

Heart of the South West LEP Board

October 13th, 2023

Chief Executive's Update

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1. Summary

This report provides updates on:

- Transition/integration arrangements following the announcements in September 2023 confirming the transfer of LEP functions to upper-tier Local Authorities
- An update on devolution
- End-of-year accounts and annual report ahead of the AGM – taking place immediately after the Board meeting (previously reviewed and presented at the September Operations and Investment Committee).
- Presentation and summary of the key impact headlines from our ongoing evaluation.
- Transport Update
- Great South West Update

The meeting will be immediately followed by the AGM – a largely virtual meeting.

Elsewhere the agenda includes updates on the Build Back Better plan.

2. Recommendations – it is recommended that the LEP Board: -

- i) **Note ongoing Expenditure commitments for 24/25 re Local Growth Programme**
- ii) **Agree to receive a draft Budget setting out ongoing operational budget financial commitments for 24/25 setting out the financial commitments against income/reserves**
- iii) **Agree to the Annual Accounts for 22/23 (appendix 1)**
- iv) **Agree on any decisions referred from OIC**

3. Headlines and Events

- The PM announced [a new approach to net zero](#) including;
 - moving back the ban on the sale of new petrol and diesel cars by five years.
 - delaying the ban on installing oil and LPG boilers, and new coal heating, for off-gas-grid homes to 2035.
 - and setting an exemption to the phase-out of fossil fuel boilers, including gas, in 2035. The PM's full speech is [available here](#).
- The government announced six areas that are part of the [Smart Infrastructure Pilots Programme](#), a £1.3 million pilot to test next-generation digital technologies.
- The **Environment Minister** announced that [£25 million of ring-fenced funding](#) will be invested in projects that use nature to protect communities from flooding.
- **Dehenna Davison MP** (Con, Bishop Auckland), who previously announced she would not be re-run at the next general election, announced she is 'stepping back from the role of Levelling Up Minister, she is replaced by **Jacob Young MP** (Con, Redcar & Cleveland)
- In an interview with the **Financial Times**, Labour leader Keir Starmer said his government would put closer trading relationship with Brussels at the centre of Labour's growth policy, promising to seek a '**major rewrite of Britain's Brexit deal**' as part of a scheduled review in 2025 of [implementation](#) of the deal if the Labour party wins the next general election.
- The Mayor of **Liverpool City Region**, Steve Rotheram, announced members of the region's new 15-member [Business and Enterprise Board](#), chaired by David Meyerowitz, Chief Executive of Haier Europe.
- The **CBI** cancelled its AGM this week amid reports of cashflow pressures and replaced it with ["an audience with"](#) CBI's director general, Rain Newton-Smith, and its president, Brian McBride.
- **EngineeringUK** announced [a new strategy and direction](#) for the organisation over the next five years. It has a core purpose of driving change to get more young people to choose engineering and technology and increase the diverse workforce needed for engineering and technology.
- The **Resolution Foundation** produced a [report](#) on the UK's commitment to halve poverty by 2030, among other Sustainable Development Goals. These were adopted in 2015 by Prime Minister David Cameron and other leaders in the UN. The report notes that we are not on track to meet this target and is getting worse due to no clear strategy being in place.
- **Maritime UK** published its second [Annual Report into its government backed 'Regional Cluster Development Programme'](#) at the Global Maritime Hub. The report covers July 2022 to June 2023 and details the background and context for the programme; activity and deliverables; the work of the Maritime UK Regional Council; a summary of each cluster organisation around the country; and an analysis of the economic impact of the maritime sector at a regional level.

- The planning application for the **100MW White Cross offshore wind farm** (in the Celtic Sea) was submitted suggesting some £540m of economic investment and a cable landing at Braunton connecting into the Yelland sub-station.
- Consultations on **proposed LVEPs for Devon and Somerset** took place earlier this month.
- A further announcement on **the location of the JLR battery** factory is 'imminent'.
- Both Plymouth and Exeter Universities received **triple gold in the recent TEF ratings** – outstanding achievements.
- The Chancellor of the Exchequer, Jeremy Hunt, will present the **Autumn Statement 2023** to Parliament on **22 November** and **Party Conferences** are being held as follows:
 - 23 – 26 September: Liberal Democrat Party Conference - Bournemouth International Centre, Bournemouth.
 - 1 – 4 October: Conservative Party Conference, Manchester Central, Manchester.
 - 8 – 11 October: Labour Party Conference, Exhibition Centre, Liverpool.

4. Transition/Integration of LEP functions

Following the Minister's letter last month, a briefing has been previously circulated to all LEP Board Members and a virtual briefing session was held in September 2023 for all Board Members to attend. A letter from the Accountable Body was circulated immediately after that meeting confirming that Local Authorities hoped that the transition could be completed by April 1st, but it is important to reiterate that this is not a requirement of the Government.

Paragraph 18 of the guidance states

"Government expects that integration of LEP functions into areas with a devolution deal or into upper-tier local authorities will be undertaken as quickly as possible, ensuring a smooth and orderly transition. Decisions, where appropriate, on the transfer of assets should be agreed upon by the LEP, its Accountable Body, and respective local authorities by March 2024, though government recognises that the practical integration and transfer process may stretch beyond that date

Indeed, many LEPs are continuing to operate for at least another year, As Directors, albeit of a dormant company, your primary concern should be to fulfil your duties to the Company in accordance with the Articles

The response to that letter is attached (appendix 2) and the LEP management team – chaired by the Accountable Body - is now meeting (fortnightly) to prepare transition plans which need to be submitted to the Government in the New Year when at the same time Government has indicated it will provide further guidance on Business boards and potentially Director liabilities. The LEP Network is asking for this further guidance to be accelerated.

Unfortunately, the core issues of TUPE and asset ownership remain largely unreconciled and therefore it is difficult to bring forward recommendations to the Board at this time. We have asked Plymouth University, as the employer of the core LEP team, for advice over TUPE and the Accountable Body is looking to secure further legal advice on the ownership

of assets although as the LEP we think it would simply be easier to go direct to the the Regulator on this.

Both of these issues have direct inter-dependencies on transition and available funding therefore until they are agreed it is difficult to really confirm a timeline and indeed the agreement on the appropriate and necessary decisions for Directors.

Local Authorities have expressed concerns about defraying expenditure in 24/25. This needs to be split into two parts – programme spending (Local Growth Fund) and the operations budget, which includes LEP match funding for Growth Hub and Careers Hub.

LEP programme funding, overseen by the Assurance Framework and the Freedoms and Flexibilities agreed with Government means that all LGF funding is currently allocated and some of it (mostly the Digital programme) will be defrayed next year. The government have consistently required LGF under freedoms & flexibilities to be defrayed by the end of December 2024, with final payments and completion of the programme by March 2025. To change this now risks losing the funding and projects stalling further. Delivery will need to continue to be monitored until March 2025 (and potentially beyond).

Concerning the future operations budget

- whilst we are a dormant company we have maintained that we should operate as a going concern – i.e. clearly able to meet our liabilities for 12 months
- Agreed Careers Hub match funding runs to the end of July and notionally, OIC has agreed to match funding for the Growth Hub into 24/25. OIC's decision is based on two factors. Historically, Government funding for Growth Hubs is confirmed late in the financial year and without LEP match, the Growth Hub team may be put at risk by Devon CC, the employer. In addition, the cost of running the HotSW Growth Hub is greater than the funding provided by the Government, typically a £100-150k gap and LEP funding has previously covered this.
- Whilst local authorities are hoping for functions, assets and liabilities to be transferred by 31st March, without clarity on TUPE and assets, and with some functions possibly requiring LEP match next year, there will likely be LEP operations spend required in 24/25, albeit at a reduced level from the current year. To set this out we will bring to the next Board via OIC a 24/25 income/expenditure forecast, consistent with the Government's aim that LEP functions are transferred quickly but smoothly.

Directionally, a timeline could be along the lines of the following

- Jan: LEP Board reviews a transition plan (drafted with the local authorities); identifies the destination of LEP functions along with linked TUPE and assets
- Jan: LEP Board agrees to 24/25 operations budget
- The transition of functions on or after 31st March (the working aim is that where a date is beyond the end of March, the transition is as close to 31st March as possible)

Note that some LEP activities particularly the transformational sectors work, are not identified by the Government as "LEP functions" so transition planning will also need to take these into account.

b) Devolution

Whilst transition/integration is no longer directly linked to devolution it is still indirectly relevant as the proposed operating model in the future for the HotSW area. However, real

progress of devolution discussions across the HotSW area and nationally is quite difficult to work out as it is proceeding at different paces and with different structures across England.

The government is looking to progress the agreed (Level 3) deals in places like Notts/Derbys and Norfolk/Suffolk. Recently it seems to have more appetite for Level 2 Deals although they are constrained by civil servant capacity and the legislative timetable. Moreover, it now seems likely that some single unitary areas may be offered a 'fixed deal' perhaps as early as next spring (which would include LEP functions but not very much if any funding or powers at this time).

Across Devon discussions continue to be ongoing, particularly with DfT about a Local Transport Board for the Combined Authority and funding asks. It looks like there is some agreement for joint work on housing (but no additional money at this stage) and generally any funding commitment is not ongoing as will be subject to the next (and new) Government's Spending Review.

The LEP Network estimates the majority of LEPs will continue to operate through the next financial year – either because they will transition later (perhaps in April 2025 or in line with May 2025 local elections if they are establishing MCAs) or that Local Authorities have decided that they continue to have a role perhaps because there is no agreement about a devolution deal at this time or some LEPs fulfil a development company-type role on behalf of local authorities. Although asked for, we have yet to have a response from Local Authorities about why this approach is not appropriate in the HOTSW area (in place of any devolution deal).

So in our area, Cornwall looks like they are transitioning the LEP to the Council and Dorset LEP will continue to operate until at least April 2025.

5. Annual Report and AGM

Today we are holding the Partnerships AGM (Virtually) and publishing our annual report (for 22-23) and annual accounts. As a dormant company, our annual accounts remain nil, but Board Members will be familiar with the way that we publish with the agreement of our Accountable Body a financial summary (equivalent to a set-out Accounts).

Despite the ongoing uncertainty towards the future of LEPs which has continued throughout the year, the HotSW LEP continued delivery of its existing programmes and achieved or worked in partnership to:

- Complete delivery of the £35.4 million Getting Building Fund programme
- Invested £8 million Local Growth Fund in a range of projects to boost the HotSW area's digital capabilities. These included:
 - a) support for businesses to develop better digital capabilities;
 - b) support for individuals to develop their digital skills;
 - c) capital investment in infrastructure such as the Plymouth Smart Sound and the Environmental Living Lab which demonstrates the environmental and economic benefits of satellite-enabled technologies across real-world environments;
 - d) funding a Tourism Data Hub to improve the data available to the sector
- Opened the Centre for Clean Mobility at Exeter Science Park, supported by £2 million from the Getting Building Fund

- Commissioned reports to better understand the opportunity from Floating Offshore Wind and the opportunity for a social impact fund for the area, a trend increasingly seen in other parts of the country
- Continued to support the Enterprise Zones at Gravity, Exeter and East Devon and Oceansgate
- Launched a series of dashboards that highlighted key data on the HotSW economy, clean growth and inclusive growth (and included a bespoke dashboard to look at Hinkley's impact)
- Through the Growth Hub, supported almost 3,000 businesses to access the advice, support and finance they need
- Continued to support the delivery of Careers Hub across all our secondary settings – the largest delivery in the country
- Supported the Plymouth & South Devon Freeport in getting the Business Case approved
- Supported the establishment of Hydrogen South West which brings together businesses and communities to drive the development of hydrogen infrastructure and technology
- Supported the delivery of 3 Town Deals

In summary, between 2014 and 2023 direct LEP investments have so far

- Created 10,937 jobs & apprenticeships
- Trained 37,830 people
- Helped 18,679 businesses to find the advice and support they need
- Unlocked the completion of 11,750 new homes

By 2025 projects are forecasting that LEP investments will be in total

- Create 25,461 jobs & apprenticeships
- Train 62,561 people
- Help 20,379 businesses to find the advice and support they need
- Help 2,055 people to start their own business
- Unlock or complete the building of 22,064 new homes

Impact

We have commissioned Hardisty Jones to evaluate LEP impact and their report and conclusions should be available at the end of October but are currently showing the:

- By 2034, LEP investments will add £6.7 billion GVA to the Heart of the SW economy
- LEP investments deliver £15-19 benefit for every £1 invested

A presentation on the emerging findings will be given at the Board.

6. Transport Update

National Highways – Roads Investment Strategy

In May the Department for Transport and National Highways published for consultation the “National Highways Strategic Road Network Initial Report”. This sets out an assessment of the current state of the Strategic Road Network (SRN), and the proposed key themes for management of the network during Roads Investment Strategy 3 (RIS3), covering the period from 2025 to 2030. National Highways also published drafts of their Route Strategies for the various elements of their network, to identify the need for interventions to improve safety and optimise capacity.

The LEP submitted responses to these consultations as did the sub-national transport body Peninsula Transport. The reports published by National Highways so far do not contain a programme of major capital improvements to be delivered during RIS3, but it already seems clear that some of the schemes in the current RIS2 programme will move into RIS3.

A303/ A358 improvements

Construction of the A303 Sparkford to Ilchester dualling is progressing well and completion of the scheme is envisaged in Spring 2024.

In 2021 the Secretary of State’s approval of the Development Consent Orders for the A303 Stonehenge Tunnel was quashed following a judicial review. National Highways made a further submission in response to issues raised at the judicial review, and the Secretary of State re-determined the application, confirming the Development Consent Order on 14th July 2023.

Objectors to the project, Save Stonehenge World Heritage Site (SSWHS), have again launched a legal challenge. In addition, UNESCO has reiterated their objection to the proposed tunnel scheme and indicated that Stonehenge’s status as a World Heritage Site is at risk. A timescale for the legal challenge to be heard is awaited.

It was anticipated that National Highways would submit the Development Consent Order (DCO) application for dualling the A358 between Taunton and Southfields Roundabout (the end of the A303 Ilminster Bypass) by the end of 2022. However, in 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. A revised date for the DCO submission is still awaited.

Rail Infrastructure and Services

In February Network Rail submitted its Strategic Business Plan and Regional Business Plans for Control Period 7 (CP7) which runs from 2024 to 2029. Network Rail is now revising the plans in light of the response from the Office of Road and Rail (ORR), which advised more funding should be provided for drainage, structures and track renewals. It is clear that within the funds available there will be challenges in maintaining the condition of rail infrastructure and punctuality of services. The LEP and other regional stakeholders have stressed the need to avoid a backlog of infrastructure renewals, the importance of improving network resilience, and the need to improve punctuality.

The South-West has continued to lead the way nationally in rebuilding passenger rail patronage in the wake of the Covid 19 pandemic, and the volume of passengers travelling nationally is now approaching pre-Covid levels. However, the changes in travel patterns, particularly reductions in commuting to major cities and business travel, mean that although

overall rail patronage is recovering rail industry income remains significantly below previous levels.

In response to the Department for Transport's pressure to reduce operating costs the train operating companies launched a consultation on proposals to progressively close ticket office windows at stations and move staff to more forward-facing roles. This would have resulted in the elimination of all ticket offices in the South-West. The consultation received over 680,000 responses nationally. It became clear that the justification for the proposals, with only 12% of ticket sales nationally being via ticket offices, masked significant variations and some of the stations in the South-West had over 40% of ticket sales through the ticket offices. It is also evident that some people, including the disabled and those without internet access, would be significantly disadvantaged.

The Department for Transport has awarded Arriva a new management contract for the continued operation of the Cross-Country Trains services, starting on 15th October. The contract includes commitments from the operator to a complete refurbishment of the Voyager train fleet – the first since the trains were introduced 20 years ago.

Restoring Your Railways Projects

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 next stage is the submission of a Full Business Case by the end of this year. The aim is to open the new stations in Autumn 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.

Development work is proceeding on the preparation of an SOBC for the provision of a scheduled passenger service between Taunton and Bishops Lydeard on the West Somerset Railway, to act as both a local access to the national network for residents of West Somerset and enhanced access to the heritage West Somerset Railway.

Peninsula Transport Sub National Transport Body

Peninsula Transport has completed the programme of individual work packages which will provide the context for preparation of a draft Transport Strategy for the Peninsula. The preparation of the draft Transport Strategy is underway, and it is anticipated that this will be the subject of stakeholder consultation in late Autumn 2023.

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 during 2023.

7. Great South West – Update

The refreshed and updated GSW website is now live and a quarterly newsletter circulated and which can be reviewed at [this link](#) . Please sign up to receive this directly via [this link](#).

The GSW mid-year review was held earlier this month.

Following a recruitment process, assisted by Gatenby Sanderson, a preferred candidate has been offered the role of Director (fixed to June 2025). The candidate is currently away on holiday but hopefully will be confirmed shortly.

As part of the energy campaign, we have been speaking with civil servants to try to arrange a **DESNZ Ministerial visit to the region**

The next GSW Partnership Board is due to take place on November 3rd with the following agenda items

- a) Internationalisation Plan – for Agreement
- b) Funding Asks to support
 - a. High-Value Manufacturing
 - b. Geo-resources cluster
 - c. Marine
 - d. Rural, Food, Farming and Fishing