

Impact Report 2021-22



heart of the
south west

local enterprise partnership

*with thanks to
James Gilgrist & Jemimah Allwright,
Somerset County Council*

Impact Report 2021-22



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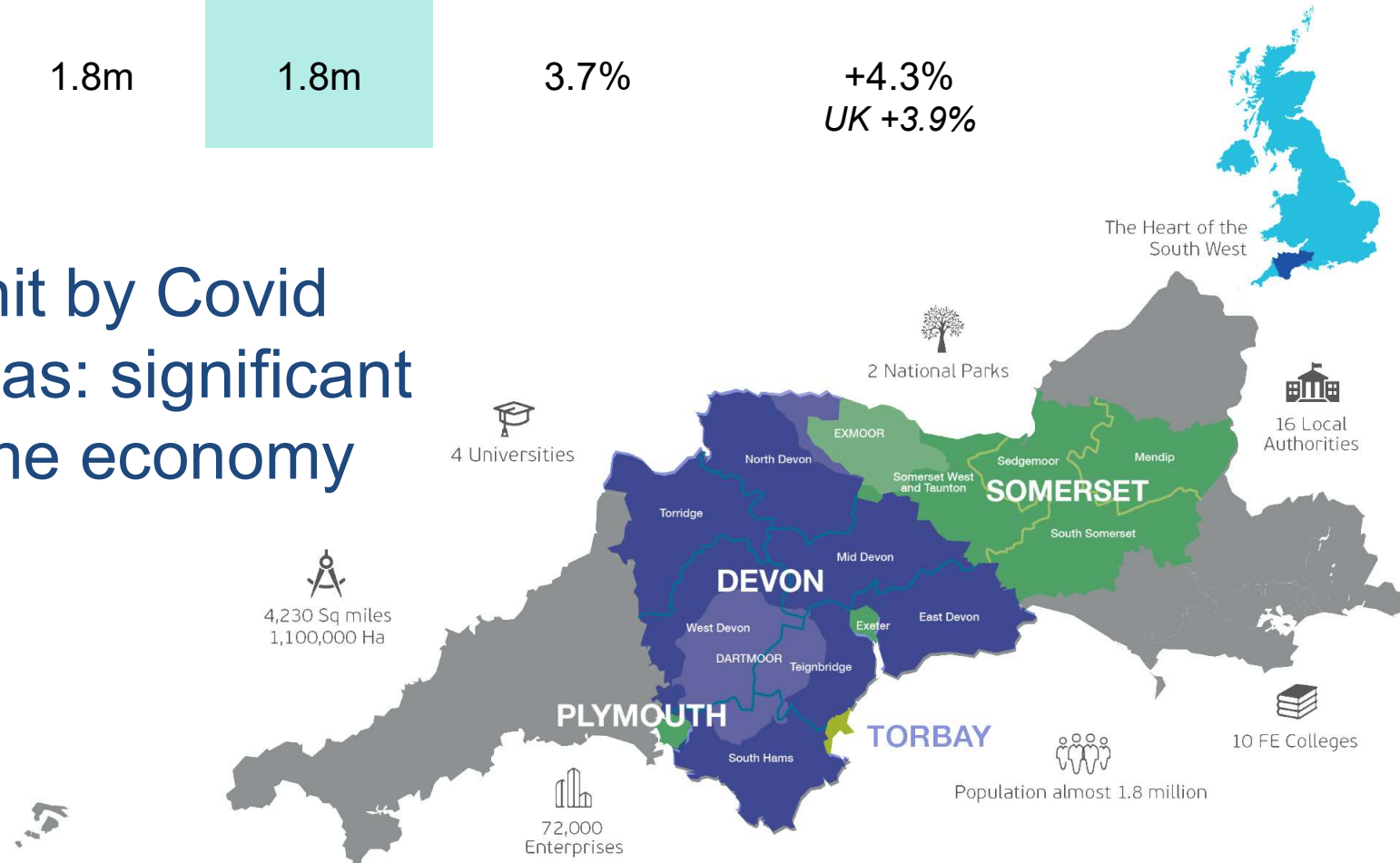
local enterprise partnership

- a) Economy Summary***
- b) Investments Summary***
- c) Data annex***

An area rich in potential...

	<u>2014</u>	<u>2019</u>	<u>Now (2020)</u>	<u>2014-2019 Change</u>	<u>2014-2020 Change</u>
Economy Real GVA 2019 prices	£35.5bn	£38.5bn	£34.0bn	HotSW 8.4% UK 10.8%	-4.3% UK -0.01%
Population	1.7m	1.8m	1.8m	3.7%	+4.3% UK +3.9%

...but harder hit by Covid
than other areas: significant
shrinkage of the economy
2019-20...



... and jobs growth much reduced...

Highlighted changes since 2014

	<u>Heart of the SW</u>	<u>UK</u>
Employees (2014-2020) <i>Increase from 2014-2019</i>	+4.5% +5.8%	+5.7% +7.7%
Productivity (2014-2020) <i>Current price GVA per hour worked</i>	+16.7%	+17.0%
Wages (2014-2021) <i>Average FT workplace earnings per week vs UK average excl London</i>	+18.4% 91.8%	+17.8% 92.8%

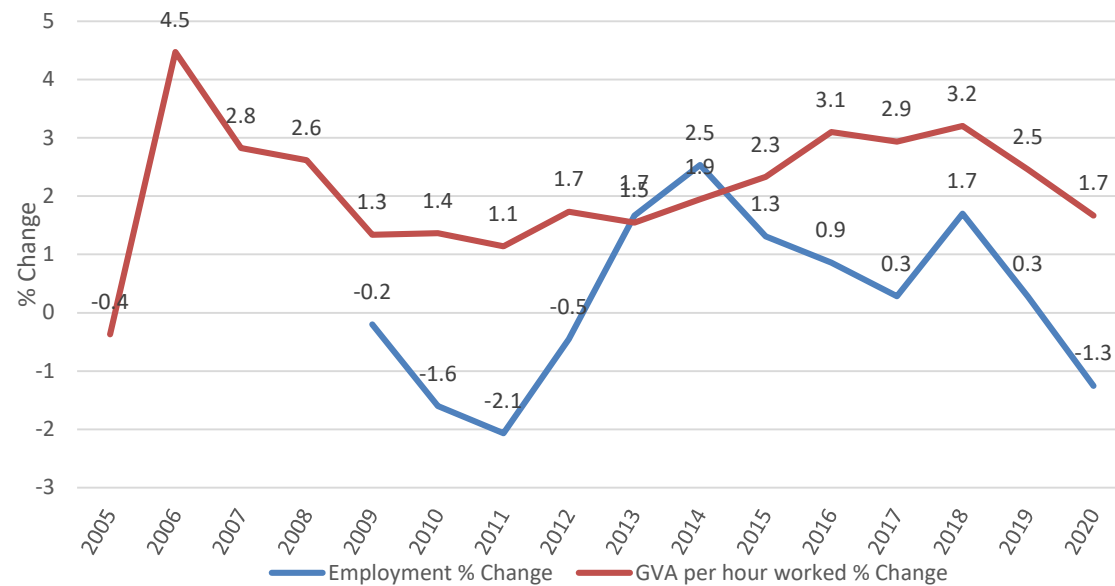
Other indicators such as levels of innovation, enterprise, trade, skills, digital connectivity etc have improved but gap vs UK remains/ widened: more available at [Economy dashboard - 0622](https://heartofswlep.co.uk/economy-dashboard-0622) (heartofswlep.co.uk)

- Employment grew 43,700 2014-19 but then fell 29,800 over two years to 20/21: impact of Covid despite furlough and other support measures
- At headline level productivity growth is comparable to UK average, but see next slide
- Wage growth positive & marginal improvement vs UK average
 - from 91.8% UK average 2014 to 92.8% 2021

... but underlying structural challenges remain

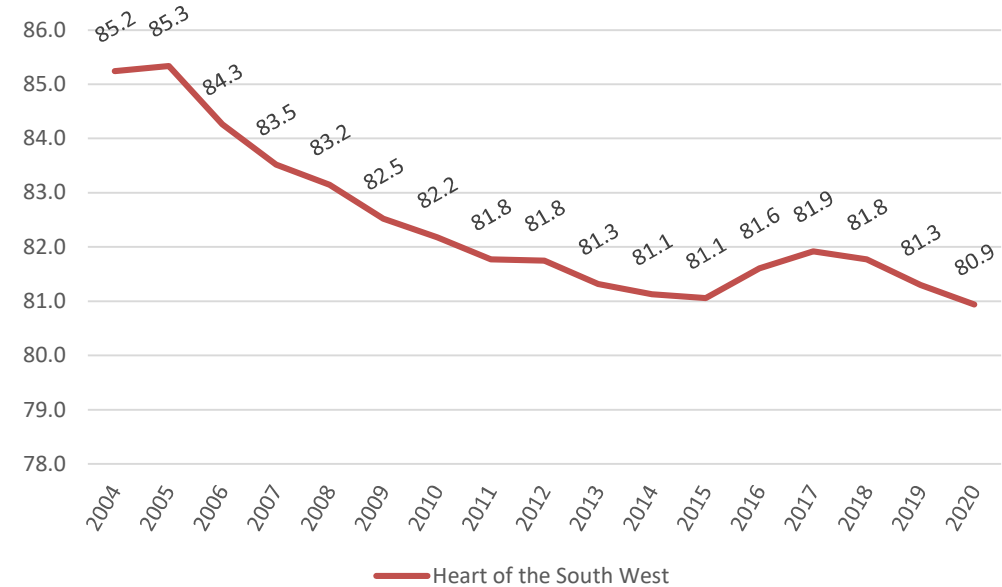
Long-standing productivity gap remains...

HotSW GVA Productivity & Employment Growth



- Strong employment growth to mid-2010s; plateaued as market tightened, and declined since, esp in 2020 (Covid).
- YoY productivity growth improved as jobs growth slowed from mid-2010s, but fell in 2020
 - likely due to higher rates of furlough in lower productivity sectors in HotSW so will have greater impact

HotSW Average Productivity - GVA per Hour Index (UK=100)



- Overall productivity gap showed tentative signs of closing, before widening again in recent years, i.e. other areas maintained relative productivity advantage better during the pandemic

... and Covid helped widen the gap again

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LEP Area Investments

	Government Award £m	Match Funding £m	Total £m
Growth Deal ¹	197.8	274.4	472.2
Getting Building Fund	35.4	95.3	130.7
Growing Places Fund	19.9	48.4	68.3
Rural Growth Network	3.8	15.1	18.9
Growth Hub	3.8	1.2	5.0
European Funds ²	117.0	146.4	263.4
	380.2	580.8	958.5

- Total Growth Deal & Getting Building Fund spent by March 21 & March 22 respectively as per grant conditions
- £15.4m GD & £10.7m GBF being managed under Govt agreed freedoms & flexibilities allowing agreed projects to continue to draw down funds to March 2025
- Growing Places fully allocated with repayments through to Sep 2029

1. House of Commons library states HotSW total Growth Deal award of £239.1m, split £130.3m GD1, £65.2m GD2, £43.6m GD3. However GD1 amount included funding directly awarded to Plymouth City Council for Forder Valley Link Road and funding for loans to housebuilders which did not progress. The total reported by the LEP is therefore £197.8m

2. European Funds: the LEP along with other local partners, provides advice to the respective Government department managing the funds to ensure they meet local priorities. Investment decisions and project management are conducted by the relevant Government department

LEP Area Investments by Theme 2014-20

	Growth Deal	Getting Building Fund	Growing Places Fund	Defra Rural Pilot	Growth Hub (incl LEP match)	European Funds	Total
Clean Growth		4.3				5.5	9.7
Innovation	47.8	12.8	9.5			22.7	92.8
Skills	18.3	1.3				43.4	63.0
Digital	17.6		4.2			5.0	26.9
Business support	1.7	0.1			5.0	13.3	20.1
Workspace	4.9	10.2	2.9			10.2	28.2
Rural				3.8		17.0	20.8
Natural Capital	13.0	0.6					13.7
Transport & housing	93.4	5.5	5.9				104.8
Other*	1.1	0.5					1.6
Totals	197.8	35.4	22.5	3.8	5.0	116.9	381.4

*includes programme management costs. GPF shows live and repaid capital investments

- Investment has been in key drivers of productivity (connectivity, innovation etc) though note thematic focus shaped by source of funds, e.g. Growth Deal largely DfT funded
- Clean growth & inclusive growth is future focus

LEP Investments: in year spend

<i>£m</i>	20/21 Spend	21/22 Spend	Freedoms & Flexibilities
Growth Deal	35.070	7.649	16.130
Getting Building Fund	3.734	20.964	10.703

- Of the total £233m Growth Deal & Getting Building Fund awards, £206.3m now invested.
- Along with Growing Places loan Fund, LEP holds £46.3m total investment funds into 22/23
- Remaining Getting Building Fund to be spent 22/23, Growth Deal to March 2025 (GPF fully invested)
 - forecast £26.8m investment funds into 23/24 (£6.9m Growth Deal + £19.9m GPF)

LEP Investments: Outputs

	20/21	21/22	
Jobs & apprenticeships created	1,315	1,723	3
New learners assisted/ people trained	2,600	8,664	2
Businesses supported*	3,926	2,946	4
People helped to start a business	386	471	
Floorspace - R&D (sqm)	0	1,773	
Floorspace - skills & training (sqm)	427	4,548	1
Floorspace - commercial (sqm)	141,542	27,156	
Housing units unlocked/ completed	2,700	175	
Retrofits delivered	0	251	

*Growth Hub FC only to March 23

1. Final years of Growth Deal sees slowing of outputs (e.g. commercial floorspace, housing) alongside pickup in pace of Getting Building Fund's, e.g. R&D floorspace
2. The assets created are continuing/ accelerating learners/ people trained & will continue to do so well into the future (see next slide)
3. In-year jobs numbers remain reasonable given challenges in the economy (see next slide)
4. Businesses supported largely through Growth Hub: 20/21 high numbers driven by businesses seeking support through Covid
 - GH saw drop off in enquiries from autumn 21, common across other GHs, which has now picked up thanks to Thrive programme, increased comms & more face to face events

LEP Investments: Outputs

	20/21	21/22	Cumulative to Mar 22	Forecast to Mar 25
Jobs & apprenticeships created	1,315	1,723	7,892	1 21,590
New learners assisted/ people trained	2,600	8,664	29,104	53,225 2
Businesses supported*	3,926	2,946	18,322	25,318
People helped to start a business	386	471	1,878	n/a
Floorspace - R&D (sqm)	0	1,773	1,773	2 26,651
Floorspace - skills & training (sqm)	427	4,548	25,867	28,668
Floorspace - commercial (sqm)	141,542	27,156	233,901	235,056
Housing units unlocked/ completed	2,700	175	9,504	23,391
Retrofits delivered	0	251	251	580

*Growth Hub FC only to March 23

1. Whilst steady year on year, jobs created unlikely to achieve March 2025 forecast
2. Learners assisted still achievable, R&D floorspace is largely Dunball junction – being tested with Somerset.

➤ Perspective is important!

- as noted previously, original Growth Deal targets probably over-ambitious + impact of Covid and now forecast recession
- however, important to stress the assets will deliver (and continue to deliver) jobs, increased learners etc well past the March 2025 deadline. Therefore “lifetime value” of the investments is strong

Key take-outs/ reflections

1. Structural challenges of HotSW economy remain: some absolute improvements, but relative gaps vs UK remain and have widened – Covid impact
 - previously cautioned over having relative goals due to impact of macro events
 - future ambitions: absolute or relative?
2. £960m investment is significant but over 8 years in a £35bn per year economy, remains very small
 - scale & longevity of investment are essential to making a difference
 - tackle systemic or tactical issues?
 - Board previously agreed concentration on transformational opportunities for biggest impact. Still seems appropriate
3. LEP investments have been targeted at drivers of productivity and will deliver sustained impact (jobs, training etc) over the long term
 - in the short term, outputs broadly on track to March 2025 forecasts with exception of jobs (ref macro point above)
4. 2023 will commission investment evaluation/ lessons learned to support decision makers in new landscape

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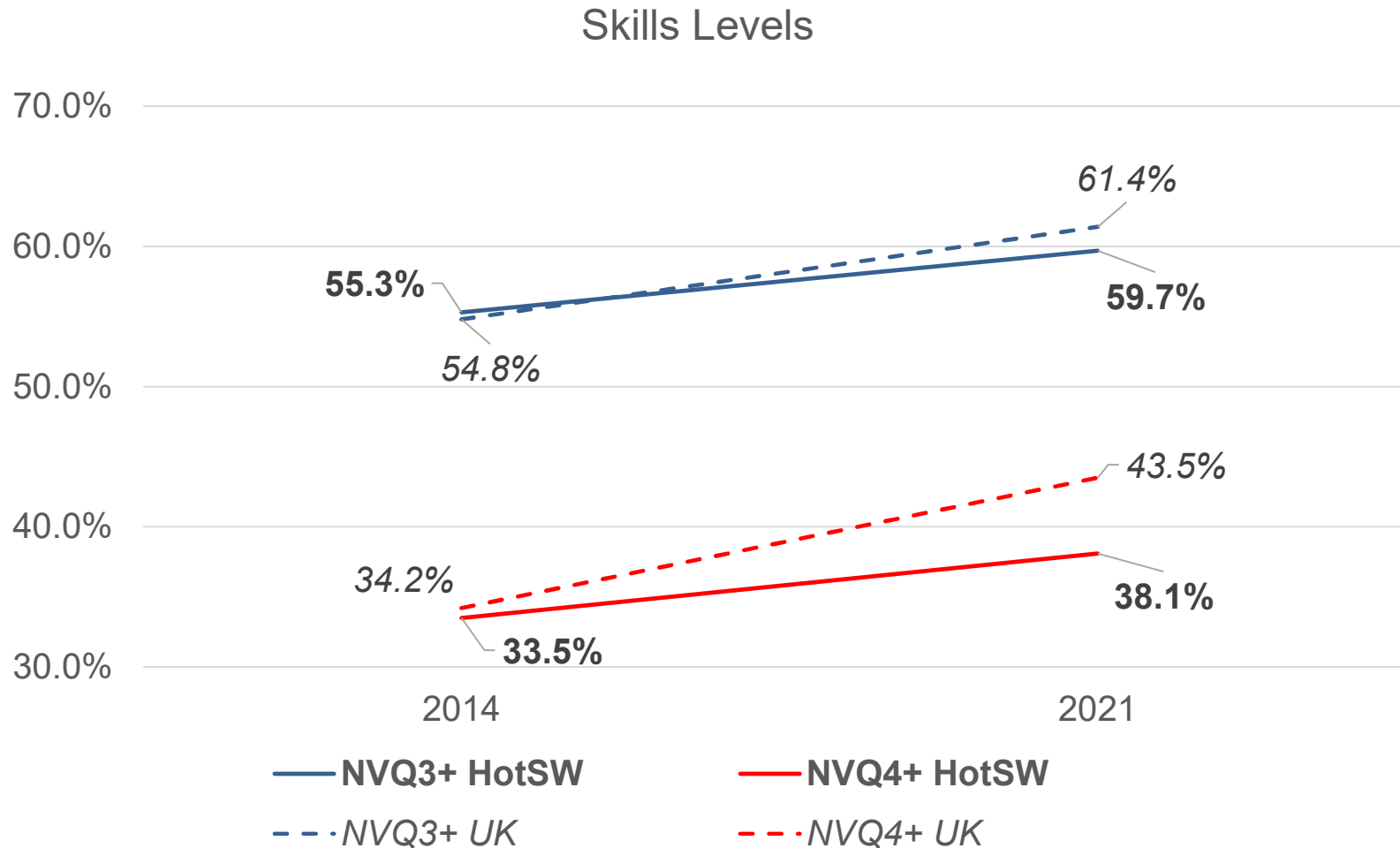
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... skills levels improved since 2014 but gap vs UK remains and is widening especially Level 4...

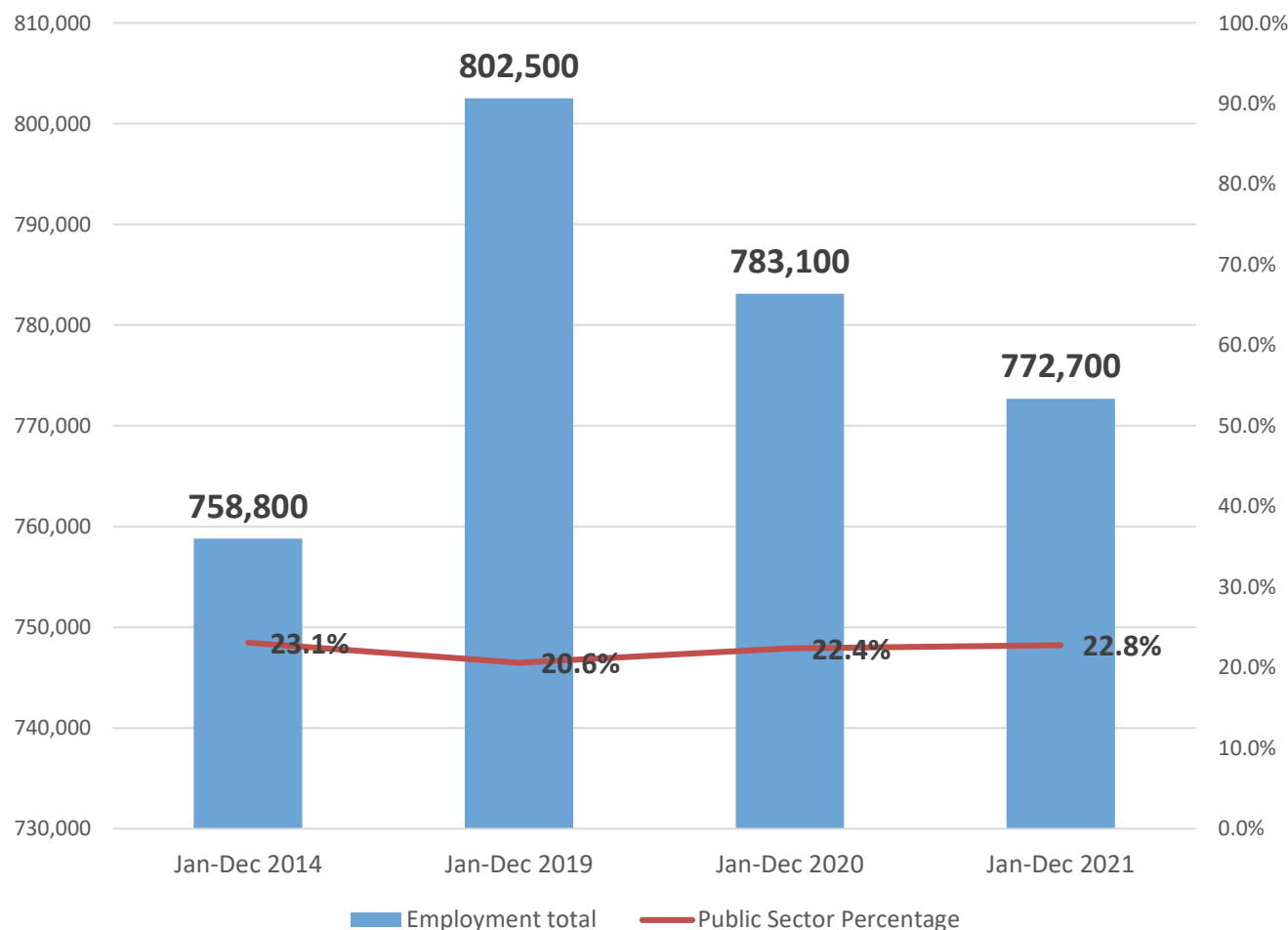


Future challenge: accelerated move to digital, development of skills to underpin high growth opportunities & bedrock sectors, challenges of an ageing workforce



Impact of LEP Investments & Wider Economy 14-20

HotSW Employment



Future challenges: jobs growth slowed by pandemic making achievement to 2025 more stretching, though recovery is accelerating

✕ Impact of Covid: jobs growth +43,700 from 2014-2019, but -19,400 from 2019-2020, and -10,400 from 2020-2021.

➤ Meanwhile, public sector employment stable/ decreased slightly.

LEP Programme Contribution

Jobs & apprenticeships

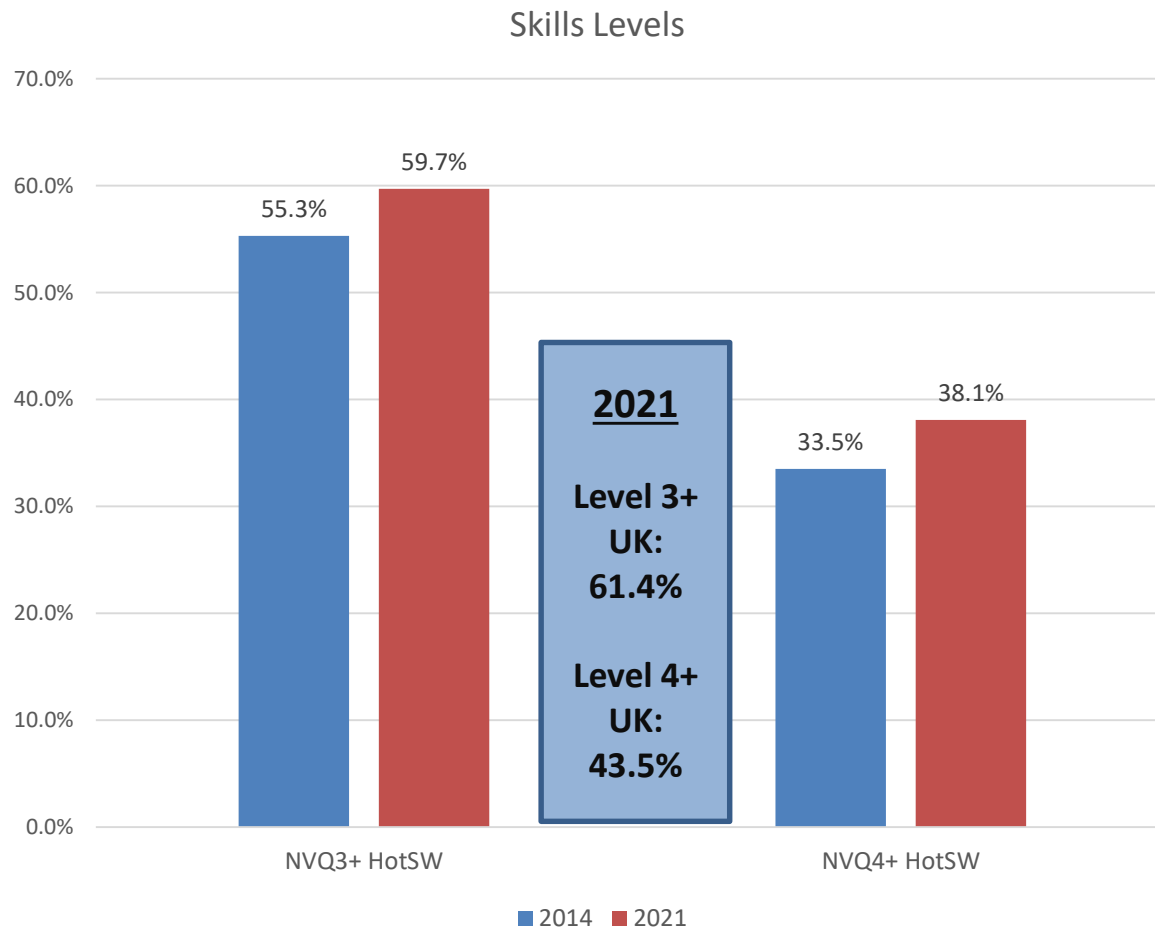
	Growth Deal	Getting Building Fund
Actual to April 2022	7,282	610
Forecast to April 2025	18,878	2,712

European funded projects

- By 2023 1,233 jobs created



Impact of LEP Investments & Wider Economy 14-20



Future challenge: accelerated move to digital, development of skills to underpin high growth opportunities & bedrock sectors, challenges of an ageing workforce

- ✓ Close to UK average for Level 3.
- More to do on higher level skills

LEP Programme Contribution

People trained

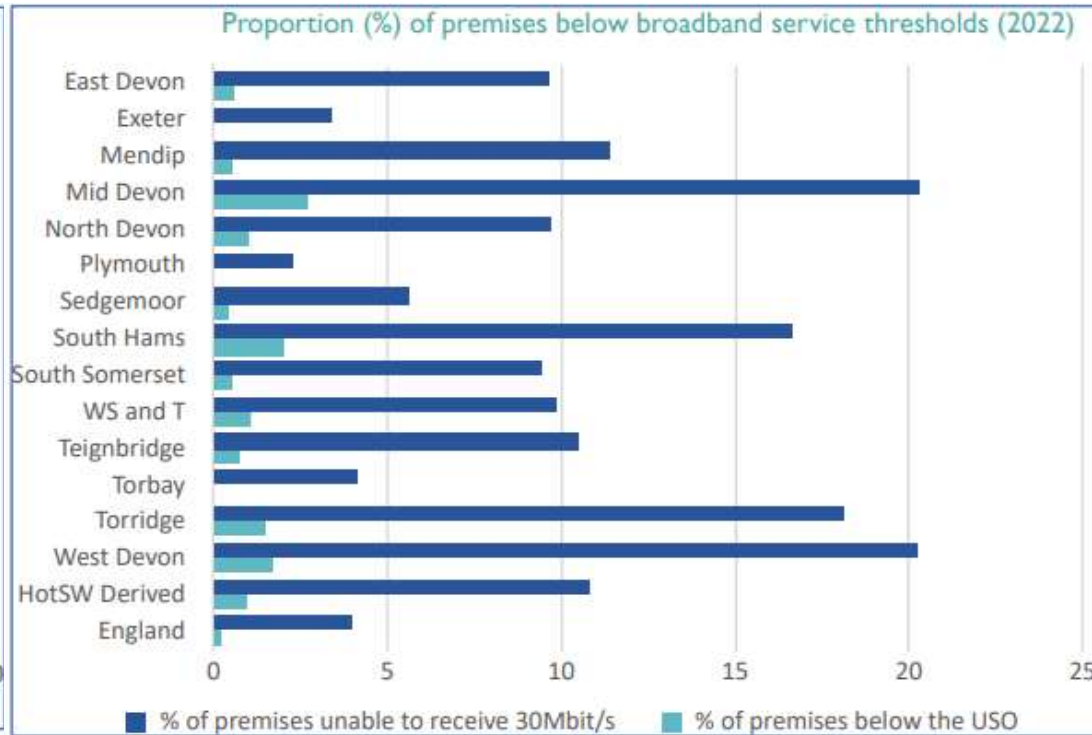
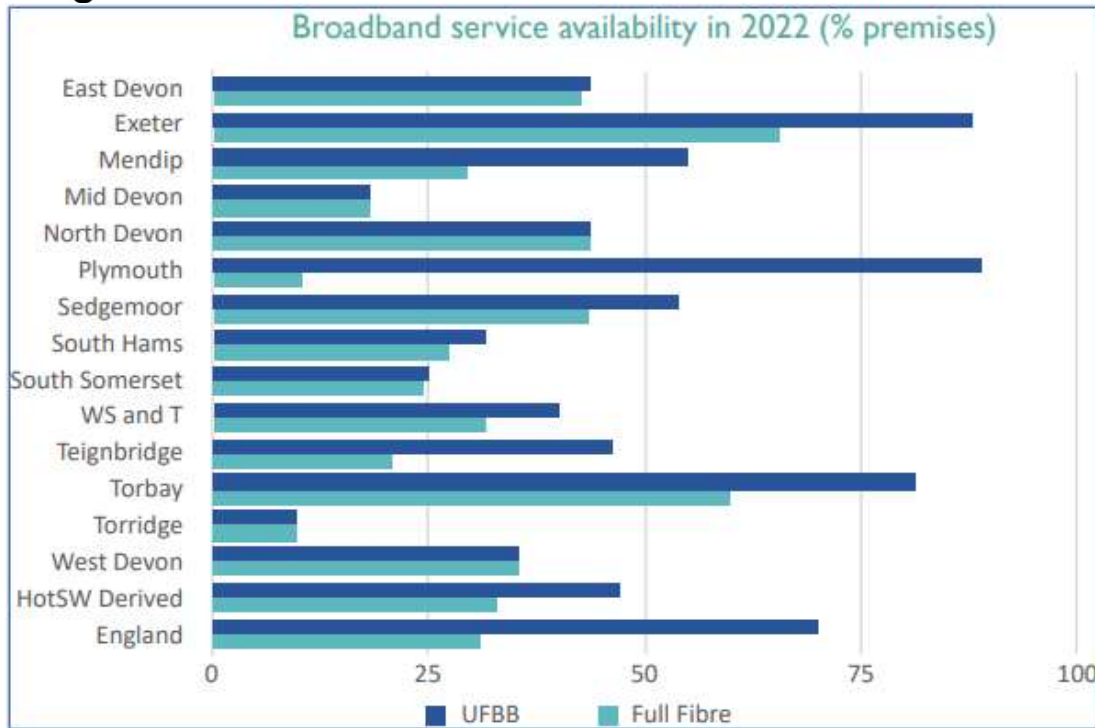
	Growth Deal	Getting Building Fund
Actual to April 2022	26,038	3,066
Forecast to April 2025	50,159	3,066

European funded projects

- *By 2023*
 - *267 enterprises to introduce new-to-market product*
 - *229 enterprises to cooperate with research institutions*



Impact of LEP Investments & Wider Economy 14-20



- ✓ Proportion of premises able to receive Full Fibre and/or Ultra-Fast Broadband across HotSW increasing significantly, though coverage is uneven

LEP Programme Contribution

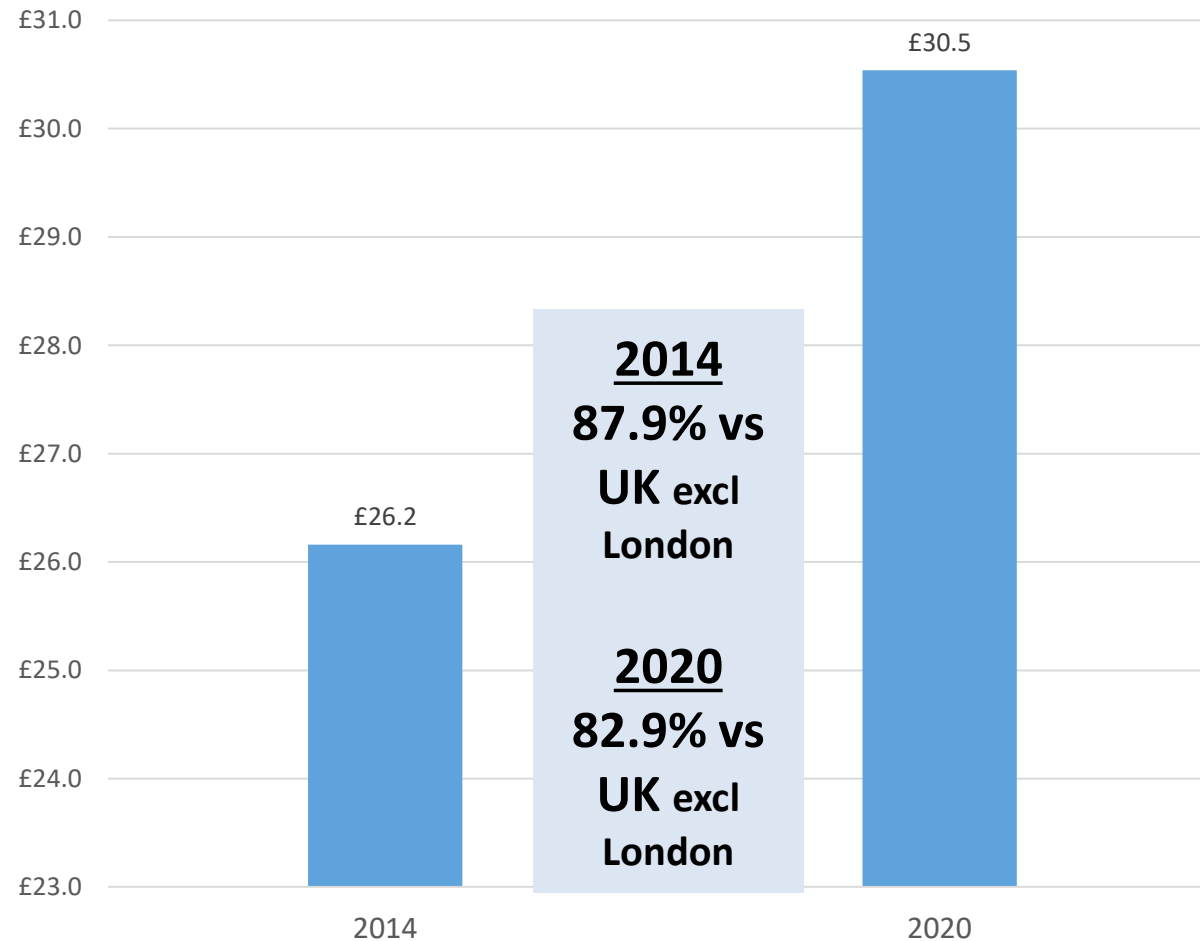
- 9,516 new homes connected to fibre (Growth Deal), 20 businesses connected by 2025 (Getting Building Fund), 2,230 businesses connected by 2023 (EU funding)
- Growth Deal programme will support three digital skills programmes to March 25 focussing on young people, digital skills for sectors & developing digital leadership.
- Digital Skills Partnership continues to deliver, including Train4Tomorrow enabling 240 adults to train in Digital Marketing, Software, Swift, Cyber, IT. £1.9m secured to continue into 22/23

Major challenges:
growing digital connectivity, utilisation & digital skills



Impact of LEP Investments & Wider Economy 14-20

HotSW Productivity - output per hour worked



✗ +16.7% vs 23.8% UK excl London

➤ Recent growth, but gap remains and is increasing again

LEP Programme Contribution

Invested in key drivers of productivity:

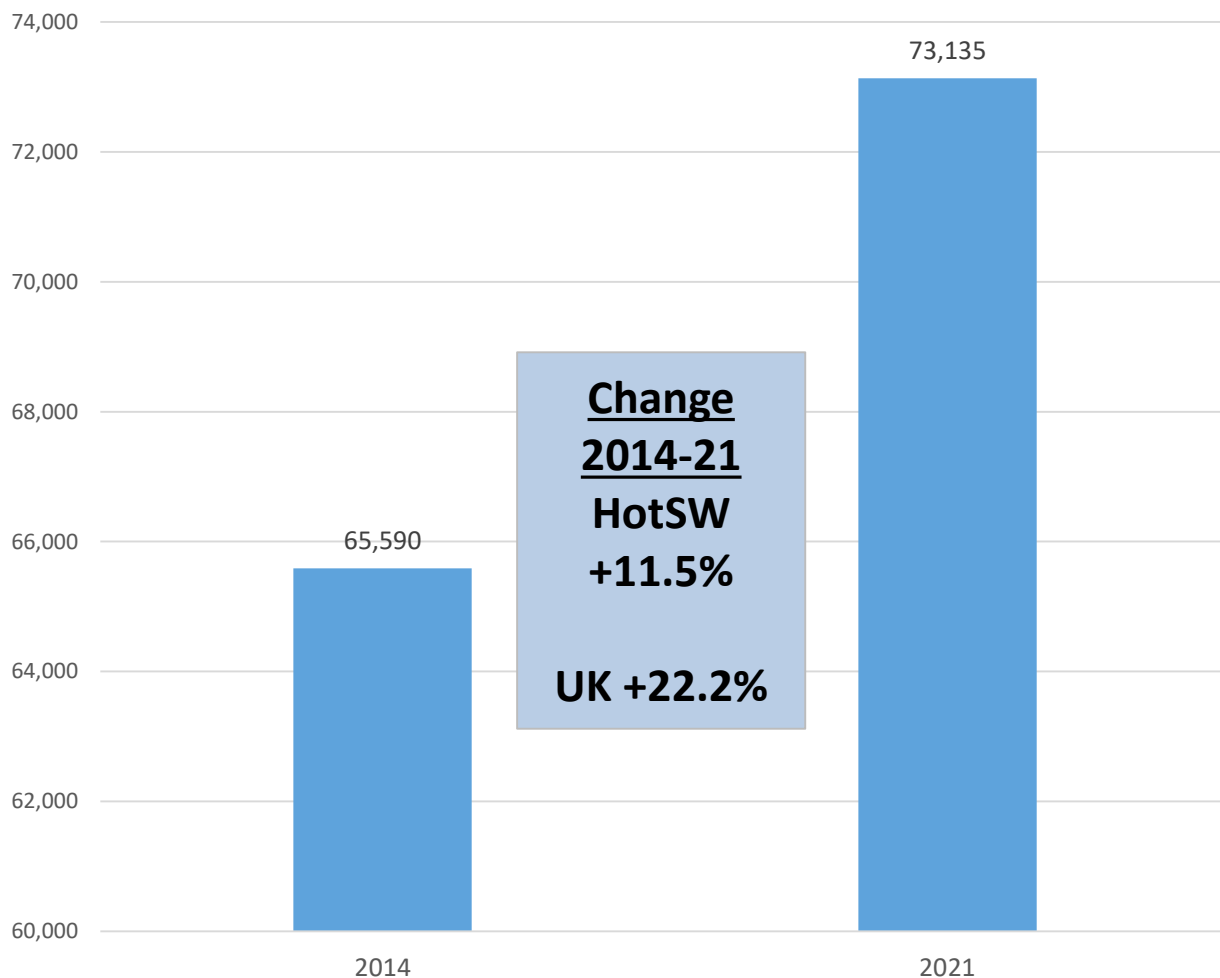
- *Local opportunities (nuclear, marine, aerospace, photonics, big data etc.)*
- *Infrastructure (transport and broadband)*
- *Skills*
- *Business support*
- *Innovation*

Major challenge: increased focus through Build Back Better



Impact of LEP Investments & Wider Economy 14-20

Number of Enterprises



Future challenges: business start-up rates & scale-ups. Support for R&D intensive businesses

X Business start-ups & growth remain behind UK average

LEP Programme Contribution

Businesses supported*

	Growth Deal	Getting Building Fund	Growth Hub
Actual to April 2022	1,065	249	17,008
Forecast to April 2025	4,874	1,736	18,708

*Growth Hub future profile only to March 23

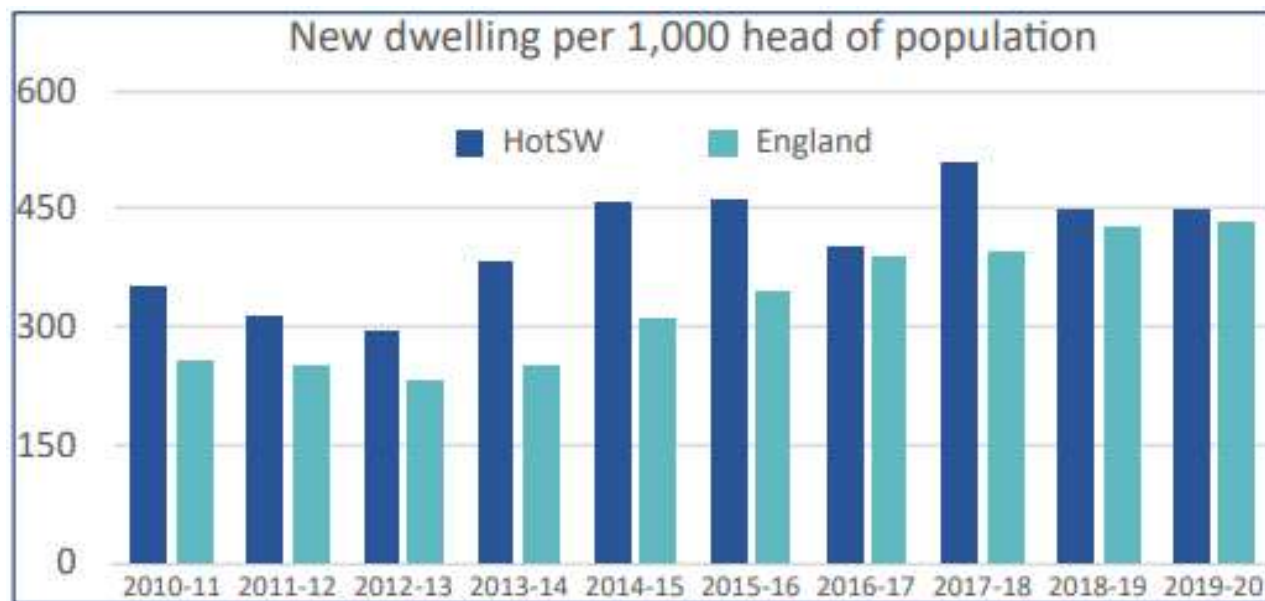
- Growth Hub helped 1,878 people to start a business

European funded projects

- *By 2023*
 - 1,242 entrepreneurs assisted to be enterprise-ready
 - 946 new enterprises supported



Impact of LEP Investments & Wider Economy 14-20



Net Progress

+50,930 permanent new dwellings completed between 2014 and 2022

- ✓ New buildings per 1000 population stronger in HotSW than nationally
- ✓ Housing growth positive though more to do

LEP Programme Contribution

Houses completed/ unlocked

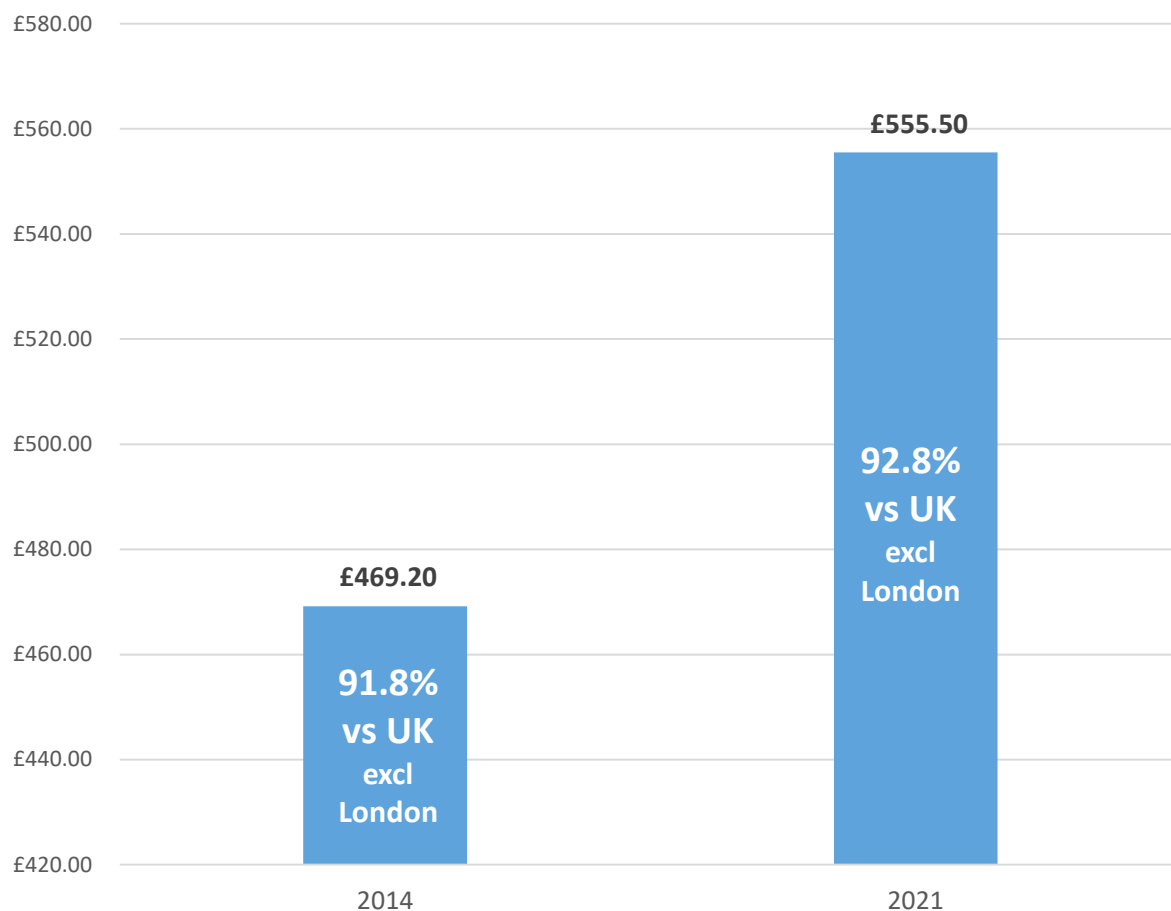
	Growth Deal	Getting Building Fund
Actual to April 2022	9,329	175
Forecast to April 2025	18,465	4,926

Future challenges: continuing to unblock development, realise the potential of new communities, e.g. garden villages & sustainable housing



Impact of LEP Investments & Wider Economy 14-20

Weekly FT Workers Pay



Future challenges: increase the opportunities for and access to better paid jobs

X Growth in wages but gap remains compared to national average

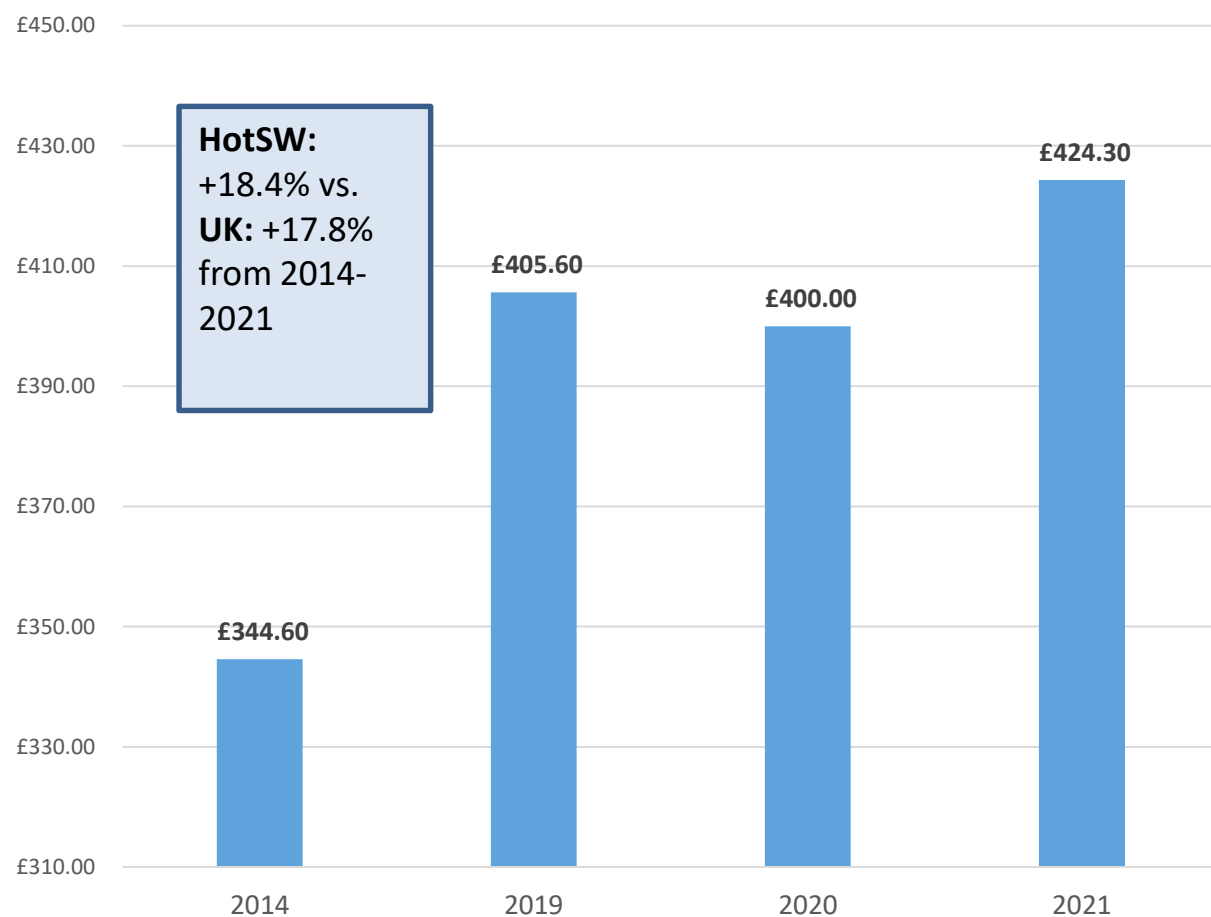
Wage gap a combination of Productivity gap & type of work

- proportion of public sector employment remains higher in some areas (Devon & Plymouth) than nationally: lower wage growth
- lower proportion in higher productivity/ pay sectors
- lower growth in FT work vs. national rate



Impact of LEP Investments & Wider Economy 14-20

Lowest 25% Median Weekly Resident Pay



- ✓ Lower paid wage growth stronger than national rate until 2020
- ✗ Impacts of COVID-19 have suppressed wage growth for lower paid workers
- Rebounded in 2021

Key focus of future LEP work