

Heart of the South West Local Enterprise Partnership

LEP Board Paper

Agenda item 8

Report title: 23/24 6 Month Performance Report & Risk Register

Date: 13th October 2023

Purpose: This paper is for **information**

(overwhelming papers should be for decision)

Link to LIS: Indicate by **bolding** which area the paper links to.

| Inclusive Growth | | | Clean growth | |
|-------------------|---------------|----------------|------------------|--------|
| Energy | | Engineering | Digital | |
| Ideas/ Innovation | People/Skills | Infrastructure | Bus. Environment | Places |

Non- LIS purpose:

Timing: Ongoing

Financial Impact: (cost or cost saving): n/a

Decisions requested: none

Author and contact details:

Claire Gibson claire.gibson@heartofswlep.co.uk,

Eifion Jones eifion.jones@heartofswlep.co.uk

Summary

The April - September 2023 performance report is attached, providing an overview of progress against the workplan, available online at <https://heartofswlep.co.uk/wp-content/uploads/2023/05/2023-24-Heart-of-the-SW-LEP-Workplan.pdf>

| KEY RESULTS TOTAL | Q1 | Q2 | Q3 | Q4 |
|-------------------|----|----|----|----|
| Red | 0 | 0 | 0 | 0 |
| Amber | 0 | 1 | 0 | 0 |
| Green | 40 | 38 | 0 | 0 |
| Not Started | 1 | 0 | 0 | 0 |
| Completed | 3 | 5 | 0 | 0 |

Progress against all measures is good with one Amber item and one recorded as not started yet. More details are contained below. Clearly the move into the transition phase means the work plan needs to be reviewed and an update on proposed priorities to March will be presented at OIC in November.

As part of providing the Board with this 6 month progress update, the risk register is also attached which is reviewed by Operations & Investment Committee monthly.

Recommendations

That the Board notes progress.

1. Background

The 23-24 workplan set out five priorities for the year:

- A. Continuity: core proposition as required by Government
- B. Clean growth, transformational opportunities & support for business
- C. Growing Places Fund
- D. Inclusive growth
- E. Transition: enabling & supporting orderly evolution: GSW, devolution

The workplan was developed using the Objective & Key Result methodology (OKRs), with progress monitored by OIC quarterly and through the Board 6-monthly or by exception. This report and attachments provide the latest update on progress against the OKRs, with issues highlighted in this covering report.

- Annex A gives a snapshot of progress against the objectives
- Annex B shows specific Amber items as relevant

2. Highlights: successes, specific issues and their mitigation

The below highlights salient points by exception.

A. Continuity – outcomes are:

- Support partners in development of place and champion economic growth in the area
- Ensure strong private and public sector participation in the LEP
- Services delivered on behalf of Government:
 - Maintain front door to business support
 - Promote the area's key investment opportunities & secure DBT support & buy-in
 - Ensure delivery of remaining LGF & GBF projects
 - Enable strong business voice into workforce development

Programme Delivery

Getting Building Fund spend completed at end March as required by Government. Delivery of Local Growth Fund continues with final spend by December 2024; £5.7 million LGF is profiled to spend in 23/24 (10 projects) with a further £3 million into 24/25 (6 projects). Of these the largest is CDS whose LGF spend over this and next year is forecast at £3.3 million.

The LEP has commissioned an independent study to understand the impact of the large-scale LEP capital investments over the period to the mid-2030s. This timescale is a more accurate reflection of the economic impact of these types of investments, rather than the March 2025 reporting cutoff required by Government. The full report will be published later in the autumn but early headlines show that over the period to 2034, LEP investments will generate £6.7 billion of additional GVA for the economy, allowing for inflation over the period. With an economy currently totalling £34 billion, that is a significant impact. Every £1 of LEP investment is generating between £15-19 over the period.

The aim is that the report supports other partners in their bids for funds in the future and demonstrates that public investment in this part of the UK represents a very good return.

Skills Advisory Panel

The LEP is providing £177,834.00 match funding to the Careers Hub from August 23 – July 24. As part of transition, the Careers Hub operation is now disaggregated into Somerset and then Devon, Plymouth & Torbay.

B. Clean growth, transformational opportunities & support for business – outcomes are:

- Promote the major area's major clean growth opportunities & secure investment
- Provide a universal service
- Leverage national support & maximise access
- Targeted business support to enable growth

Aerospace

iAero

We continue to support the development of iAero and its reach to potential collaborators via SME engagement. We attended three industry events in London during September - DSEI (annual international Defence and Security event), HeliTech / DroneX, and Advance Air Mobility. Intelligence was gathered about recent developments in technologies and systems, as well as important contacts made with businesses wanting to operate within the region.

Future Aviation Test Zone (FATZ)

Development of FATZ is one of the recommendations in the joint International Gateway Study commissioned by Peninsula Transport and Western Gateway sub national transport bodies. This work will inform the draft Peninsula Transport Strategy that is due to be published for consultation before the end of this year.

The Chair of the Sustainable Aviation Programme Board has leveraged some pro-bono work from a leading PR company to support us with further developing the FATZ proposition. The focus is on preparing a political briefing and new marketing materials.

Alongside this we continue to work with several companies, including potential FDIs, to understand their requirements for demonstrating their technology and how the area can best support them. This activity is being supported by the CAA.

Future Flight Community Integration Group

The Future Flight Challenge is a UKRI programme to transform how we connect people, deliver goods, and provide services. It supports creation of the aviation ecosystem needed to speed up the introduction of electric sub-regional aircraft, advanced air mobility vehicles, and drones in the UK. UKRI has established a new Community Integration Group to support the Future Flight Challenge by shaping the integration of future aviation technology into society. Our aerospace sector lead, Corinne Matthews, has been invited to join this group, and the work will include planning, societal acceptance, local connectivity and economic growth.

Digital

ACE-Lab

£118,500 has been approved by OIC for the ACE-Lab, an AI-enabled Computational Engineering Laboratory at the University of Exeter's Centre for Future Clean Mobility located on Exeter Science

Park. It will provide features to allow for optimisation (including human-in-the-loop methods) to design novel products systems and services, providing a unique service to South West engineering businesses. The other project partners are Babcock and BMT. This is the final Digital Build Back Better project supported by the LEP's £8m Digital Investment Programme.

Community Triage

Local authorities that contain 'very hard to reach' areas of digital connectivity have been invited to submit a funding application to support the provision of additional capacity. The aim is for a network of digital community triage advisors to be established that can work with local communities and CDS to advise on digital services available in the area, and to also signpost them to available support such as digital skills training. The allocation of £215,000 forms part of the LEP's £8m Digital Investment Programme.

Energy

Floating Offshore Wind (FLOW)

On the 2nd October, the Crown Estate confirmed there will be three Project Development Areas (PDAs) in the first Celtic Sea leasing round, that all three are located in the Area of Search closest to the North Devon coast, and each PDA will have a maximum capacity of 1.5GWs. The Crown Estate are anticipating issuing further information to developers as part of their Information Memorandum later this year.

The Crown Estate have also clarified their social impact expectations, stating that they want developers to play their part in "creating a transformative opportunity for communities and businesses in regions where projects will be developed and delivered". Four key areas have been highlighted:

- Employment and training opportunities, particularly for those who face barriers to employment, and dealing with skills shortages.
- Tackling inequalities in employment, skills within the workforce delivering projects.
- Environmental benefits aimed at working towards net zero, protecting habitats and supporting efforts to enable the transition from carbon-intensive industries.
- Working with communities to ensure that benefits are delivered in a manner that involves those communities and is sustainable over time.

It is therefore timely that we have agreed to co-fund the Clean Maritime Growth Vision and Development Programme for Northern Devon, together with North Devon and Torridge District Councils and Devon County Council. The aim is to maximise a range of opportunities in the areas including FLOW in the Celtic Sea, the Appledore Clean Maritime Innovation Centre that has been awarded levelling up funding, hydrogen proposals, XLinks interconnector project, and seaweed cultivation. The outcome will be a coherent investment case to enable the Councils to present the core reasons and purpose for investment in the area, considering mechanisms to facilitate inward private / public sector investment as well as non-direct influencing factors for growth such as housing, logistics, employment land, and skills training.

The government has recently announced the results of its fifth Contracts for Difference (CfD) Auction Round. Five solar projects have been successful across Devon and Somerset totalling 163MW. Celtic Sea developers were not able to bid as The Crown Estate has not yet awarded any FLOW leases, but the offshore wind industry did not submit any bids across the UK. This was due to the low 'strike price' that had been set by DESNZ. We attended the Celtic Sea APPG to discuss the implications of this for FLOW and the main concern was that investor confidence will have been knocked, which is essential given it is still an emerging sector. It was agreed that a clearer pathway is necessary, including a realistic strike price and clarity about the scale of local content required.

Nuclear

The Nuclear South West Inward Investment project continues to manage the pipeline of potential investors to the region. Given this is the final year of the funded contract, we are keen to continue to raise the profile of the South West and Somerset in particular as still being the only new nuclear build in the UK with many £M's of contracts yet to be let that will be of interest to both UK and overseas companies. We will therefore continue to promote the capabilities of the region at high profile events, including the World Nuclear Event in Paris (November), the Nuclear Industries Association Annual Conference in London (December) and other associated manufacturing and supply chain events such as the UKAEA Supplier Day and Advanced Nuclear Manufacturing.

We have published a new dashboard report focussed on Hinkley Point C that highlights the project's role as a catalyst for growth, job creation, and prosperity. With the peak of construction still to follow, Hinkley Point C has already provided a significant boost to the local economy close to the construction site, with productivity in Bridgwater growing faster than anywhere else in the region, and well above the national average. More widely, the project has led to a significant surge in the number of medium and large companies setting up, expanding, or relocating to the region, bringing new investments and opportunities. For every pound invested in the project, the Heart of the South West area has gained £2.50 of value.

As part of the Hinkley legacy activity, a Somerset Energy Prospectus has been produced that flags up the capabilities, infrastructure and innovation assets that are supporting Hinkley Point C and which will be able to transition to support projects such as Gravity, FLOW and other new nuclear technologies.

Energy Futures Programme Board

The programme board has met twice over the last 6 months and discussed the Great South West energy prospectus and associated campaign, tidal energy, the HotSW FLOW outcomes we want to deliver, Local Area Energy Planning in Devon and Somerset, Hydrogen SW's activity, the UK's Electricity Network Commissioner's recommendations to government, and the suite of government energy policy documents and consultations that have been published in the last 6 months.

Food, Farming & Natural Capital

Agri-Tech

We presented at the Petroc launch event of the Environmental Space Living Lab, that the LEP is funding the Satellite Applications Catapult to deliver. Further launches are planned at Bicton College and Bridgwater and Taunton College as soon as their equipment has been installed. We have agreed to support the South West Agri-Tech Alliance with its regional showcase event planned in Exeter on 20th April 2024.

Food & Farming

A Food Summit has been postponed until next year and will instead be led by the Great South West and form part of a series of smaller themed events through 2024. We have provided a part time resource to support the Great South West's work on rural, food, farming and fishing over the last 6 months. The LEP's Food Proposition has been drafted for discussion with key stakeholders. While this follows the format of a High Potential Opportunity (HPO) and DBT is supporting us with this work, it will not be a formal HPO.

Phosphates

The LEP's application to the SW Net Zero Hub for funding towards an Anaerobic Digestion (AD) study was successful. The Hub agreed to fund it 100% and has recently appointed Wardell Armstrong to

undertake the work. This follows a study commissioned by Somerset local authorities that identified AD as a possible phosphate mitigation option.

Marine

Ocean Futures Launchpad

We are expecting an announcement w/c 16th October about our Expression of Interest to Innovate UK for a Marine and Maritime Launchpad. This would be a £7.5m grant programme for SMEs focussed on the three Ocean Futures priorities of marine autonomy, digital ocean and clean maritime. As the applicant, the LEP will lead the programme's co-design and be involved in the ultimate project selection process. Other key partners we will continue to work with on this include the Universities of Exeter and Plymouth, PML, Plymouth and South Devon Freeport, and Maritime UK SW.

Tourism

Local Visitor Economy Partnerships Study

The Local Visitor Economy Partnerships (LVEP) study is continuing with pace, led by the appointed consultant Tomorrow's Tourism. The Discovery Phase is now complete, including in depth interviews with key stakeholders and an online survey that received 226 responses (49.5% from Devon, 48% from Somerset). Respondent opinions on LVEP priorities converged on the following focal points:

1. Cultivating strategic partnerships that invest in destination growth
2. Elevating branding, marketing, and promotion endeavours
3. Championing sustainability and accessibility within the visitor economy
4. Nurturing cross-sector collaboration

The main advantages of an LVEP have been identified as a unified voice and representation, support for business, strategic and effective implementation, and avoiding duplication and fragmentation. Respondents' feedback highlights concerns about bureaucracy, resource allocation, duplication, representation, focus and the ability of LVEPs to effectively support business and deliver tangible outcomes.

Overall, respondents expressed a critical view of the current performance of local Destination Management Organisations (DMOs) against the identified priorities, and there appears to be broad recognition of the need for radical change in Devon and an evolution to arrangements in Somerset.

The Analysis Phase is now underway, which includes two county workshops – Somerset on the 3rd October and Devon on the 4th October. This will enable the consultants to feedback results of the survey and interviews, highlight a range of options, and invite attendees to help develop a model that is appropriate for each county.

The final report should be available by the end of October and will be circulated to the Board.

Tourism Data Hub

Destination Plymouth is progressing Phase 2 of the Tourism Data Hub project, following OIC's agreement to proceed in July. The procurement specification has been prepared for the commissioning of a provider to build and operate the Data Hub. The project timings have slipped a little, but the procurement is now live, enabling the assessment and selection of the supplier to be completed by 10th November. The intention is for the LEP funding to support operation of the Data Hub for the first 12 months, from April 2024.

Support for Business

Growth Hub

The LEP has match funded Growth Hub operations to end March and provisionally allocated funding to 24/25 match; in 23/24 Govt funding for Growth Hubs is £311k vs an annual running cost for the HotSW Growth Hub of £431k. Year to date the Growth Hub has helped 734 businesses find support, advice and guidance and is on track for this to increase to 1700 by end March

Access to Finance Platform

LEP investment into the finance ecosystem is helping to drive traffic to the £200 million British Business Bank's SW Investment Fund which launched in July. The HotSW Access to Finance platform is now live with the Bank holding a finance webinar on the platform. At the time of writing 153 users are registered including 114 business leaders & 36 funding and finance advisers/leads. The LEP has funded the platform's operation to end March with arrangement past that part of transition planning

The LEP is also supporting a Tech SW-led programme to develop new networks of angel investors across the Cornwall/ HotSW/ Dorset area. This will lead to the creation of 40 new angels (20 in HotSW) which will generate an additional £2.8m of angel investment per annum.

Peer Network

The Peer Network programme is live providing the opportunity for SMEs to learn from other successful SMEs. Running to end March. Six delivery partners, including Devon & Plymouth Chamber of Commerce, University of Exeter, Somerset Chamber of Commerce, School for Social Entrepreneurs (SSE) and SWMAS will bring together 80 SMEs over the period who have an ambition to grow.

Transport

The only Amber item in this performance report is as follows:

| Objective | Key Result | Issue & Mitigation |
|---|---|--|
| Support partners in development of place & champion economic growth in the area | Support completion of outline business case for connecting to the West Somerset Railway (Taunton to Bishops Lydeard | The outline business case for connection to the West Somerset Railway (Taunton to Bishops Lydeard) has been delayed by the decision to commission additional consultancy work, for which extra funding has now been secured). This was originally targeted for completion by September; the additional work has now commenced and the revised target date is Q4. |

C. Growing Places Fund – outcome is:

- Growing Places Fund managed effectively and making a contribution to growing the area's economy

The social impact fund report discussed at the July Board will be completed in October. This can serve as the basis for a business case should a decision be made to progress, though that would be a specific decision for the Board and is not presented as an option at this point.

D. Inclusive growth – outcome is:

- Embed inclusive growth into wider work across the area

See update on the Growing Places Fund above.

E. Transition: enabling & supporting orderly evolution: GSW, devo etc – outcome is:

- Evolve operating model to support/ enable devolution transition and reflect emerging priorities of Great SW, changing priorities across local partners, and cost recovery

Transition work is now underway under the chair of Somerset's S151 officer and the LEP exec team and local authority partners developing the details. Relevant matters will be brought to the Board as required.

3. Red Rated OKRs

None reported

4. Risk Register

The latest risk register, reviewed by OIC on 3rd October, is attached. OIC have been particularly mindful of the potential impact on staffing from the Government funding announcement and are closely monitoring Growth Places Fund loans given the LEP's reliance on GPF interest.