

Heart of the South West LEP Board – January 27th, 2023

Chief Executive's Update

Lead Officer: David Ralph, Chief Executive, HotSW LEP

Contact Details: 07543 219390 – david.ralph@heartofswlep.co.uk

Summary

This report provides updates on:

- Annual Performance Review - verbal
- 2023/24 Business Plan priorities (see separate slide deck Appendix 1) and proposed Governance Review – Appendix 2
- Key Asks for the 2023 Budget
- Great South West Update
- Transport Update
- Net Zero Update

Elsewhere on the agenda, we have an update on the food declaration and proposals recommended by SIP to invite detailed business cases for the reallocation of the Digital funding from the Local Growth Fund.

Recommendations – it is recommended that the Board:-

- i) **Agree on the priorities within the 23/24 business plan and other recommendations within the slide deck namely:-**
 - the headline priorities and outcomes
 - notes that detailed actions will be worked up by the management team through F&R
 - agrees to the total spend (detailed budget to be signed off by F&R as per normal practice)
 - to seek confirmation from Local Authorities and other partners that both their support and financial/ in-kind contributions will continue
- ii) **To agree to merge SIP & F & R and agree revised TOR**
- iii) **Notwithstanding the above, the Board agrees to conduct a broader Governance Review and the appointment of a Director to lead it reporting to the April Board.**
- iv) **Appoint both vice-Chair and SME Board champion**

- v) Recommend Members hold a Members' meeting to revise the Articles relating to the term limit of independent Directors**
- vi) Endorse the Devon Carbon Plan**

1) State of the Economy and Asks of Budget

We will be publishing our winter business bulletin – a digest of data from BROs surveys, etc including ICAEW, Chamber, MAS barometer, etc – at the end of this month (January) but as all are aware we are experiencing significant recessionary headwinds and cost of living challenges caused and illustrated through:

- High inflation caused two-thirds of firms in Q2 2022 to expect further price rises with energy bills, raw materials, and labour costs all cited as the top drivers of price rises.
- A reduction in the percentage of firms expecting to grow in the next twelve months and nearly a quarter of businesses looking to scale down or even consider closure in response to rising costs
- Significant challenges in our ability to fill vacancies
- The highest standing charge for electricity in the UK

UK Plc. needs a stronger Plan for Growth and the HotSW area should have increased recognition as an important component of that plan.

Our area is heavily dependent on SMEs (sometimes in specific sectors) and many of these businesses have been disproportionately hit through Covid and now by the cost of living challenges. This is partly structural – the high number of SMEs, peripherality and partly sectoral e.g. a high dependence on seasonal hospitality, farming and the more widely public sector. Moreover, the health and well-being of communities particularly in coastal and rural communities have been disproportionately impacted in recent years with many of our disadvantaged communities hit hard.

However, the South West is undergoing a period of opportunity illustrated by support for the Freeport, Cornwall's spaceport and launch and the emerging collaboration of the Great South West with an increasing recognition to deliver prosperity through clean and inclusive growth. The Devon Carbon plan has recently been published and the SW Social Mobility Commission will shortly hold its first session. Shortly, Levelling-Up bids should also be confirmed. As an ocean region and a rural powerhouse, our environment provides us with a quality of life offer and physical assets base that can be matched by few others.

These attributes have always been at the centre of our economy and quality of life but for example, in food and energy security they are becoming increasingly relevant.

Therefore ahead of the March Budget the asks within our HotSW manifesto for 2023 are expressed through 4 key themes:

- Spotlight on Skills
- Investing in Infrastructure and Places
- Targeted Business Sector and Support
- Commercialising Ideas and Innovation

Possible asks/priorities are being discussed via HEROG and we will bring back an update of proposed asks to the Board.

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

Firstly, I am delighted to welcome two new Board Members. Helen Higgs from EDF as an independent private sector rep and Mark Bolton, Principal at Yeovil College who will be replacing John Laramy (from the next meeting) so are only observing today. Both have been accepted as Directors by Companies House and have had their initial induction/onboarding.

Our Annual Performance Review took place with government officials took place earlier this week and we can report any specifics verbally.

In recent weeks some of the backlog in Government announcements following the PM selection process etc have started to materialise. Devolution Deals for Suffolk, Norfolk, Cornwall and the North East have been confirmed; UKSPF amounts also and shortly Levelling-Up funding. The priorities for UKSPF locally are being agreed but the delays in funding commitment mean there is little time in this financial year for delivery.

The Freeport full business case has been agreed and a new Chair and Chief Executive have been appointed. Possible significant inward investment at Gravity is still under discussion but with nothing confirmed yet.

The Chambers are progressing with their Local Skills Improvement Plans and the GSW Partnership has had its first couple of Board sessions.

Both the Forder Valley Link Road and Marsh Barton station are shortly to open and we have a better understanding of the timing for delivery of Project Gigabit. New proposals for the final part of the Dawlish coastal defences are currently out for consultation.

Possibly by this meeting Government will have confirmed LEP Core and Growth Hub funding amounts.

3) 23/24 Business Plan and Governance Review

Of the priority areas for devolution in the Levelling-Up White Paper, 6 of the 9 areas now have Mayoral or Directly Elected Leader Deals agreed with only Devon, Plymouth and Torbay, Leicestershire and Hull and East Riding outstanding. Most are

looking to April 24 as their start date; some are now considering May 25 (to coincide with local County elections).

The Board will receive a verbal update on the latest devo local progress and also following the appointment of a new CEO at Somerset the authority is now going through its 2nd and 3rd tier appointments ahead of vesting day in the spring.

In recent months devolution work has largely been put on hold awaiting clarity from Government about their appetite for Level 2 Deals. Hopefully, there will be an update but it now seems highly likely that the LEP will continue to operate throughout 23/24 and we are therefore recommending a business plan and Governance review accordingly.

Although not yet confirmed, I would anticipate a similar role for the coming year as set out in last year's offer letter, namely:

- a. **Embed a strong, independent and diverse local business voice** into local democratic institutions.
- b. Carry out **strategic economic planning** in partnership with local leaders that clearly articulate their area's economic priorities and sectoral strengths. This should involve building and maintaining a robust local evidence base that identifies local strengths and challenges, future opportunities and the actions needed to support priority sectors, aligned to the relevant levelling up missions. The nature of this role will depend on individual LEPs' integration pathway. Across all pathways, LEPs, or local democratic institutions where LEP functions and roles have been integrated, should continue to use their convening power to bring together business, education and other local economic stakeholders.
- c. **Continue to deliver** several functions on behalf of government departments, shaped by the local business voice where relevant. Future programme and funding decisions will be taken by each respective department according to their decision-making and business planning processes, priorities and timescales. However, at the present juncture, we would expect departments to continue to engage with LEPs, or

begin to engage with the respective local democratic institution once LEP functions have been integrated, into the delivery of:

I. **Growth Hubs**, on behalf of the Department for Business, Energy and Industrial Strategy;

II. **International trade and investment** activity, provision of local business intelligence, grant funding and levelling-up focused projects, on behalf of the Department for International Trade;

III. Local **Digital Skills Partnerships**, on behalf of the Department for Digital, Culture, Media and Sport;

IV. **Careers Hubs**, on behalf of the Department for Education;

V. Local skills analysis **via Skills Advisory Panels**, on behalf of the Department for Education;

VI. Monitoring and assurance of existing local growth programmes and funds for which LEPs are responsible.

d. Where appropriate, LEP business boards can help **broker and support new or deeper devolution deals**, where requested by local partners. New or deeper devolution deals will not need to be signed off by LEPs.

To deliver our responsibilities we are proposing an updated business plan for 23/24-slide deck attached Appendix 1 - and a Governance Review – Terms of Reference in Appendix 2 -, partly triggered by the change of representation in Somerset but also our gender balance and to amend our operating structure/model in the light of GSW and that we are not yet in a position to integrate with any local devolution arrangements.

4) **Great South West – Update**

Following the first GSW Partnership Board meeting in early December, a GSW parliamentary reception was held on the 10th of January hosted by Lord Berkeley and Simon Jupp MP (Chair of GSW APPG) and supported/sponsored by 16 local companies. In addition, several food companies were invited by their relevant MPs to promote their offer. Minister of State Dehenna Davison MP spoke on behalf of the Government and some 120 GSW representatives confirmed attendance and some 15 MPs attended.

This was immediately followed by a facilitated GSW Board workshop which agreed to review some of the economic and other data that has changed since we published our prospectus and also our initial comms priorities.

A GSW officer group is scheduled at the end of the month and a Partnership Board meeting is on 22nd February. To deliver these we will be:

- Appointing a search consultant to support us in the appointment of a permanent chair – we have shortlisted a preferred supplier
- Putting in place an Accountable Body agreement and reviewing with Government our Year 1 progress against our agreed milestones

- Progressing our work with the High-Value Manufacturing Catapult and with DIT, our Internationalisation Plan
- Updating and refreshing the GSW prospectus at pace (but focusing on the same key themes) – our consultant will be contacting individual partners directly over the next few days.
- Developing a campaign plan
- Pushing out our comms across the region including events in each of the four Counties
- Agreeing locally and with the Government on our business plan for 23/24

We also currently have 2 funding bids (from the SW Regional Defence Cluster and GeoResources Task Force) that are currently being reviewed.

If you haven't had a chance to read the prospectus you can do so - [GSW Brochure A4_new colours.indd \(greatsouthwest.co.uk\)](#)

Please do also sign up for our newsletter, and follow us on Linked In and Twitter - greatsouthwest_

5) Update on Transport Issues

National Highways - A303/ A358 improvements

In Autumn 2022 National Highways conducted a further round of community engagement on their proposals for dualling the A358 between Taunton and Southfields Roundabout (the end of the A303 Ilminster Bypass). It had been anticipated that the application for the Development Consent Order (DCO) would be submitted by the end of 2022. However, in late December National Highways indicated that they were to review the proposed environmental mitigation before submitting the DCO. The LEP has indicated its continuing support for the scheme and has participated in a National Highways communications campaign on the business and community benefits of the project.

Following the judicial review held in June 2021 which led to the quashing of the Secretary of State's approval of the Development Consent Orders for the A303 Stonehenge Tunnel, the Secretary of State is to re-determine the application. National Highways have made a further submission in response to questions raised at the judicial review, and the proposals have been further reviewed by the World Heritage Centre. The LEP has taken the opportunity to confirm its continuing support for the Stonehenge scheme. The Secretary of State's decision is now awaited. If the Development Consent Order is approved the current opening date for the Stonehenge scheme is late 2028.

Construction of the A303 Sparkford to Ilchester dualling is progressing well and completion of the scheme is envisaged in late 2023.

National Highways have been developing route strategies for the various elements of their network, to identify the need for interventions to improve safety and optimise capacity. It is anticipated that these will be published in Spring 2023.

Rail Infrastructure and Services

Through the Summer and Autumn of 2022, the South West continued to lead the way nationally in rebuilding rail patronage in the wake of the Covid 19 pandemic.

Gateline figures at Exeter Central and Taunton are well above 2019 levels. One of the reasons that this re-growth has been faster than in other parts of the country is because of higher levels of education and leisure travel in the region; another is the lower dependency on commuting. Patronage has subsequently been significantly impacted by industrial action.

Nationally the reductions in commuting to London and business travel leave the rail industry with an income deficit, as those journeys yield higher fare levels than leisure and local travel. As a consequence Department for Transport is asking train operators to achieve reductions in operating costs in their annual business plans.

Restoring Your Railways

Patronage figures for the Okehampton to Exeter line, which re-opened in November 2021, continue to run ahead of the business case predictions. The anniversary of re-opening saw the line carry its 250,000th passenger.

Construction of the Growth Deal funded station at Marsh Barton, Exeter, is now almost complete and the station will open in Spring 2023. Construction of a new station at Edginswell, Torbay, is due to start later in 2023.

Work to develop the proposals for new stations at Cullompton and Wellington to the point where they are 'construction ready' is proceeding, following the allocation of £5m in the Autumn 2021 budget. The aim is to open the new stations in May 2025.

The Strategic Outline Business Cases (SOBC) for a potential new station to serve Somerton and Langport and for re-opening the rail line to Tavistock are with the Department for Transport awaiting decisions.

The extended period of dry weather in the summer created major infrastructure challenges on the Waterloo to Exeter route, owing to the risk of failure of some of the embankments. As a consequence, a much-reduced timetable had to be introduced. The full timetable was restored before Christmas, but now further weather-related problems have been experienced on the Waterloo route further east.

South West Rail Resilience Programme – Dawlish to Teignmouth

The second phase of the new sea wall at Dawlish is now complete. At Dawlish station, an accessible footbridge with lifts is to be constructed during 2023.

The third phase of resilience works, a rockfall shelter at the north portal of Parson's Tunnel, is under construction with the foundations now complete. Construction will begin in Spring 2023 on phase 4 – Dawlish to Holcombe Cliff Resilience – with ground investigations ongoing.

Revised proposals for the fifth and final phase (Parson's Tunnel to Teignmouth) were the subject of community consultation in Autumn 2022 and received a positive response. The proposal is now for extensive cliff management rather than moving the railway onto a new alignment.

Peninsula Transport Sub National Transport Body

Peninsula Transport continues to work on individual work packages which will provide the context for the preparation of a draft Transport Strategy for the

Peninsula. The latest work considered at the December Board meeting was a Carbon Transition Strategy and a review of Alternative Fuels for Road Freight.

Department for Transport has tasked all sub-national transport bodies to progress work on transport carbon baselining and the rollout of electric vehicle charging facilities in early 2023.

6) Net Zero Update

South West Net Zero Hub

In December 2020, the Climate Change Committee's sixth carbon budget report identified the need for action at the LA level as well as the national level to achieve net zero, estimating that over 30% of carbon savings will come from local action. The National Audit Office and Environmental Audit Office followed this up by calling for the government to have a stronger, more visible framework and partnership in place with local government and communities. In response, BEIS announced that the network of five Energy Hubs across England would become Net Zero Hubs, to help LAs to go further faster by implementing cost-effective and integrated net zero programmes, whilst taking account of local needs and opportunities.

The South West Net Zero Hub has now signed a new MOU with BEIS, the primary purpose of which is to achieve the following objectives through the Local Net Zero Programme:

- i. To attract commercial investment and help LAs and other local public sector bodies to develop investment models which accelerate progress to net zero.
- ii. To continue to increase the number, quality, and scale of local Net Zero projects being delivered across the region in line with national targets and strategies, including supporting the early-stage development and delivery of projects.
- iii. Collaborate with BEIS to develop and support Net Zero elements to wider programmes and initiatives delivered across England, including the Transport Decarbonisation Plan and Levelling Up.
- iv. To support a national knowledge transfer programme to improve information sharing, training, and evaluation and create a network of experience that amalgamates learning to strengthen and teach others.
- v. To raise local awareness of opportunities for and benefits of local Net Zero investment – including through national schemes.

An independent programme evaluation of the Hub is currently being undertaken by IOD PARC alongside evaluations of the four other Hubs. The findings are being collated by BEIS so there may be further changes to how the Hub is governed and operates.

Devon Carbon Plan

The [Devon Carbon Plan](#) was launched In September last year following extensive consultation and collaboration with stakeholders over 3 years. It is the roadmap for how Devon will reach net-zero emissions by 2050 at the latest. Devon County Council will be presenting the plan to the Board and as a member of the Devon Climate Emergency Response Group that has overseen the development of this plan, we recommend that the LEP Board endorses it. Other organisations that have

endorsed the plan include Plymouth and Exeter City Councils, Torbay Council, Dartmoor National Park Authority and Devon Wildlife Trust.

Net Zero Review

Former Energy Minister Chris Skidmore published his Net Zero Review, [Mission Zero](#), earlier this month and called for more to be done to grasp the 'historic opportunity'. The review makes 129 recommendations to the government that are designed to maximise economic investment, opportunities and jobs whilst working towards achieving the legally binding target to reach net zero carbon emissions by 2050. The proposals include:

- Backing business – including reviewing incentives for investment in decarbonisation, including via the tax system, and launching a Help to Grow Green campaign offering information and advice to small businesses so they can plan;
- Backing local action – including reforming the planning system to put net zero at its heart nationally and locally, and backing at least one Trailblazer Net Zero City, local authority and community that can work towards reaching net zero by 2030;
- Delivering energy-efficient homes – including legislating for the Future Homes Standard so that no new homes will be built with a gas boiler from 2025, adopting a 10-year mission to make heat pumps a widespread technology in the UK; and
- Using infrastructure to unlock net zero – including developing a cross-sectoral infrastructure strategy by 2025 to support the building and adaptation of new green energy sources such as hydrogen to support the green economy.

See separate appendices for:-

Appendix 1 – Draft 23/24 Business Plan

Appendix 2 – Proposed Governance Review