

Heart of the South West LEP Board – July 15th 2022

Chief Executive's Report

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Summary

This report provides an update on current issues – including:

A summary of - what's going well and what isn't and the key events since the last meeting particularly in the context of emerging funding streams etc;

An update on the Board Member **recruitment process** to fill vacant independent Board Member roles ahead of a further Governance review at the end of the summer and ongoing Board Effectiveness Review.

Feedback on the **progress of the Devon, Plymouth and Torbay Devolution Deal**

A **Sit-rep on the 5 factors** of intervention as they relate to HotSW:

- Infrastructure
- Skills (People)
- Innovation (Ideas)
- Business Environment and Inward Investment
- Places

Any **GSW updates**.

1. Recommendations

It is recommended that the Board:

- i) **To reflect on Board Member recruitment and agree on the next steps**
- ii) **Confirm that the Chief Exec continues as LEP representative for both Freeport Company and Gravity EZ Board**
- iii) **Agree to hold our AGM (virtually) on October 14th 2022 immediately after the next Board meeting**

2. What's Going Well and What Isn't

As we have previously discussed we are in a period of transition. Across the HotSW area, our Local Authorities are starting to implement the changing implementation arrangements for local growth delivery. At a recent LEP Network event, the Minister summarised the

importance of LEPs (partnership and the business voice more widely) in both the co-design and delivery arrangements for Devolution Deals.

Current ongoing bids include HotSW-wide skills submissions to DfE Strategic Development Fund bids (led by our colleges) and a HotSW-wide expression of interest for LSIP led by Devon Chamber. In addition, Local Authorities are working with local stakeholder partnerships on submitting (by the end of July) Local Investment Plans for the devolved UKSPF programmes, Levelling-Up Funds bids and business cases for town deals. We have endorsed a number of these submissions and are coordinating an expression of interest for the Create Growth programme.

There is no specific role for the LEP in the development of these submissions – most of which are commissioning-led (as opposed to open-calls although there are a small number of grant programmes – we have offered help and support) They are largely being co-ordinated through a Team Devon approach and Somerset wide approach

There is some discussion/coordination on shared plans around future business support etc but little as yet on supply chain programmes and/or innovation. The numbers of proposed interventions significantly exceed the relatively small funding allocations. Most have some reference to clean growth but largely interventions are people or place-led rather than business-led.

Within the LEP delivered work, we are also starting to see the implementation of our transformational 'clean and inclusive' priorities – for example, possible Gravity Enterprise Zone inward investment inquiries - [Jaguar Land Rover 'in talks' to build giant Somerset gigafactory - Somerset Live](#) and ongoing HPC delivery, opportunities in Floating Offshore Wind - [Slide 1 \(regen.co.uk\)](#), the Marine and Environmental Science Accelerator (discussed at the last Board meeting), the challenges facing our farmers and rural areas through transition - [Mel Squires, NFU: Impact of payment scheme transition on rural economy cannot be ignored - Heart of the south west LEP \(heartofswlep.co.uk\)](#) and the launch of the South West Mobility Commission report - [Social Mobility in the South West Report.pdf \(exeter.ac.uk\)](#) and Inclusive Plymouth 2040 event - [Event to lead the way in creating a fairer, greener future for Plymouth | PLYMOUTH.GOV.UK.](#)

Moreover, Local Authorities as well as getting to grips with the delivery and individual project business case submissions and contracting of the Levelling-Up White Paper 'products' eg Community Renewal Fund, Towns Fund, the full business case for the Freeport and starting discussions with the Government on a Level 2 devolution deal for Devon, Plymouth and Torbay.

In addition, Somerset is heading increasingly rapidly towards unitary status under a new administration (and shortly Chief Executive) but strategic challenges for example our core infrastructure (both transport and digital) although improved remains behind the curve – there is a later item on the agenda about the deployment of our digital funding. We might even have some 'white smoke' on funding for the Great South West.

With the positioning and delivery challenges outlined there is, without doubt, a lot going on in the context of significant economic headwinds, the major cost of living increases affecting all but disproportionately our most vulnerable, labour market and supply chain challenges, the phosphates issue tying up specifically housing delivery across significant parts of the area with a Government primarily focused on the short-term optics and LEPs still very much part of the local growth ecosystem but clearly with most funding now devolved to Local Authorities. We are expecting a Growth Plan relaunch by the PM on or about the 12th July

reinforced by the Chancellor's Mansion House speech on the 19th. This will confirm their transition to a higher-skilled higher wage economy as a Science superpower – particularly commercialising IP; Net-zero and Global Britain to be delivered through a new export plan and a strong drive to capture sovereign wealth investment, reduce regulation and enable increased investment through UK pension funds.

The LEP Board confirmed at its last meeting to focus through 22/23 its work on 5 key areas:

- **Transition work: scope/ scale TBC. Notionally October Board discussion**
- **Net-zero & the transformational opportunities set out in the (refreshed) Build Back Better prospectus) : e.g. nuclear, marine, tourism etc**
- **Growth Hub, innovation, inward investment & tailored business support including the SW Investment Fund**
- **Inclusive growth**
- **Completion of £40m GPF, GBF & LGF capital programme legacy**

As agreed previously, part of our Board meeting includes an update on the progress of the non-mayoral (Level 2) Devolution Deal for Devon, Plymouth and Torbay - which suggests folding in all LEP functions into a new Combined Authority (through an integration agreement) but is probably progressing slower than anticipated with capacity issues in Government and the current concentration Mayoral (Level 3) Deals. **The 2nd reading of the Regeneration and Levelling-Up Bill** took place in June and now goes into the committee stage.

Whilst Government has referred to developing a shared integration agreement between LEP and any new structures we are yet to have sight on what this will comprise. Possibly the likely enactment of any new Combined Authority is slipping back further into 23/24 and therefore the LEP must continue to operate effectively on its priorities dovetailing with the important work going on in local places (and hopefully some successful local bids).

The Transformational Opportunities delivery is set out in our (slightly) refreshed Build Back Better plan – which still focuses on the dynamic heart – Digital Futures, Energy Futures and High Skilled Manufacturing – of HoTSW to deliver prosperity and increased productivity through clean and inclusive growth. This was updated as discussed at the last Board meeting and a progress update is set out elsewhere on the agenda. We have a deep-dive session planned on High-Value Manufacturing scheduled for September.

The current economic headwinds are extremely challenging and need to be faced head-on but in a post-covid context – and we're not there yet - the medium-term inward investment opportunities for the HoTSW are significant and still resonate with our clean and inclusive agenda but we will need to look closely at the structural challenges of the labour market and housing challenges, weak underlying infrastructure including digital, lack of social mobility and weak track record of commercialising research.

3. Current Summary of Progress

a) Places

Place-based funding is now already largely devolved to Local Authorities eg Towns Funds, CRF, UKSPF, Levelling—Up, and High Street Funding. Consequently, we have disbanded

our Places Leadership group – although the Energy, Digital and rural piece has been picked up through the Build Back Better programme boards.

We have also been asked to convene a working group to look at the phosphates issue which originally primarily affected Somerset but increasingly Devon watercourses and to which at the moment there seems little resolution.

Levelling-up Fund Round 2 – in addition to UKSPF, local places are busy putting forward a range of bids for Levelling-up funding across the LEP area. We have been asked to endorse some bids which include marine innovation in North Devon, grow-on space in Torbay, a transport hub at Okehampton, and health and well-being provision in Sedgemoor. All LUF bids have to be supported by the constituency MP and will be delivered through local authorities. The synergy between them is not always clear and how they contribute – or whether they are the best solution - to levelling up doesn't always seem the greatest requirement.

Enterprise Zones – significant inward investment enquiries continue for Gravity – we are hopeful they may be concluded shortly and some Governance changes are being proposed to support possible early infrastructure delivery as has happened at both East Devon and Oceansgate. The LEP will continue to be a non-constituent Member of the EZ Board and will need to confirm its representation. The recommendation is that the CEO continues in this role.

Oceansgate has recently benefited from the submission of the Freeport Final Business Case which in part extends the EZ benefits to 3 other sites. The Freeport SPV has also been formalised under the interim chairmanship of Adrian Bratt at Princess Yachts and work is underway on an interim Executive.

Construction work on the Long Lane improvements adjacent to Exeter airport has started on site (after many years) and Cranbrook town centre scheme is in planning through additional borrowing and the Science Park has recently confirmed the development of a hotel on site.

UK Shared Prosperity Fund – announced as part of the spending review, there are some 10 separate UKSPF programme allocations across HotSW – Plymouth, Torbay, 7 in Devon and 1 for Somerset. Whilst focused on places etc the fund is replacing ERDF Business Competitiveness, low carbon and Innovation funding, ESF skills and social inclusion support and will be delivered via Local Authorities. We are supporting the development of these programmes but their fragmented nature means that a common narrative has been difficult to ensure.

b) Business Environment

Future Farming Resilience – working across the Great South West, Devon County Council has submitted a bid to Defra (for £2.5m) – results are due imminently.

Growth Hub – Basic growth hub funding was confirmed for 22/23 freeing up some of our underwriting funding but future BEIS commitment for 'front door' delivery is still unclear.

Some work is going on about prioritising UKSPF to continue to match fund GH delivery and this remains an important component of the transition and priorities for UKSPF funding.

EDF recently shared their annual update on progress which can be updated verbally although indicated delays to delivery and increases in costs both in part a result of Covid.

Government **Food Strategy Published**

DIT Inward Investment results have been published continuing to demonstrate HotSW high levels of inward investment – we have normally led the region. The Government's remodelled export service is due to go live imminently and we are working with DIT on increasing its reach.

The LEP is coordinating a HotSW-wide Expression of Interest for (up to £1.275m) for DCMS **Create Growth Programme** which provides support to scaleable businesses in the creative sector; the EOI was submitted on 7th July and we await a decision on the next stage.

c) **Infrastructure**

National Highways have been consulting on the A358 improvements and a preferred contractor has been confirmed for the Stonehenge element of the A303 improvements – although this remains subject to Ministerial re-determination

Sub-regional Transport Boards have been funded by DfT for a further 3 years and have recently published both freight and de-carbonisation studies.

GWR has been awarded a direct contract to 2025 (with a potential 3-year extension)

Delivery challenges of NGA-compliant broadband contracts through **CDS are updated** in Digital paper elsewhere on the agenda

d) **People and Skills**

DfE policy delivery is currently confusing and perhaps pre-empts similar changes in local growth delivery. A paper from the LEP Network is attached which looks to encourage the role of LEPs in this agenda but which in my view doesn't reflect the direction of travel towards devolution and in the HOTSW area disaggregation - [Employers test new approach to plug skills gap in engineering Financial Times.pdf](#)

LEPs are part of a wider consultative group for **FE Ofsted inspections**. On this basis, we were recently part of a pilot inspection process at Yeovil College and have been asked to fulfil a similar function for City College Plymouth.

Skills Advisory Panels – A Strategic Development Fund bid to DfE (led by Bridgwater and Taunton College) and LSIP Expression of Interest (Led by the Devon Chamber) both on HotSW geography have been or are being submitted.

Multiply programme– separate submissions for Somerset and Devon are being developed

West Somerset Opportunity Area – DfE has announced 24 priority education areas which included further funding for the opportunity area – the only priority area in the southwest. The existing programme will finish this academic year but the new funding - through a revised Governance framework - will enable much of the legacy operations to be delivered – although exact amounts are still to be confirmed. The successes of the OA have been hard

hit by Covid with school attendance and support difficult to deliver so the 'extension' will enable a number of these to be re-established.

HotSW Careers Hub – we have agreed to match fund the careers hub for a further academic year but this shouldn't hide the future delivery challenges especially the need for a local match. 1 of the 2 discretionary bids looks like it has been successful

Digital and Technical Bootcamps – the HOTSW area was successful in securing Wave 3 boot camps funding in both Devon (with Cornwall) and Somerset (with Dorset).

Inclusive Growth – there is an update elsewhere on the agenda

e) Ideas and Innovation

Maritime and Environmental Science Accelerator (MESA) – the outline business case is being progressed through the universities for discussion with local MPs later in the month.

The **Somerset Innovation service** ITT is shortly to go out to tender – this will support delivery across the SEIC, Digital Technology Centre and I-Aero. The Leonardo ATI bid was not however successful which could have implications for delivery at the i-Aero building. The Leadership team at Leonardo helicopters have also changed.

We are in ongoing **discussions with Catapults** and Innovate UK about future funding support – the delivery plan for the Innovate UK 3-year plan is expected imminently. For example, through Regen, we have published the Opportunities report for Floating Offshore Wind setting out a potential 'game-changing' opportunity as part of our proposition for high levels of low carbon energy – (through nuclear, solar and FLOW) and in the future potentially hydrogen and geothermal. We are working closely with the Offshore wind catapult and intend to host an Energy event/roundtable to set out ambitions in October.

We hosted a visit to Hinkley Point C for the **Advanced Manufacturing Nuclear catapult** and started a discussion with them and the National Composites Centre about increasing HVM presence in the region.

The **Satellite catapult** has submitted a bid for Build Back Better funding and later this month is coordinating a visit to the Advanced Propulsion Centre at Warwick.

We have a presence at the **Farnborough air show** again this year promoting the i-aero offer

f) European funding

As previously set out, the separate reports on EU funds are no longer provided as the data changes little now the programmes are largely committed. Of note this month is that additional ERDF has been agreed for the LEP's inward investment grant programme (£465k), the Marine Business Technology Centre in Plymouth (£737k) and the North Devon Enterprise Centre (£811k), a total of £2.013m additional ERDF. A further £922k is being considered by DLUHC for Petroc's Centre of Technology & Innovation Excellence. 30 ERDF projects remain live in HotSW. ESF and EAFRD information remain unchanged.

Other Key Events

Great South West – the Government is still to confirm its plans for pan-regional powerhouses across England. We hope this might be confirmed imminently and remain convinced that the case for GSW is robust and compelling but requires Government commitment, particularly in the context of emerging devolution.

The Great South West has 5 key priorities:

- Clean Energy Powerhouse
- Trade and Investment Hub
- Marine Autonomy Proving Ground
- Tourism Zone
- Rural Productivity Deal

Our Business bulletin was published in June in partnership with our Business Representative Organisation which sets out extremely challenging economic headwinds although sentiment remains broadly strong.

Communications- we have reviewed this month our comms reach and effectiveness and can demonstrate a high degree (comparatively) of engagement (compared to similar LEPs). We are strong at Linked-In and ok on Twitter and engagement with the newsletter and website is going back up. We are looking to increase our face-to-face visibility over the next 12 months.

We are planning on **holding our AGM** (virtually) after the Board meeting on October 14th 2022. As well as publishing our annual report, we will look back at the impact of LEP programmes and funding across the whole of the area and are seeking to make this a more engaging event.

4. Board Effectiveness and Governance Update

Board Effectiveness - Jane Dumeresque has agreed to carry out this year's effectiveness review and consequently sent out a short questionnaire to all Board Members last month. She can give any update at the meeting but depending on the progress on transition it remains important that we sustain an effective delivery model in place of any future changes that may or may not happen. This continues to be challenging as both Government and local partners are distracted by what might happen in the future.

Independent Director Recruitment - In addition, we will need to be cognisant that our 2017 cohort of Board Members come to the end of their term in June 2023 and the need to avoid a major simultaneous exit of knowledge, skills and talent.

Moreover, the Chair's initial 3-year term of office will also conclude in December 2022 and we will need to confirm (or not) his continuation as part of the effectiveness review.

In the interim, and to fulfil the commitments of our 12-month business plan, we are updating our existing Governance arrangements as follows;

- a) recruit up to 3 current independent Director vacancies recognising the need to renew our gender balance and diversity, our geographic and sector coverage
- b) update our FE representation as John L's 3-year term will shortly conclude

It will restrict our pool a little but seems fair to give these people a chance and also proportionate given the uncertain times. The Nominations committee have been tasked to recommend up to 3 independent Directors ensuring we are compliant with our diversity requirements – eg 50% gender balance by April 2023. 2 people from the Future Leaders group will be interviewed on the 4th July. In addition, EDF has suggested a possible co-opted Board Member which in the context of the ongoing work with Hinkley Point C and emerging energy and hydrogen opportunities may also be helpful.

Governance Review – we have agreed to look at our Governance at the October meeting. Aside from any Devolution Deal, we will need to make changes in April 2023 due to the unitary arrangements in Somerset and plan for the possible loss of up to 4 private sector Board Members next June.