>2.089</b> |

## 2020/21 Capital and Project Detail

### A. Growth Deal

This statement shows the movement in the year on the Growth Deal funding held by the HotSW LEP.

The following tables show only the LEP investment in projects, not the total cost which will include match funding. More details on individual projects are available at <https://heartofswlep.co.uk/projects/>

| HotSW LEP Growth Deal Budget             |               |              |                |                |                |                |
|--|---------------|--------------|----------------|----------------|----------------|----------------|
|  | 2015-17       | 2017-18      | 2018-19        | 2019-20        | 2020-21        | Total          |
|  | £m            | £m           | £m             | £m             | £m             | £m             |
| <b>Income</b>                            |               |              |                |                |                |                |
| Grant from Government                    | 100.11        | 36.132       | 9.986          | 13.146         | 38.459         | <b>197.833</b> |
| <b>Expenditure</b>                       |               |              |                |                |                |                |
| LGF                                      | 50.924        | 29.041       | 26.425         | 39.960         | 51.483         | <b>197.833</b> |
| <b>Surplus of (Deficit) for the year</b> | <b>49.186</b> | <b>7.091</b> | <b>-16.439</b> | <b>-26.814</b> | <b>-13.024</b> | <b>0.000</b>   |

The total amount of the Growth Deal grant has been spent by 31st March 2021 in line with the grant conditions. Within the total above, £21.8 million is being managed through Freedoms and Flexibilities with Somerset County Council as accountable body. This allows agreed projects (namely: Digital & Broadband, Taunton Toneway and Somerset Flooding) to spend into 2021/22 and 2022/23. Outputs on all projects will continue to be monitored by the Strategic Investment Panel.

## Annual Financial Statements 2020/21

| HotSW LEP Growth Deal Budget |  |         |         |         |         |        |
|------------------------------|--|---------|---------|---------|---------|--------|
|                              | 2015-17  | 2017-18 | 2018-19 | 2019-20 | 2020-21 |        |
|                              | £m   | £m      | £m      | £m      | £m      |        |
| <b>Expenditure</b>           |  |         |         |         |         |        |
| GD01                         | Yeovil Western Corridor capacity upgrade         | 0.471   | 1.619   | 3.863   | 0.000   | -0.280 |
| GD02                         | Torbay Western Corridor                          | 2.496   | 4.018   | 1.735   | 0.000   | 0.750  |
| GD03                         | Bridge Road, Exeter                              | 5.300   | 0.000   | 0.000   | 0.000   | 0.000  |
| GD04                         | Derriford Transport Scheme                       | 3.329   | 6.830   | 0.079   | 0.000   | 0.000  |
| GD05                         | A382 widening, Newton Abbot                      | 0.503   | 1.438   | 0.894   | 2.367   | 1.497  |
| GD06                         | Torquay Gateway                                  | 0.941   | 0.068   | 0.014   | 0.000   | 0.797  |
| GD07                         | Huntworth Roundabout Bridgwater                  | 1.910   | 0.000   | 0.000   | 0.000   | 0.000  |
| GD08                         | A361 Portmore to Landkey Stage 1                 | 0.332   | 0.428   | -0.003  | 0.000   | 0.000  |
| GD09                         | Derriford Hospital Interchange                   | 1.400   | 0.000   | -0.079  | 0.000   | 0.000  |
| GD10                         | Taunton Rail Station Enhancements                | 0.049   | 0.000   | 0.000   | 2.135   | 2.415  |
| GD11                         | Torquay town centre access                       | 0.224   | 0.000   | 0.068   | 0.000   | 0.000  |
| GD12                         | Roundswell Phase 2, Barnstaple                   | 0.293   | 1.344   | -0.005  | 0.000   | 0.000  |
| GD13                         | A38 Deep Lane junction, Sherford                 | 2.000   | -0.016  | -0.073  | 0.000   | 0.000  |
| GD14                         | A379 Newcourt junction, Exeter                   | 0.886   | -0.061  | -0.007  | 0.000   | 0.000  |
| GD15                         | A39 Heywood Road junction, Bideford              | 0.000   | 0.000   | 0.000   | 0.070   | 0.000  |
| GD16                         | Marsh Barton, Exeter, New Railway Station        | 2.294   | 0.741   | 0.024   | 0.184   | 1.161  |
| GD18                         | Plymouth Northern Corridor traffic signals       | 1.050   | 0.020   | 0.970   | 0.059   | 0.000  |
| GD19                         | Plymouth Eastern Corridor cycle network          | 0.393   | 0.701   | 0.800   | 0.424   | 1.100  |
| GD20                         | Plymouth Charles Cross and Exeter Road           | 0.000   | 0.000   | 1.082   | 1.017   | 0.000  |
| GD21                         | Bridgwater College Hinkley Skills Capital        | 5.146   | 0.000   | 0.000   | 0.000   | 0.000  |
| GD22                         | Plymouth College Stem Centre (City College)      | 5.430   | 0.000   | 0.000   | 0.000   | 0.000  |
| GD23A                        | HPTA - Bicton                                    | 0.300   | 0.000   | 0.000   | 0.000   | 0.000  |
| GD23B                        | HPTA - South Devon                               | 0.211   | 0.000   | 0.000   | 0.000   | 0.000  |
| GD23C                        | HPTA - Petroc                                    | 0.291   | 0.000   | 0.000   | 0.000   | 0.000  |
| GD23D                        | HPTA - Exeter College                            | 0.961   | 1.039   | 0.000   | 0.000   | 0.000  |
| GD23E                        | HPTA - National College for Nuclear              | 0.000   | 2.102   | 0.855   | 0.040   | 0.000  |
| GD23F                        | HPTA - Yeovil College                            | 0.384   | 0.252   | 0.000   | 0.000   | 0.000  |
| GD24A                        | Somerset Energy Innovation Centre Pt 1 (1b)      | 1.343   | 0.000   | 0.000   | 0.000   | 0.000  |
| GD24B                        | Somerset Energy Innovation Centre Phase 3        | 0.000   | 2.239   | 2.865   | 0.000   | 0.000  |
| GD25                         | Exeter Science Park Environmental Futures Campus | 2.498   | 0.000   | 0.000   | 0.000   | 0.000  |
| GD26                         | Somerset College Centre for Engineering          | 0.596   | 0.000   | 0.000   | 0.000   | 0.000  |
| GD27                         | Plymouth Science Park Phase 5                    | 3.000   | 0.000   | 0.000   | 0.000   | 0.000  |

| HotSW LEP Growth Deal Budget continued... |   |         |         |         |         |       |
|---|---|---------|---------|---------|---------|-------|
|   | 2015-17   | 2017-18 | 2018-19 | 2019-20 | 2020-21 |       |
|   | £m  | £m      | £m      | £m      | £m      |       |
| <b>Expenditure</b>                        |   |         |         |         |         |       |
| GD29                                      | Somerset Flooding   | 5.423   | 1.056   | 1.687   | 1.337   | 2.403 |
| GD31                                      | Broadband   | 0.000   | 0.686   | 0.000   | 0.692   | 0.680 |
| GD32                                      | Electronics and Photonics Innovation Centre                               | 0.000   | 0.000   | 0.000   | 3.000   | 0.000 |
| GD33                                      | Oceansgate/South Yard Phase 1   | 1.470   | 0.000   | 0.000   | 0.000   | 0.000 |
| GD34A                                     | UGF - YIC2  | 0.000   | 0.289   | 0.152   | 0.000   | 0.000 |
| GD34B                                     | UGF - Highbridge  | 0.000   | 0.233   | 0.000   | 0.000   | 0.000 |
| GD34C                                     | UGF - Wiveliscombe  | 0.000   | 0.045   | 0.007   | 0.446   | 0.000 |
| GD34D                                     | UGF - Devonport   | 0.000   | 0.000   | 0.130   | 0.358   | 0.000 |
| GD34E                                     | UGF - Claylands   | 0.000   | 0.000   | 0.000   | 1.213   | 0.827 |
| GD34F                                     | UGF - Caddisdown  | 0.000   | 0.000   | 0.000   | 0.179   | 0.000 |
| GD34G                                     | UGF - Wells   | 0.000   | 0.000   | 0.132   | 0.624   | 0.000 |
| GD34H                                     | UGF - Pathfields  | 0.000   | 0.000   | 0.075   | 0.147   | 0.000 |
| GD36                                      | Exeter Science Park Open Innovation Building Environmental Futures Campus | 0.000   | 0.000   | 0.000   | 0.734   | 4.951 |
| GD37                                      | Exeter Science Park - SPC Phase 2   | 0.000   | 1.851   | 2.647   | 0.000   | 0.000 |
| GD38                                      | J25 M5 at Henlade   | 0.000   | 0.730   | 0.000   | 4.728   | 6.728 |
| GD40                                      | Tiverton Eastern Urban Extension  | 0.000   | 0.356   | 0.838   | 0.000   | 0.000 |
| GD41                                      | Somerset Innovation Centre (Phase 3)                                      | 0.000   | 0.000   | 0.000   | 0.000   | 2.502 |
| GD42A                                     | Boosting Mobile Connectivity  | 0.000   | 0.000   | 0.000   | 0.000   | 0.000 |
| GD42B                                     | Further Education Digital Accelerator Programme                           | 0.000   | 0.000   | 0.000   | 0.000   | 0.690 |
| GD42C                                     | 5G Smart Sound, Plymouth  | 0.000   | 0.000   | 0.000   | 0.000   | 0.897 |
| GD43                                      | Youth Construction Skills Project   | 0.000   | 0.574   | 0.000   | 0.000   | 0.000 |
| GD44                                      | South Devon College Hi Tech Centre  | 0.000   | 0.459   | 7.675   | 0.000   | 0.000 |
| GD45                                      | iAero (South) Centre  | 0.000   | 0.000   | 0.000   | 2.009   | 1.824 |
| GD47                                      | Houghton Barton Package   | 0.000   | 0.000   | 0.000   | 0.000   | 2.670 |
| GD48                                      | Taunton Toneway Corridor Capacity Improvements                            | 0.000   | 0.000   | 0.000   | 0.404   | 0.956 |
| GD49                                      | Huntspill Energy Park   | 0.000   | 0.000   | 0.000   | 3.940   | 0.000 |
| GD50                                      | Plymouth Central Railway Station  | 0.000   | 0.000   | 0.000   | 1.212   | 3.758 |
| GD51                                      | North Devon Innovation Centre Roundswell                                  | 0.000   | 0.000   | 0.000   | 0.522   | 1.628 |

## B. Getting Building Fund

Getting Building Fund was a new grant issued by Government in September 2021, with the HOTSW LEP allocation being £35.4 million. The grant condition attached to the fund requires the entire amount to be spent by 31st March 2022. This statement shows the amount spent in the year. The following tables show only the LEP investment in projects, not the total cost which will include match funding.

| HOTSW LEP Getting Building budget |   |              |
|-----------------------------------|---|--------------|
|                                   |   | 2020/21      |
|                                   |   | £            |
| <b>Expenditure</b>                |   |              |
| GB01                              | Torquay Gateway                                       | 0.000        |
| GB02                              | Concourse Phase 2, Brunel Plaza                       | 0.093        |
| GB03                              | Firepool Junction                                     | 0.080        |
| GB04                              | Ilfracombe Watersports Centre                         | 0.000        |
| GB05                              | Burrows Centre  | 0.000        |
| GB06                              | Exeter Bus Station                                    | 0.800        |
| GB07                              | Enhancement of Future Skills Centre at Exeter Airport | 0.481        |
| GB08                              | Taunton Digital Innovation Centre (TDIC)              | 0.000        |
| GB09                              | Welding Centres of Excellence                         | 0.000        |
| GB10                              | Exeter Science Park Grow-out Building                 | 1.260        |
| GB11                              | ZEBCat 2  | 0.000        |
| GB13                              | Smarter Carbon  | 0.074        |
| GB14                              | Green Homes   | 0.467        |
| GB15                              | EPIC  | 0.037        |
| GB16                              | iAero   | 0.000        |
| GB17                              | Torbay Business Centre                                | 0.000        |
| GB18                              | Devon Work Hubs                                       | 0.350        |
| GB19                              | Bruton  | 0.271        |
| GB20                              | Plymouth's Business Parks                             | 0.085        |
| GB21                              | Centre for Clean Mobility                             | 0.185        |
| GB22                              | Health Tech Incubation Hub                            | 0.000        |
| GB23                              | Smart Biosphere                                       | 0.022        |
| GB24                              | Plymouth Sound National Marine Park                   | 0.000        |
| GB25                              | Unlocking East Quay Watchet                           | 0.000        |
|                                   |   | <b>4.205</b> |

## C. Growing Places Fund

The Growing Places Fund is now held by Somerset County Council, transferred from Devon County Council during 2020/21. This delivers against a priority from the 2018 LEP Review that LEPs should have a single accountable body. The purpose of the fund, held as a loans pool, is to create a sustainable revolving infrastructure fund for investment to unlock further economic development and leverage private investment.

The movement in the cash in the bank held for the Growing Places Fund in the year is as follows;

| 2020/21                           |              |              |                 |              |
|-----------------------------------|--------------|--------------|-----------------|--------------|
|                                   | Capital      | Revenue      | Total loan fund | Admin fund   |
|                                   | £m           | £m           | £m              | £m           |
| <b>Opening balance</b> 1st April  | <b>4.197</b> | <b>1.390</b> | <b>5.587</b>    | <b>1.084</b> |
| <b>In year transactions:</b>      |              |              |                 |              |
| Principal paid                    | (0.055)      |              | (0.055)         |              |
| Principal received                | 0.006        | –            | 0.006           |              |
| Interest received                 | –            | –            | –               | 0.091        |
| <b>Closing balance</b> 31st March | <b>4.148</b> | <b>1.390</b> | <b>5.538</b>    | <b>1.175</b> |

The total Growing Places Fund balance considering the commitments and expected repayment profile is shown in the table below. The cash held is managed against the loan profiles which allows for reinvestment, the lowest point of cash held is £0.802 million in 2022/23 with a large repayment expected in 2023/24 taking the balance back to £7.131 million in that year.

| Growing Places Fund – total balance      |               |
|--|---------------|
|  | £m            |
| Debtors – project fund loans             | 15.770        |
| Cash in the bank – project fund          | 5.538         |
| Cash in the bank – admin fund            | 1.174         |
| <b>Fund balance at 31st March 2021</b>   | <b>22.482</b> |
| <b>Future commitments:</b>               |               |
| Principal payment                        | (1.000)       |
| Principal repayment                      | 1.000         |
| Grant payment                            | (4.170)       |
| Admin – underwriting                     | (1.174)       |
| <b>Estimated fund at 31st March 2032</b> | <b>17.138</b> |

The admin revenue fund of £1.174 million is 100% allocated against underwriting and contribution commitments.

## D. HotSW Capacity Projects

Capacity projects are in part funded from the LEP's core operational budget; this statement shows the totals of those capacity projects' budgets to date. Remaining funds will be invested in subsequent years.

| HotSW LEP capacity projects budgets   |           |             |         |
|---------------------------------------|-----------|-------------|---------|
|                                       | Income    | Expenditure | Surplus |
|                                       | £         | £           | £       |
| <b>Project</b>                        |           |             |         |
| Enterprise Zone – EED                 | 35,000    | 35,000      | 0       |
| Enterprise Zone – Gravity             | 65,000    | 51,169      | 13,831  |
| Enterprise Zone – Oceansgate          | 29,500    | 29,500      | 0       |
| GSW and Rural Productivity Commission | 120,065   | 120,065     | 0       |
| Transport Excellence Grant            | 85,500    | 65,135      | 20,365  |
| Energy Strategy                       | 100,000   | 100,000     | 0       |
| Nuclear South West                    | 2,150,582 | 2,233,091   | -82,509 |
| Nuclear Skills Service                | 155,494   | 136,901     | 18,593  |
| Inward Investment                     | 497,829   | 385,420     | 112,409 |
| South Coast Marine Cluster            | 274,973   | 230,983     | 43,990  |
| Technical Assistance for ESIF         | 82,066    | 40,150      | 41,916  |
| Growth Hub                            | 3,918,563 | 3,863,622   | 54,941  |
| Digital Skills Partnership Catalyst   | 562,500   | 562,500     | 0       |
| Careers and Enterprise                | 1,915,353 | 1,915,353   | 0       |
| Skills Analysis Panels                | 196,000   | 196,000     | 0       |

## E. European Structural and Investment Funds

The LEP, along with other local partners, advises Government on investment of £122 million of European Structural and Investment Funds. Investment decisions and project management are conducted by the Government departments responsible for each of the three funds. Monies are to be spent by end December 2023. Government has previously confirmed through the EU exit process that projects contracted under these Funds will be underwritten by HM Treasury, meaning the European funding amount is protected. A summary of the position in the LEP area is shown opposite.

## European Regional Development Fund

As part of managing allocations across LEP areas and responding to the pandemic, in 2020/21 Government absorbed remaining ERDF monies after the 2019/20 calls into national programmes; so far these have been deployed through a £108 million Reopening High Streets/ Welcome Back Fund, a £10 million Kick Start Tourism fund and a £20 million Rapid Recovery Fund, the latter two payable to SMEs through Growth Hubs. Heart of the South West businesses received £747,364 from the Kick Start and Rapid Recovery funds though stressed to Government that this allocation did not adequately reflect the size of the tourism and hospitality sector with the award being heavily over-subscribed. This is in addition to the allocation in the table below.

## European Social Fund

The LEP area's ESF monies are now largely committed with one project in the final stages of contracting. Remaining headroom across LEP areas has been allocated to a national reserve fund which Government have confirmed will be allocated through extensions to existing opt-in or direct bid

projects; existing projects with at least 6 months of operation which meet spend and output delivery thresholds could apply for up to 50% of their original ESF allocation by 7 May. The contract dates of the LEP area's direct bid projects mean they do not yet meet the 6 months criteria though further opportunities to extend could be available in 2021/22. The LEP did successfully secure additional funding for the Big Lottery and ESFA opt-in projects in the area which account for 62% of ESF projects.

## European Agricultural Fund for Rural Development

The Growth programme closed to Full Application submissions on 31 October 2020. Against the notional £15.5 million allocation for the area, there were 118 projects worth £19.9 million EAFRD either live, completed or being appraised with decisions on the appraised projects expected by June. As with other European programmes, the allocation to each LEP area is notional and the Managing Authority ensures total programme commitment is within the available funds, in this case by using headroom elsewhere in the country.

|  | European Regional Development Fund | European Social Fund | European Agricultural Fund for Rural Development |
|--|------------------------------------|----------------------|--|
| Total HotSW notional allocation <sup>1</sup>           | £62,097,723                        | £44,381,182          | £15,540,333                                      |
| Contracted   | £52,657,889 (85%)                  | £41,602,030 (94%)    | £15,434,507 (99%)                                |
| Projects at assessment, appraisal or contracting stage | £3,289,401                         | £491,895             | £24,871,936                                      |
| Total contracted + assessment/appraisal/contracting    | £55,947,290 (90%)                  | £42,093,925 (95%)    | £19,980,503 (129%)                               |

<sup>1</sup> ESIF monies are allocated in Euros so the £Sterling equivalent can alter with exchange rate changes

## Future Funding

The LEP has set out a two year forward budget. Given that Government funding is confirmed only until March 2022 and awaiting news on what the Government's review of LEPs means no assumption has been made for future funding into 2022/23 with the LEP drawing on reserves to fund operations. The 2022/23 deficit position equates to 8 months of operations; plans will be made later in 2021 to manage available funds to ensure strategic goals are delivered and that activity fits within available funding.

| HotSW LEP Core Operational budget  |                 |    |              |    |                |    |
|--|-----------------|----|--------------|----|----------------|----|
|  | 2020-21         |    | 2021-22      |    | 2022-23        |    |
|  | Original Budget |    |              |    |                |    |
|  | £m              | £m | £m           | £m | £m             | £m |
| <b>Expenditure</b>   |                 |    |              |    |                |    |
| <b>For operations</b>  |                 |    |              |    |                |    |
| Salaries & expenses  | 0.504           |    | 0.568        |    | 0.568          |    |
| Admin & office costs   | 0.109           |    | 0.094        |    | 0.094          |    |
| Provision for revenue exchange   | 0.072           |    | 0.017        |    | 0.000          |    |
| Enabling Fund  | 0.150           |    | 0.120        |    | 0.000          |    |
|  | <b>0.835</b>    |    | <b>0.799</b> |    | <b>0.662</b>   |    |
| <b>For delivery</b>  |                 |    |              |    |                |    |
| Thought Leadership   | 0.053           |    | 0.053        |    | 0.053          |    |
| Opportunities delivery   | 0.195           |    | 0.177        |    | 0.177          |    |
| Inward Investment delivery   | 0.017           |    | 0.017        |    | 0.017          |    |
| Business, People & Place delivery – capacity                                       | 0.764           |    | 0.824        |    | 0.809          |    |
| Transparency & governance  | 0.038           |    | 0.028        |    | 0.028          |    |
|  | <b>1.067</b>    |    | <b>1.099</b> |    | <b>1.084</b>   |    |
| <b>Total expenditure</b>   | <b>1.902</b>    |    | <b>1.898</b> |    | <b>1.746</b>   |    |
| <b>Funding</b>   |                 |    |              |    |                |    |
| Funding - assuming 1x core funding from Govt and giving LEP 2 year forward funding |                 |    |              |    |                |    |
| Operating core grant   | 0.500           |    | 0.500        |    | 0.000          |    |
| Area annual contributions  | 0.165           |    | 0.150        |    | 0.150          |    |
| Enabling fund repayment  | 0.200           |    | 0.060        |    | 0.060          |    |
|  | <b>0.865</b>    |    | <b>0.710</b> |    | <b>0.210</b>   |    |
| Additional area contributions  | 0.769           |    | 0.000        |    | 0.000          |    |
| Use of reserves  | 0.268           |    | 1.188        |    | 0.901          |    |
|  | <b>1.037</b>    |    | <b>1.188</b> |    | <b>0.901</b>   |    |
| <b>Funding surplus / (shortfall)</b>   | <b>0.000</b>    |    | <b>0.000</b> |    | <b>(0.635)</b> |    |



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