



Annual Report 2022-23



Foreword from Karl Tucker Yeo Valley and Chair of Heart of the SW LEP

After 3 reviews and much prevarication, Government has now confirmed that their sponsorship and funding of LEPs will cease from April 2024 and the functions of LEPs should pass to upper-tier local democratic institutions.

The LEP, and me personally, have always supported greater devolution but it is also important that the private sector and our HE and FE partners continue to be at the top table. Ultimately, as I expand on below, this work is all about impact – making a difference for the people and businesses of this region. So future delivery of economic development must represent an improvement; devolution must deliver better and stronger local leadership and the growth the economy needs to ensure future prosperity here. It must ensure that the nascent opportunities of tomorrow turn into real progress on the ground. That requires long-term thinking, resources and the right powers to make a difference.

These long-awaited changes have been difficult for the LEP Board and staff and I would like to thank all of them for the resilience and patience through this overly protracted process. We remain absolutely committed to maintaining delivery through an orderly and timely transition, working through the complexities of the constituent geographies and the LEP's CIC status.

A challenging economic and political year

Over the last year the LEP has focused on 5 key themes;

- Transition and continuing to support the business voice
- Delivery of programmes – Local Growth Fund, Getting Building Fund, EU funding and services such as Growth and Careers Hub
- Delivery of the Build Back Better Plan and specifically its transformational economic opportunities
- Inclusive Growth
- Growing Places Fund

Overall, progress through what have been challenging economic and political times has been strong. Delivery of capital programmes has become more challenging as costs have risen; the business support landscape is changing and levels of support reducing significantly as EU funds come to a close, but we have seen major initiatives such as the Freeport, Gravity, the Social Mobility Commission and Great South West take significant steps forward. Hinkley Point C has continued to progress with legacy and transition of know-how to Sizewell becoming increasingly real. The opening of the Okehampton rail line was a real coup for our area and demonstrated how genuine Partnership can work. For the first time in over 20 years we have also actually seen investment in improvements to the A303 (as opposed to simply maintenance) although we are still awaiting commitment (or not) for the Stonehenge tunnel.

We have continued to deliver our Build Back better Plan and in 2022-23 16 Local Growth Fund and Getting Building Fund capital projects completed. These included the Forder Valley link road, InterCity Place in Plymouth and the Taunton Digital Innovation Centre, whilst i-Aero celebrated its 1 year anniversary in July. The Further Education Digital Accelerator completed, providing FE colleges across the area with new state of the art IT equipment to help develop skills for the future.

Through the leadership of Chambers of Commerce, the HotSW Local Skills Improvement Plan has been agreed and signed off by DFE and our Getting Building Fund capital programme is now complete. Government's recent Growth Hub evaluation placed our Growth Hub in the top 5 in the UK and our Careers Hub is already transitioning to operate in teams for Somerset and Plymouth, Torbay Devon.

2022-23 Reflections

Impact of LEP Investments

Altogether our Local Growth Fund and Getting Building Fund programmes have created 9,283 jobs and apprenticeships to date and are forecasted to create a further 13,459 by March 2025. 37,830 people have been trained in facilities LEP funding has helped to create and a further 24,731 are forecast to be trained by March 2025.

To 2034 LEP investments are forecast to add £6.7 billion to the economy

This year we have commissioned a wide-ranging study to set out the impact of LEP investments. This is looking not just at the immediate levels of job creation and so on, but what the contribution of those investments will be over the next 5-10 years. As large-scale capital programmes using public money it is right that this is clearly understood and I would hope that the evaluation will help local partners in the future in bidding into new funding opportunities.

The full report will be published in the autumn but early headlines show that over the period to 2033-34 LEP investments will generate £6.7 billion for the economy, allowing for inflation over the period. With an economy currently totalling £34 billion, that is a significant impact.

In addition, £1 of LEP investment is generating between £15-19 over the period.

Although funding through LEPs has been reduced in recent years this message is important in the context of securing resources for future growth; ultimately, Government investment here is gives a good return to and for UK PLC

Every £1 of LEP investment generates £15-19 over the period

Challenges for the Future

We have worked hard to try to secure the strategic infrastructure improvements we need. An electric vehicle charging system, decent Wi-Fi on rail services and increased active travel solutions may require significant changes to the orthodoxy of how we deliver infrastructure improvements and decarbonisation in the UK. The rolling investment strategy adopted by Governments prioritising metropolitan areas is not fit for purpose and we will

need to think much more radically to invest increasingly scarce public money wisely. The next stage of strategic transport investment will be in maintenance rather than improvements – our highways estate particularly is in a poor condition and as noted above, improvements to the A303 still face several hurdles before they can progress.

Digital infrastructure, particularly to hard to reach areas remains a real challenge despite significant funding from the LEP and other organisations. Much of the delivery by the private sector now is often overbuild and there is continued uncertainty on how Project Gigabit will be delivered across the HotSW area. Consequently, we have re-directed significant amounts of digital funding to support complementary digital activity largely for business innovation – after a slow start the Mobile Boost scheme has worked well; we've put significant funding to support digital skills and have supported 4G/5G innovation such as Smart Sound, the Somerset Digital Innovation Centre, Subsea mesh and Environmental Living Lab.

Losing talent, poor social mobility and cost of housing remain very much at the core of the issues facing our area.

Thorough our support, we hope the Social Mobility Commission might start to shine a light to some progress but significant structural and systemic challenges remain.

We are fortunate that across the Heart of SW there are high quality FE institutions but academic results in some areas must improve and we need young people to build their careers here. Whilst Covid might make that more desirable as people have to travel less for work the cost of living challenges and housing affordability mean that it is harder to achieve. Business will need to step-up but Government (local and national) needs to enable it.

And a final word on the future. Post LEPs there must be a really hard think about how UK PLC delivers growth, specifically good growth and how we improve social mobility. Low productivity and poor social mobility remain inherent and unwelcome characteristics of our economy.

The private sector are the solution to good growth and must be front and centre of the conversation

Where next?

David Ralph – HotSW LEP
Chief Executive Officer



It is 5 years since I joined Heart of the SW LEP and the past year has undoubtedly been one of the most unsettled of my time here. After multiple reviews and an overly-lengthy process, we are finally clear that LEP functions will transfer to upper-tier Local Authorities. We are working with our partners to fulfil Government's ambition of this being as soon as possible consistent with a smooth transition, and timescales will be worked through in detail. Different approaches are emerging across the country; in some areas with (Mayoral) Devolution Deals this won't happen until April 2025; in other areas – those with already agreed devolution deals – this has already happened but with a LEP-like business Board supporting the Mayor. Transition is however no longer directly linked to devolution. I expect in our area at least some LEP functions will be dis-aggregated to the new Somerset Unitary and either the 3 upper-tier authorities, Devon, Plymouth and Torbay or, as they come together, as a single Combined Authority for the 3 areas..

Government is very clear that this should be an evolution and has been keen to emphasise continuation of delivery of the LEP functions. However, it is important that whilst Local Authorities have a central role to play in the transition, the principles of a Partnership approach remain with business, HE and FE central to future success whether trying to address the systemic issues of poor social mobility; building a skilled work force or growing a clean and inclusive economy through future public and private investment. Other areas continue to do this at scale and as ever, the need to present this part of the country in a way which enables us to compete for resources will remain a priority.

The journey to transition represents a very long road – probably going back to 2016. From the outset the levers and funding available to LEPs was very much curtailed and in recent years most of Government funding to support local growth and Levelling-Up has been directed through Local Authorities. With limited funding, our Board chose following the pandemic to try to bring forward some of the potential transformational opportunities linked to the delivery of net-zero such as marine, digital, FLOW, future flight, nature recovery etc and we are keen that this work is not lost. Great South West will be an opportunity for some of these to be picked up.

Inevitably, the transition of functions is not without local complexity partly due to the way the LEP has been incorporated. However, what is without question is our commitment to complete the transition in an orderly and timely way and the fortitude of all Board Members and staff who have had to endure a painfully extended process is notable. I am extremely grateful to them for their resilience, continued enthusiasm and professionalism throughout. LEP Board Members are volunteers and deserve our and the Government's gratitude for their service.

Highlights...

Despite the concerns caused from the uncertainty around Government policy towards LEPs which continued throughout the year, the HotSW LEP continued delivery of its existing programmes.

The LEP completed, or worked in partnership to support several notable achievements through the year which included:

Completed delivery of the
£35.4 million
Getting Building
Fund programme

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

Supported the
Plymouth & South
Devon Freeport in
getting the Business
Case approved,
a major opportunity
for the area

Invested £8 million
Local Growth Fund in a range of projects to
boost the HotSW area's digital capabilities.
These included support for businesses to develop
better digital capabilities; support for individuals
to develop their digital skills; capital investment
in infrastructure such as the Smart Sound which
strengthens Plymouth's role at the heart of
an advanced marine and maritime cluster; the
Environmental Living Lab which demonstrates
the environmental and economic benefits of
satellite-enabled technologies across real-world
environments; funding a Tourism Data Hub to
improve the data available to the sector

Launched a series
of dashboards which
highlighted key
data on the HotSW
economy, clean
growth and inclusive
growth

Supported almost
**1,700
businesses**
to access the advice,
support and finance
they need

Supported the establishment of
Hydrogen South West
which brings together
businesses and communities
to drive the development
of hydrogen infrastructure
and technology

Impact of the Heart of the South West LEP

Comprehensive information on the Heart of the SW economy, inclusive growth and clean growth is available through a series of dashboards published on the LEP's website. Through the year the LEP also publishes regular round-ups of data and business sentiment through the Business Bulletins, available here.

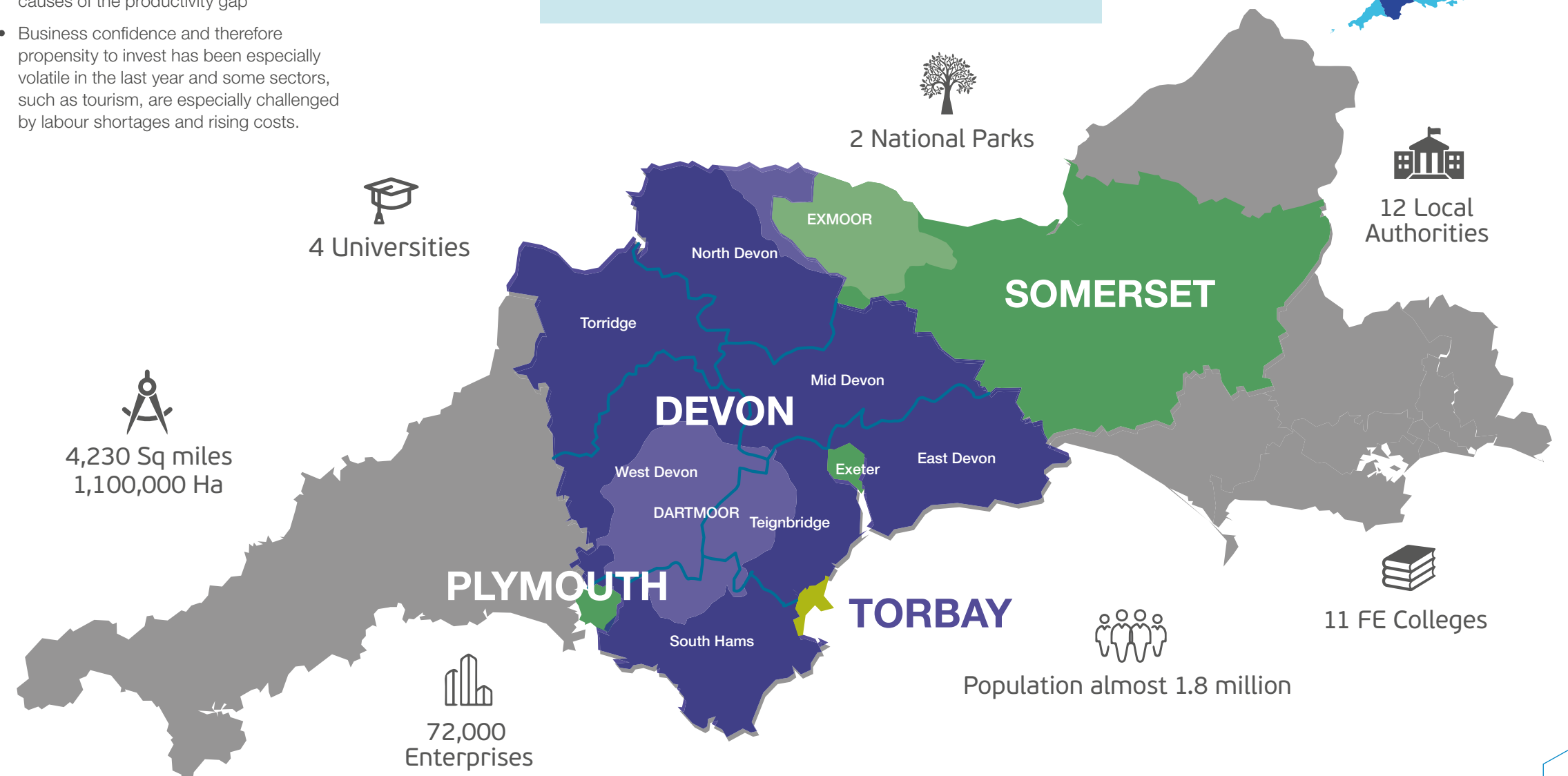


In summary

- The Heart of the South West's £34bn economy and 1.8m population is equivalent to that of a major UK city
- In recent years, the continuous growth since 2014 has been disrupted and reversed by the pandemic
- Long-standing structural challenges around productivity remain; in the mid-20-teens the gap with the UK started to close. However productivity growth was driven by employment growth and as the labour market reached near full-employment, these gains halted. The HotSW labour market remains one of the tightest in the UK so the productivity gap has now widened again
- Levels of business start-up, R&D investment, overseas trade, investment all remain behind the UK average. These are the structural causes of the productivity gap
- Business confidence and therefore propensity to invest has been especially volatile in the last year and some sectors, such as tourism, are especially challenged by labour shortages and rising costs.

A £34 BILLION ECONOMY

The Heart of the South West



Heart of the South West Investment Programme

As set out by Government in previous years, future capital funds will flow through local authorities rather than LEPs. In 2022-23 the LEP continued to manage the existing programmes with highlights including completing spend of the £35 billion Getting Building Fund programme, awarded during the first year of the Covid pandemic.

The total funding awarded to the LEP is set out below:

£ millions	Government Award	Match Funding	Total
Local Growth Fund ¹	£197.8m	£428.9m	£626.7m
Getting Building Fund	£35.4m	£58.8m	£94.2m
Growing Places Fund ²	£21.5m	£48.4m	£69.9m
Rural Growth Network Pilot	£3.8m	£15.1m	£18.9m
Growth Hub	£4.0m	£1.3m	£5.3m
European Structural Investment Funds ³	£114.5m	£146.4m	£260.9m
TOTALS	£377.0m	£698.9m	£1,075.9m

Of the above, going into 2023-24, £8.5 million across 12 projects remains to be spent under Local Growth Fund as agreed with Government and it is required that this is completed by December 2024. Of these the largest is supporting Connecting Devon & Somerset to bring super and

ultrafast broadband to rural areas. The Growing Place Fund loans remain live and repayments continue to 2029.

More details on specific projects can be found at [Projects in our area Archive](#).

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. Includes capital & revenue funding awarded by Government

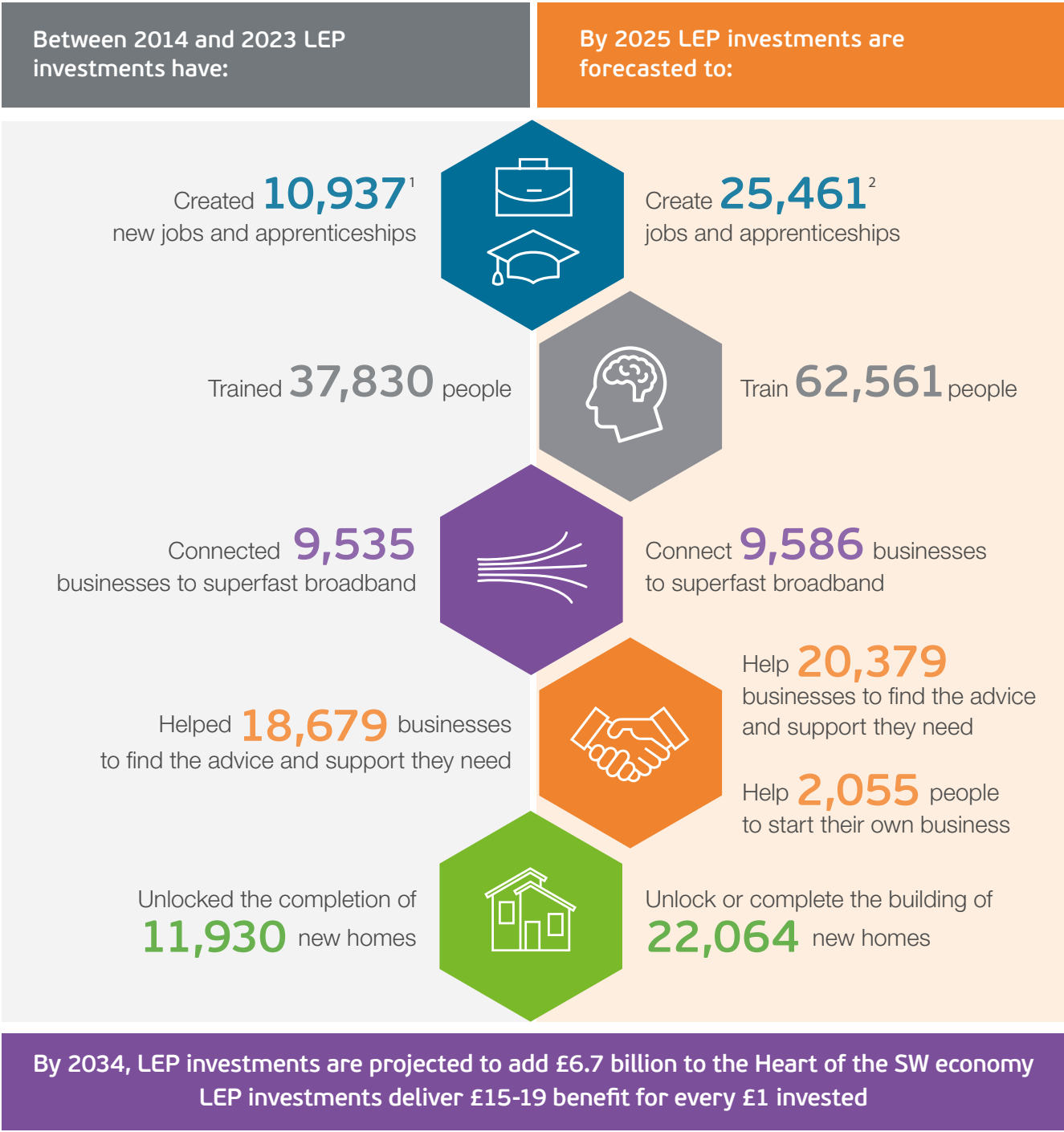
3. European Funds: the LEP along with other local partners, provided advice to the respective Government department managing the funds to ensure they meet local priorities. Investment decisions and project management are conducted by the relevant Government department

The impact of the HotSW LEP's funding programmes

The LEP has commissioned an independent study into the long term impact of these investments on the Heart of the SW's economy. Government requires monitoring of the investments to March 2025 but as capital projects the impact on the area

will clearly continue beyond this date. It is hoped the study will help other partners in the area when bidding for future funds.

The full report will be published Autumn 2023, but initial findings show:



1. Total includes Local Growth Fund, Getting Building Fund & Growing Places Fund. The Local Growth Fund + Getting Building Fund only total is 9,283

2. Total includes Local Growth Fund, Getting Building Fund & Growing Places Fund from programme start to end March 2025. The Local Growth Fund + Getting Building Fund jobs & apprenticeships forecast from 2023-25 total is 13,459

Investment Themes



Growth Deal, Getting Building Fund, Growing Places loan Fund and European Funds have all been deployed across key drivers of productivity with investment themes shown below:

	Growth Deal	Getting Building Fund	Growing Places Fund	Defra Rural Pilot	Growth Hub (inc. LEP match)	European Structural Funds	Total
Clean Growth		4.3				5.2	9.5
Innovation	47.8	12.8	9.5			18.9	89.0
Natural capital	13.0	0.6					13.6
Skills	18.3	1.3				40.5	60.1
Business Support	1.7	0.1			4.0	16.4	22.2
Workspace	4.9	10.2	2.9			12.2	30.2
Rural				3.8		17.0	20.8
Digital	17.6		4.2			4.3	26.1
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	4.0	114.5	377.9

*Includes programme management costs

1. Note that Growing Places total includes existing and repaid loans, therefore total is different from the Government Award set out earlier in this report



Case studies



Taunton Firepool Development

The Heart of the South West LEP provided £400,000 Getting Building Fund towards a vital scheme linking Taunton's train station car park and Firepool Development to the town's road network, with cycling provision and bus services. The new signalised all movements junction on Trenchard Way, Taunton will serve both the Firepool Development and the new multi storey station car park that is part of the Taunton rail station redevelopment.



Lymington Road Coach Station Development

£2 million from the LEP's Getting Building Fund has supported new business units at Lymington Road coach station, with construction well underway. The development will provide space for small businesses, with improvements also being made to the public space, as part of wider plans to generate new business and employment opportunities and improve transport infrastructure in Torbay.



Cyber-Resilience of Offshore Wind Networks (CROWN)

The LEP has provided £650,000 of Local Growth Fund to support the University of Plymouth to create an offshore wind cyber security research and development facility. It further enhances the University's position as a global leader in both offshore renewable energy and maritime cyber security innovations, and comes as discussions continue around the potential future growth of floating offshore wind technology in the Celtic Sea. It will also allow the continued growth of the maritime cyber-cluster in the Heart of the South West region.



Ilfracombe Watersports Centre

£1.5 million Getting Building Fund from the LEP helped develop the Ilfracombe Watersports Centre, which will be home to three of the town's local clubs. The new facility gives them the opportunity to extend their memberships to the wider community and offer taster events to local residents and visitors, while providing storage for boats, a slipway for safe and easy access to the water and disabled access and facilities. Commercial operators H2Outdoors, Active Escape and Nick Thorn will be based at the hub, making it a destination for residents and visitors, and the National Scouts will also be using the hub as a base for watersports activities.



Access to Finance SW platform

The LEP has supported development and launch of the new Access to Finance SW platform, and will be funding it through to March 2024. The platform will help businesses across Devon and Somerset access funding opportunities, finance advice and guidance. It will also help businesses connect with and learn from other successful business leaders and complements the British Business Bank's £200 million SW Investment Fund.



Plymouth & South Devon Freeport

As a key stakeholder, the LEP supported the Plymouth & South Devon Freeport in getting the Business Case approved, working with partners to unlock new employment land, new businesses, thousands of jobs and millions of pounds of investment, while harnessing the region's key strengths in marine, defence and advanced manufacturing.

Growth Hub successes



Nine Springs Natural Health Centre

Kelda Prescott is Director of Nine Springs Natural Health Centre, owning and running two natural health centres, in Yeovil and Chard, South Somerset. Kelda bought the business from the previous owners in 2020 just as the first lockdown started. She was able to navigate the challenges Covid brought with it and in the summer of 2021 opened a second centre in Chard.

The biggest challenge was marketing the services of the business and reaching potential clients. Kelda says "I was finding it so frustrating to put in hours creating content for nobody to see it! I signed up to the Growth Hub's Thrive programme as I wanted some coaching and support across different areas, including the running of the business and specific marketing advice.

"Finances are limited and as a business owner, looking after all aspects of running a business, it can be hard to prioritise which support would help the most. Having the opportunity to access free support, across various aspects of the business, is amazing."

Kelda Prescott, Director

Bamboo Growth

Anyone who knows anything about plants will know that Bamboo is one of the strongest and fastest growing organic materials on the planet, so it was no wonder that Matt Whale and Alex Stewart chose that name for their business.

The Devon based duo set up their Business Advice consultancy, Bamboo Growth Ltd, in Plymouth to assist entrepreneurs with running and growing successful businesses. Prior to setting up [Bamboo Growth](#) in 2019, Matt and Alex were key members of the senior leadership team for a £7m digital learning company, Matt working as Chief Operating Officer and Alex as Director of Client Delivery.

Matt and Alex found out about the Growth Hub from a LinkedIn post about grant funding. The Growth Hub connected Bamboo Growth Ltd with SW Investment Group as a potential referral source for future clients.

"The Growth Hub has certainly opened doors for Bamboo Growth Ltd that has enabled our business to flourish."
Alex Stewart, Bamboo Growth Ltd



SilvaTech

A successful IT business, SilvaTech manages and develops IT systems for businesses including providing ongoing IT support, helping businesses to leverage their technology to improve their success, or assessing risks to a company through their IT. Liam Glanfield is the company's Technical Director and he sought support on the management side of the business which had been more of a challenge. The Growth Hub introduced Liam to the Thrive programme as an opportunity to get advice, support, and ideas for how to manage the company's direction and growth.

"It has been wonderful to take advice and has helped me fit into my new role as Director. I've always been technical and now I feel more confident in the business aspect of my company."

Liam Glanfield, Technical Director

Following on from the Thrive support that Liam received, his key goals to achieve now are to employ more staff to push the company forward further and enact the business plan that Thrive has given him the tools to formulate.



ANNUAL FINANCIAL STATEMENT 2022-23

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Introduction

The following sets out The Heart of the South West LEP's Annual Financial Statements for 1 April 2022 to 31 March 2023

The Heart of the South West (HotSW) LEP is a strong and dynamic business-led partnership between the private sector, local authorities, universities and colleges. The LEP seeks to lead and influence economic growth, job creation and prosperity across the Heart of the South West area covering Devon, Plymouth, Somerset, and Torbay.

Our vision is for a dynamic, highly prosperous region with high living standards and an outstanding quality of life and our mission is to raise productivity and ensure prosperity for all through clean and inclusive growth. The LEP does this through:

- **influencing Government policy and decision-making to create the conditions for economic growth in Heart of the SW**
- **managing an investment portfolio of £258m of Government funds and working with Government to shape the investment of a further £122m of European Structural & Investment Funds in the area. Total investment across these programmes including match funding is over £950m.**

This involves close working with a broad partnership across business, local authorities, universities, colleges, and the National Parks. This support and contribution are highly valued.

More details of the LEP's investments, policies and governance can be found at heartofswlep.co.uk

On 4 August, the Department for Levelling Up, Housing and Communities (DLUHC) issued a letter and associated technical guidance which confirmed its previous minded-to decision to cease providing central government funding to and sponsorship of Local Enterprise Partnerships (LEPs) from 1st April 2024.

Government expect LEP functions to be transferred to upper tier or unitary authorities where those functions are not already being delivered by a combined authority, or in areas where a devolution deal is not yet agreed. Transition is required to be done in a smooth and orderly manner and for this to happen as quickly as possible whilst paying due regard to relevant legal requirements.

Heart of the SW LEP is a Community Interest Company and therefore decisions around transfer must comply with the asset-lock requirements of a CIC. Government will publish more guidance around business representation in local economic development and strategic economic planning in January 2024. The LEP Board will be working through the implications of Government's announcement through 23/24. Financially the LEP remains in a strong position; no draw on reserves is required to fund operations in 2022/23 and closing reserves at end March 2023 is forecast at £1.498m.

2022/23 LEP Activities Summary

The following tables summarises the movement in year of the various funding streams and activity. Each of these funds are further explained in more detail throughout the report.

LEP activities 2022/23					
	Operational activity and reserves	Growth Deal Funding	Getting Building Fund	Growing Places fund	HotSW Capacity Project
	£m	£m	£m	£m	£m
Fund opening balance	1.268	0	0	22.016	0.238
Open balance adjustment				(0.056)	
Reserve draw down per budget	(0.883)	0	0	0	0
In year draw from reserves	(0.211)				
Income	2.538	0	0	0.532	1.498
Expenditure	(1.214)	0	0	(1.515)	(1.546)
Fund carry forward	1.498	0.000	0.000	20.976	0.190
Of which funds lent out due for future repayment	0	0	0	15.402	0
Of which funds managed through freedoms & flexibilities	0	11.971	0	0	0
Funds/cash currently held by Somerset County Council on behalf of LEP	1.498	0	0	5.574	0

- The operational fund comprises in year operational revenue activity, as detailed on page 19. The fund is split between earmarked commitments and general reserves as set out on page 20. There is use of reserves from funds built up over time or through funding exchanges made up of underspends or management overheads (top slice) from Growth Deal and Getting Build Fund project funds. The building of a reserve was a purposeful strategy to support the operational activity of the HOTSW LEP as government grant reduces.
- Both Growth Deal and Getting Building Funds are capital grant funds that are allocated to specific projects. All funds have been defrayed by the required deadline with a Growth Deal balance managed using Government agreed Freedoms and Flexibilities; the project specific cash flows are detailed on pages 21-24. Freedoms and Flexibilities allow Local Authorities to manage their finances in a flexible manner, whilst ensuring they follow all the relevant regulations and guidance.
- The Growing Places fund is the HotSW LEP's revolving loan fund. Most of the fund is allocated with all loan repayments expected back by September 2029. A summary of activity and balances is reported on pages 26-27.
- Capacity projects are in part funded from the LEP's core operational budget. Details of total project income and costs for live projects can be found on page 28.

2022/23 Core Operations Financial Report

The following table shows the income and expenditure for the year on the core operational budget held by the HotSW LEP.

HOTSW LEP Core Operational budget				
	2021/22		2022/23	
Income	£m	£m	£m	Notes
Grant from Government	0.500		0.375	1
Growing Places Fund	-		0.454	2
Capacity projects transfer	-		0.354	3
Local area match funding	0.150		0.120	4
Additional local area contributions	1.162		-	
Interest received	0.038		0.256	5
Enabling Fund Repayment	0.085		0.085	6
Other income	-		0.011	
Budgeted draw from reserves	1.188		0.883	7
In year draw on reserves	0.253		-	
	2.376		2.538	
Expenditure				
Salaries & expenses	0.506		0.474	
Admin & office costs	0.087		0.158	8
Service level agreements	0.738		0.520	9
Governance	0.029		0.020	
Enablling fund	0.087		-	
Operational delivery	0.319		0.042	
	1.766		1.214	
Surplus of (Deficit) for the year	0.610		1.324	

Notes to the accounts

- 1) The core revenue grant received was £375,000, reducing from £500,000 the previous year.

2) The LEP transferred accumulated interest from Growing Places Fund loans into reserves as part of supporting future project and operational costs.

3) An amount of £354,000 in the Growth Hub capacity project was transferred to the operational budget during the year as this was no longer required.

4) As part of the grant offer from central government, there is a requirement for contributions from the local authorities within the LEP boundary, this is known as match funding.

5) Interest earned on Growth Deal and Getting Building Fund project funds held by the LEP. Higher interest rates resulted in increased income in the year.
- 6) Enabling fund – a repayable fund used since 2019/20 to accelerate delivery of the Enterprise Zones.

7) Budgeted draw from reserves to meet operational costs; the budget was developed with the assumption of no Government grant – not confirmed at the time – so the in-year draw is higher than finally required and in part contributes to the end of year surplus.

8) Admin & office costs include an in-year transfer of £50,000 to Growth Deal to correct a previous incorrect allocation.

9) Agreements with local authority and university partners to provide capacity support to LEP operations.

The following table details the movement in the core operational reserve split between general reserves and earmarked commitments. This reserve is held to fund the future running costs of the LEP (as detailed in the forward budget scenarios on page 30).

HotSW LEP Operational Reserve		
	2021/22 £m	2022/23 £m
General reserves		
As at 1 st April	1.697	0.744
In year draw from reserve	(1.258)	(0.883)
Transfer between reserves	(0.305)	(0.025)
Surplus/deficit for the year	0.610	1.324
As at 31 st March	0.744	1.160
Earmarked commitments		
As at 1 st April	0.392	0.524
In year draw from reserve	(0.183)	(0.211)
Transfer between reserves	0.305	0.025
In year adjustment	0.010	0.000
As at 31 st March	0.524	0.338
Total reserve as at 31 st March	1.268	1.498

2022/23 Capital and Project Detail

A. Growth Deal

This statement shows the movement in the year on the Growth Deal funding held by the HotSW LEP. The following tables show only the LEP investment in projects, not the total cost which will include match funding. More details on individual projects are available at: <https://heartofswlep.co.uk/projects/>

HotSW LEP Growth Deal Budget								
	2015-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	Total £m
Income								
Grant from Government	100.11	36.132	9.986	13.146	38.459	-	-	197.833
Expenditure								
LGF	51.357	31.453	26.413	28.811	35.254	8.110	4.464	185.862
Surplus of (Deficit) for the year	48.753	4.679	(16.427)	(15.665)	3.205	(8.110)	(4.464)	11.971

The total amount of the Growth Deal grant was spent by 31st March 2021 in line with the grant conditions. Within the surplus remaining above, £10.986m is allocated to projects and £0.985m for project headroom, these balances continue to be managed through Freedoms and Flexibilities with Somerset Council as accountable body. This allows agreed projects to continue to spend with the final agreed deadline for spend being 31 December 2024. Outputs on all projects will continue to be monitored by the Operations & Investment Committee (OIC).

Annual Financial Statements 2022/23

HotSW LEP Growth Deal Budget continued...							
	2015-17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m	£m	£m
Expenditure							
Yeovil Western Corridor capacity upgrade	0.471	1.619	3.864	-	-0.280	-	-
Torbay Western Corridor	2.496	4.018	1.735	-	0.751	-	-
Bridge Road, Exeter	5.300	-	-	-	-	-	-
Derriford Transport Scheme	3.329	6.831	0.079	-	-	-	-
A382 widening, Newton Abbot	0.503	1.438	0.894	2.367	1.498	-	-
Torquay Gateway	1.237	0.068	0.014	-	0.636	0.081	-
Huntworth Roundabout Bridgwater	1.910	-	-	-	-	-	-
A361 Portmore to Landkey Stage 1	0.332	0.429	-0.003	-	-	-	-
Derriford Hospital Interchange	1.400	0.730	-0.080	-	-	-	-
Taunton Rail Station Enhancements	0.049	-	-	2.135	2.416	-	-
Torquay town centre access	0.329	-	0.068	-	-	-	-
Roundswell Phase 2, Barnstaple	0.293	1.345	-0.005	-	-	-	-
A38 Deep Lane junction, Sherford	2.000	-0.016	-0.074	-	-	-	-
A379 Newcourt junction, Exeter	0.886	-0.061	-0.007	-	-	-	-
A39 Heywood Road junction, Bideford	-	-	-	0.070	-	-	-
Marsh Barton, Exeter, New Railway Station	2.295	0.742	0.024	0.184	1.161	-	-
Plymouth Northern Corridor traffic signals	1.050	0.675	0.971	0.059	-	-	-
Plymouth Eastern Corridor cycle network	0.394	0.701	0.801	0.424	0.984	0.116	-
Plymouth Charles Cross and Exeter Road	-	-	1.082	1.018	-	-	-
Bridgwater College Hinkley Skills Capital	5.146	-	-	-	-	-	-
Plymouth College Stem Centre (city college)	5.430	-	-	-	-	-	-
HPTA - Bicton	0.300	-	-	-	-	-	-
HPTA - South Devon	0.211	-	-	-	-	-	-
HPTA - Petroc	0.291	0.068	-	-	-	-	-
HPTA – Exeter College	0.961	1.039	-	-	-	-	-
HPTA – National College for Nuclear	-	2.102	0.856	0.040	-	-	-
HPTA – Yeovil College	0.384	0.253	-	-	-	-	-
Somerset Energy Innovation Centre Pt 1 (1b)	1.343	-	-	-	-	-	-
Somerset Energy Innovation Centre Phase 3	-	2.291	2.865	-	-	-	-
Exeter Science Park Environmental Futures Campus	2.498	-	-	-	-	-	-
Somerset College Centre for Engineering	0.596	-	-	-	-	-	-
Plymouth Science Park Phase 5	3.000	-	-	-	-	-	-
Somerset Flooding	5.423	1.056	1.687	1.337	2.172	1.374	-
Growth Hub	-	0.700	-	0.960	0.006	-	-

HotSW LEP Growth Deal Budget continued...

	2015-17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m	£m	£m
Expenditure							
Broadband	-	0.806	-	0.692	0.458	0.091	0.585
Electronics and Photonics Innovation Centre	-	-	-	3.000	-	-	-
Oceansgate/South Yard Phase 1	1.500	-	-	-	-	-	-
UGF - YIC2	-	0.289	0.152	-	-	-	-
UGF - Highbridge	-	0.237	-	-	-	-	-
UGF - Wiveliscombe	-	0.057	0.007	0.446	-	-	-
UGF - Devonport	-	-	0.130	0.367	-	-	-
UGF - Claylands	-	-	-	1.213	0.827	-	-
UGF – Caddstown	-	-	-	0.179	-	-	-
UGF - Wells	-	-	0.148	0.624	-	-	-
UGF - Pathfields	-	-	0.075	0.147	-	-	-
Exeter Science Park Open innovation Building Environmental Futures Campus	-	-	-	0.734	4.356	0.390	-
Exeter Science Park - SPC Phase 2	-	1.851	2.647	-	-	-	-
J25 M5 at Henlade	-	0.716	-	4.728	6.742	-	-
Forder Valley Link Road	-	-	-	-	-	0.301	-
Tiverton Eastern Urban Extension	-	0.386	0.808	-	-	-	-
Somerset Innovation Centre (Phase 3)	-	-	-	-	2.502	-0.002	-
CDS Phase 3 and 4G Mobile Package	-	-	-	-	-	0.160	-
Boosting Mobile Connectivity	-	-	-	-	-	0.336	0.742
Further Education Digital Accelerator Programme	-	-	-	-	0.690	0.308	0.132
5G Smart Sound, Plymouth	-	-	-	-	0.625	0.905	0.266
Digital Business Utilisation Service	-	-	-	-	-	-	0.017
The Digital Skills Series	-	-	-	-	-	-	0.053
Technopole Platform	-	-	-	-	-	-	0.020
Tourism Data Hub	-	-	-	-	-	-	0.009
Environmental Living Lab	-	-	-	-	-	-	0.229
Youth Construction Skills Project	-	0.574	-	-	-	-	-
South Devon College Hi Tech Centre	-	0.459	7.675	-	-	-	-
iAero (South) Centre	-	-	-	2.009	1.824	-	-
Houghton Barton Package	-	-	-	-	2.143	0.527	-
Taunton Toneway Corridor Capacity Improvements	-	-	-	0.404	0.956	2.920	2.410
Huntspill Energy Park	-	-	-	3.940	-	-	-
Plymouth Central Railway Station	-	-	-	1.212	2.975	0.603	-
North Devon Innovation Centre Roundswell	-	-	-	0.522	1.628	-	-
Underspend Exchange	-	-	-	-	0.184	-	-
Cap/Rev Exchange Fee	-	0.050	-	-	-	-	0.001
Total	51.357	31.453	26.413	28.811	35.254	8.110	4.464

B. Getting Building Fund

Getting Building Fund was issued by Government in September 2020, with the HotSW LEP allocation being £35.4m. The grant conditions required the entire amount to be spent by 31st March 2022; as with Growth Deal the LEP achieved this using freedoms & flexibilities agreed with Government and a final spend deadline of 31 March 2023. In line with this, funds are now fully spent.

HOTSW LEP Getting Building budget					
	2019-20	2020-21	2021-22	2022-23	Total
	£m	£m	£m	£m	£m
Income					
Grant from Government		17.700	17.700		35.400
Expenditure					
GBF		3.734	20.964	10.702	35.400
Surplus or (deficit) for the year	-	13.966	(3.264)	(10.702)	0.000

HOTSW LEP Getting Building budget			
	2020/21	2021/22	2022/23
	£m	£m	£
Expenditure			
Torquay Gateway	-	0.220	2.942
Concourse Phase 2, Brunel Plaza	0.093	4.077	-
Firepool Junction	0.080	0.086	0.234
Ilfracombe Watersports Centre	-	1.474	0.192
Burrows Centre	-	0.400	
Exeter Bus Station	0.800	-	-
Enhancement of Future Skills Centre at Exeter Airport	0.481	0.519	-
Taunton Digital Innovation Centre (TDIC)	-	2.000	3.565
Welding Centres of Excellence	-	0.344	-
Exeter Science Park Grow-out Building	0.976	4.024	-
ZEBCat 2	-	0.151	1.751
Green Homes	0.073	0.173	-
EPIC	0.467	0.533	-
iAero	0.037	0.197	0.129
Torbay Business Centre	-	0.182	0.911
Devon Work Hubs	-	0.284	0.410
Bruton	0.349	0.427	-
Plymouth's Business Parks	0.271	1.906	-
Centre for Clean Mobility	0.085	1.778	0.137
Health Tech Incubation Hub	-	1.036	0.003
Smart Biosphere	-	0.150	-
Plymouth Sound National Marine Park	0.022	0.422	0.181
Unlocking East Quay Watchet	-	0.564	-
Dunball Junction	-	0.017	0.121
SME Resource Efficiency Programme	-	-	0.128
Total	3.734	20.964	10.702

C. Growing Places Fund

The Growing Places Fund is held by Somerset Council, transferred from Devon County Council during 2020/21. This delivers against a priority from the 2018 LEP Review that LEPs should have a single accountable body. The purpose of the fund, held as a loans pool, is to create a sustainable revolving infrastructure fund for investment to unlock further economic development and leverage private investment.

The movement in the cash in the bank held for the Growing Places Fund in the year is as follows:

2022/23						
	Capital	Revenue	Total loan fund in the bank	Admin fund	Funds lent out	Total
	£m	£m	£m	£m	£m	£m
Opening balance 1st April	4.917	0.621	5.538	0.705	15.773	22.016
In year transactions:						
Opening balance adjustment	(0.799)	0.799	-		(0.056)	(0.056)
Income & transfers in:						
Principal repaid	0.284	0.030	0.314		(0.314)	-
Interest received on loans held		0.108	0.108			0.108
Interest received	-	0.424	0.424			0.424
Total Income & transfers in	0.284	0.562	0.847	-	(0.314)	0.532
Expenditure & transfers out						
Transfer to Growth Hub				(0.643)		(0.643)
Transfer to Nuclear SW				(0.061)		(0.061)
Project Appraisal				(0.001)		(0.001)
Principal paid Grant	(0.356)		(0.356)			(0.356)
Transfer to Operational Budgets		(0.454)	(0.454)			(0.454)
Total expenditure & transfers out	(0.356)	(0.454)	(0.811)	(0.705)	0.000	(1.515)
Closing balance 31st March	4.046	1.528	5.574	-	15.402	20.976

The opening balance on Growing Places Funds lent out has been reduced by £56k to correct a prior year error. An amount paid from the Fund was categorised as funds lent out due for repayment instead of being correctly classified as capital grants not due for repayment.

The total Growing Places Fund balance considering the commitments and expected repayment profile is shown in the table below. The cash held is managed against the loan profiles which allows for reinvestment.

During the year an audit was undertaken on the balances transferred from Devon County Council. This concluded that there was a £799k error between the capital and revenue opening balances as at 1 April 2022. The balances have been adjusted during 2022/23 to reflect this.

Of the remaining capital, £3.789m is committed to projects. Capital repayments totaling £6.495m are due in 2023/24; interest payments due total £1.402m. As set out in the forward budget on page 13, the budget includes an amount of £1.886m to be drawn down from the Growing Places Fund to cover project and operational expenditure. This will be drawn from a combination of the revenue fund brought forward and the interest payments expected during 2023/24.

Growing Places Fund – total balance	
	£m
Debtors – project fund loans	15.402
Cash in the bank – project fund	5.574
Cash in the bank – admin fund	-
Fund balance at 31st March 2023	20.976
Future commitments:	
Grant payment	(3.789)
Revenue - underwriting	(0.898)
Balance of Revenue fund	(0.630)
Estimated fund at 31st March 2030	15.659

D. HotSW Capacity Projects

Capacity projects are in part funded from the LEP’s core operational budget; this statement shows the totals of those capacity projects’ budgets to date. Remaining funds will be invested in subsequent years.

HOTSW LEP capacity projects budgets	Income			Expenditure		Balance Carried Forward
	Previous carry forward	22/23 Income	22/23 Transfer from GPF Admin Fund	22/23 Transfer to Core	22/23 Expenditure	
	£m	£m	£m	£m	£m	£m
Project						
Enterprise Zone – Gravity	0.014	-	-	-	0.014	-
Great South West	0.033	0.062	-	-	0.102	(0.008)
Transport Excellence Grant	0.010	-	-	-	-	0.010
Nuclear South West	0.032	0.247	0.061	-	0.274	0.066
Nuclear Skills Service	0.030	-	-	-	0.030	0.000
Inward Investment	0.063	0.080	-	-	0.140	0.003
South Coast Marine Cluster	0.057	0.137	-	-	0.098	0.096
Growth Hub	-	0.268	0.643	0.354	0.534	0.023
Totals	0.238	0.794	0.704	0.354	1.192	0.190
Digital Skills Partnership Catalyst		0.379	-	-	0.379	-
Careers and Enterprise		2.132	-	-	2.132	-
Skills Analysis Panels		0.346	-	-	0.346	-

The Great South West Accountable Body function was transferred to Cornwall Council as of 31 March 2023.

E. European Structural and Investment Funds

The LEP, along with other local partners, advised Government on investment of £122m of European Structural and Investment Funds in the Heart of the South West area. Investment decisions and project management are conducted by the Government departments responsible for each of the three funds. Monies are split across the European Regional Development Fund (ERDF), European Social Fund (ESF) and European Agricultural Fund for Rural Development (EAFRD). As reported last year, in 2021/22, remaining funds in notional allocations across LEP areas were absorbed into national reserves for each of the three funds and awards then made centrally by the relevant Government departments. Final commitment levels from the LEP area’s notional allocations are shown below. Nationally, funds must be spent and claimed from the European Commission by end December 2023.

	European Regional Development Fund	European Social Fund	European Agricultural Fund for Rural Development
Total HotSW notional allocation ¹	£62,097,723	£44,318,182	£15,540,333
Contracted	£56,996,340 (92%)	£40,518,825 (91%)	£17,002,399 (109%) ²

¹ ESIF monies are allocated in Euros so the £Sterling equivalent can alter with exchange rate changes
² Additional funds secured from the national EAFRD fund over and above the HotSW notional allocation

Future Funding

The HotSW LEP has set out a one year forward budget. Government funding for 2023/24 had been confirmed at the time of budget setting, therefore this has been included. The budget shows a balanced budget for the full year to ensure strategic goals are delivered and that activity fits within available funding.

HotSW LEP Core Operational budget						
	2022/23 Original budget		2022/23 Actual		2023/24 Budget	
	£m	£m	£m	£m	£m	£m
Expenditure						
For operations						
Salaries & expenses	0.511		0.474		0.493	
Admin & office costs	0.130		0.158		0.118	
Transfer to reserves	0.000		0.000		0.343	
Enabling Fund	0.000		0.087		0.000	
		0.641		0.632		0.954
For delivery						
Thought leadership	0.075		0.040		0.100	
Opportunities delivery	0.000		0.000		0.000	
Inward Investment delivery	0.012		0.002		0.006	
Business, People & Place delivery – capacity	0.547		0.520		0.413	
Transparency & governance	0.025		0.020		0.010	
		0.659		0.582		0.529
Projects						
Skills	0.000		0.000		0.125	
Business Support	0.000		0.000		0.753	
Future Board	0.000		0.000		0.020	
		0.000		0.000		0.898
Total expenditure						
		1.300		1.214		2.381
Funding						
Operating core grant	0.000		0.375		0.250	
Area annual contributions	0.145		0.120		0.060	
Enabling fund repayment	0.085		0.085		0.020	
		0.230		0.580		0.330
Other income	0.000		0.011		0.073	
Interest received	0.000		0.256		0.092	
Use of reserves	0.883		0.883		0.000	
Capacity projects transfer	0.000		0.354		0.000	
Growing Places transfer	0.187		0.454		1.886	
		1.070		1.958		2.051
Total income						
		1.300		2.538		2.381
Funding surplus / (shortfall)						
		0.000		1.324		0.000

Total reserves available to the LEP are £1.498m (page 18). Of this £0.338m is committed leaving an available reserve position of £1.160m for general reserves. The table opposite notes a required draw from the Growing Places Fund of £1.886m, with nothing at present expected to be drawn from general reserves.

The budget for 2023/24 also includes an amount of £0.343m anticipated to be returned to the operational reserve at the end of the year. On this basis we consider that the LEP can meet the criteria for a going concern.

Note that project expenditure was funded in 2022/23 through the Growing Places Fund Admin fund or charged directly to a capacity project rather than funded directly through the operational budget. These projects will now be funded through the operational budget via a budgeted draw down from the Growing Places Revenue fund of £1.886m.

On 4 August, the Department for Levelling Up, Housing and Communities (DLUHC) issued a letter and associated technical guidance which confirmed its previous minded-to decision to cease providing central government funding to Local Enterprise Partnerships (LEPs). The LEP Board and its partners will be working through the implications of this over the forthcoming months.





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