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To: The Chair and Members of the Heart of the
South West (HotSW) Local Enterprise
Partnership (LEP) Joint Scrutiny Committee

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Date: 13 February 2024

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**HEART OF THE SOUTH WEST (HOTSW) LOCAL ENTERPRISE PARTNERSHIP
(LEP) JOINT SCRUTINY COMMITTEE**

Wednesday, 21st February, 2024

A meeting of the Heart of the South West (HotSW) Local Enterprise Partnership (LEP) Joint Scrutiny Committee is to be held on the above date at 12.00 pm at Microsoft Teams to consider the following matters.

Donna Manson
Chief Executive

A G E N D A

1 Chair's Announcements

2 Apologies

PART I - OPEN COMMITTEE

3 Minutes (Pages 1 - 2)

Minutes of the meeting held on 12 October 2023, attached.

4 Items Requiring Urgent Attention

Items which in the opinion of the Chair should be considered at the meeting as matters of urgency.

MATTERS FOR CONSIDERATION OR REVIEW

- 5 Integration of the Heart of the South West Local Enterprise Partnership (Pages 3 - 22)

Members are asked to note the consideration of this matter at Devon County Council Cabinet meeting of 9th February 2024 ([Minute *477](#) refers), including the consideration of the Report of the Interim Director of Performance and Partnerships, (PP/24/1) on the Heart of the South West Local Enterprise Partnership and Integration thereof, attached, by Cabinet; and the resolutions made by Cabinet, in particular:

(d) that the dissolution of the HOTSW LEP Joint Scrutiny Committee, by the end of March 2024, also be approved.

- 6 LEP Impact (Pages 23 - 94)

Report of the Chief Executive of the Heart of the South West Local Enterprise Partnership, and appendices, attached.

MATTERS FOR INFORMATION

- 7 Scrutiny Work Programme and Dates of Future Meetings

As referenced under Agenda Item 5, the Committee shall cease by the end of March 2024, meaning there will be no future meetings to address any potential work programme items.

PART II - ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF PRESS AND PUBLIC ON THE GROUNDS THAT EXEMPT INFORMATION MAY BE DISCLOSED

NIL

Members are reminded that Part II Reports contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). They need to be disposed of carefully and should be returned to the Democratic Services Officer at the conclusion of the meeting for disposal.

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Induction Loop available



HEART OF THE SOUTH WEST (HOTSW) LOCAL ENTERPRISE PARTNERSHIP (LEP) JOINT SCRUTINY COMMITTEE

12 October 2023

Present:-

Councillors J Brook (Chair), R Chesterton, I Roome, Tuffin, Yardy and Read

* 44

Minutes

RESOLVED that the minutes of the meeting held on 8 June 2023 be signed as a correct record.

* 45

Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

* 46

LEP Transition

Members received a report and update from the Chief Executive of the Local Enterprise Partnership (LEP) on LEP Transition.

The update was given in the context of devolution which would see the development of a combined authority consisting of Devon, Plymouth and Torbay.

Initially, it was intended that this combined authority would undertake LEP functions, amongst others. Members heard that it was now proposed that LEPs would transition into upper tier authorities. They were advised in August 2023 to begin developing transition plans for the local area, with decisions on asset transfer aimed to be made by March 2024 and Government ceasing to sponsor LEPs from April 2024.

The report outlined the belief of the LEP Network that many LEPs would not cease to exist after April 2024, as they could transition later or undertake alternative work on behalf of Local Authorities. Further guidance from Government was expected in October 2023.

Points of discussion between members and officers included:

- the implications on LEP staff; and
- the complications of making arrangements for the management of some LEP projects, in particular those whose funds have only recently

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HEART OF THE SOUTH WEST (HOTSW) LOCAL ENTERPRISE PARTNERSHIP (LEP) JOINT
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12/10/23

been committed, with the programme continuing until April 2025 (after the point at which LEPs are intended to be ceased).

* **47** **Impact of LEP across the Heart of the South West area**

Members received a report and update from the Chief Executive of the Local Enterprise Partnership (LEP) on the impact of the LEP across its area. The report highlighted the LEP's progress against its five key priorities which had been set in its 2023-24 workplan.

It was highlighted to members that overall, the LEP had secured over £1 billion of public and private funding into the area, with the Chief Executive of the belief that the net impact of the funding and of the programmes commissioned and undertaken by the LEP were positive. Members heard that the LEP's impact report was yet to be finalised, and its capital programme was not due to finish for another financial year (April 2025), so further work would be needed to analyse the full impact of the LEP's undertakings in the area.

Member discussion centred on the LEP's loan book, the value of which was just over £15 million. As the loan book was due to go to 2029, legal advice would need to be sought by the LEP as to who would represent an appropriate body to undertake responsibility for it.

* **48** **Dates of Future Meetings**

The committee had a date for its next meeting scheduled for 8 February 2024, however given the uncertainties around the timescales of devolution and LEP transition, the Chair commented on the future of the scrutiny committee, querying the necessity of future meetings. In response, the committee heard that on current understanding the LEP was likely to still exist in February.

It was therefore agreed to have a meeting in February 2024 (to be rescheduled if required) dependent on progress with devolution and LEP transition.

***DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 2.15 pm and finished at 2.59 pm

PP/24/1
Cabinet
9 February 2024

Integration of the Heart of the South West Local Enterprise Partnership Report of the Interim Director of Performance and Partnerships

Please note that the following recommendations are subject to consideration and determination by the Cabinet and confirmation under the provisions of the Council's Constitution before taking effect.

1) Recommendations

That the Cabinet:

- (a) Endorses the proposed Integration Plan for the Heart of the South West Local Enterprise Partnership (HOTSW LEP) and transfer of functions into the County Council by 1st April 2024.
- (b) Delegates to the Director of Performance and Partnerships in consultation with the Cabinet Member for Economic Recovery and Skills, the Director of Finance and Public Value and Director of Legal and Democratic Services responsibility for:
 - I. Finalising the HotSW LEP Integration Plan and;
 - II. Concluding the transfer arrangement and agreements with Somerset Council, Plymouth City Council and Torbay Council covering: operational implementation of HOTSW LEP functions, and the allocation of HOTSW LEP residual funding, resources, and assets.
- (c) Approves the submission of a business case for Devon, including Plymouth and Torbay to bid for transition funding from Government up to £240,000 and
- (d) Approves the dissolution of the HOTSW LEP Joint Scrutiny Committee by the end of March 2024.

2) Summary

This report seeks approval of the proposed HOTSW LEP Integration Plan and the transfer of functions to the Council by 1st April 2024. Agreements between Somerset, Torbay and Plymouth Councils will underpin the transfer of functions and a fair distribution of assets and resources to ensure that no Council is disadvantaged or required to deliver additional responsibilities without the necessary revenue and capital resource. The agreements will be completed by the end of March 2024 in advance of any transfer of functions, with final sign off delegated to the nominated Directors and Cabinet Member.

The proposed Integration Plan has been agreed with Government and developed through engagement with the HOTSW LEP. It reflects the technical guidance issued by the Department of Levelling Up, Housing and Communities (DLUHC). An opportunity to develop a bid in the form of a business case for up to £240,000 was included in the latest guidance to local authorities and approval to submit a funding case for Devon in partnership

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with Torbay and Plymouth Councils is proposed. Minor changes to the proposed Integration Plan may need to be made in order to finalise it, and it is suggested that Cabinet delegates responsibility to the appropriate officers.

The functions to be transferred cover business voice, economic planning, and specific government programmes such as the Growth Hub and Careers Hub. The four upper tier authorities have considered alternative options as set out in this report and the recommended approach is considered to achieve a smooth transition that meets Government's stated timescales. Affected staff have been consulted by their employer and local authority staff have been engaged. Legal advice and engagement with the Community Interest Company Regulator have been provided to Somerset Council as the HOTSW LEP's Accountable Body.

The Cabinet will consider the proposed Devon and Torbay devolution deal and draft proposal to establish the Devon and Torbay Combined County Authority (DT CCA) at its meeting on 2 February 2024. Subject to the outcome of the public consultation, Cabinet and Council decisions and secondary legislation, the majority of HOTSW LEP functions will transfer to the DT CCA once it is established.

3) Background

Local Enterprise Partnerships (LEPs) have played an important role in supporting local economic growth since 2011. LEPs have brought together businesses, educators, and local government, locally and cross-regionally, working towards the Government's ambitions to support regional growth. Since the publication of the [Levelling Up White Paper](#), Government has made strong progress on extending devolution across England and remains committed to empowering local leaders by integrating LEP functions into local democratic institutions.

The HOTSW LEP was established in 2011 covering Somerset, Devon, Plymouth, and Torbay. It was incorporated as a Community Interest Company (CIC) in 2014. HOTSW LEP has a Board of private and public directors and Somerset Council acts as its Accountable Body. The members of its board are listed [here](#). Somerset Council has reported the HOTSW LEP's funding and assets within its accounts. All public spend administered by the HOTSW LEP Board and its Operational and Investment Committee is governed by an Assurance Framework and by Somerset Council's Standing Orders. DLUHC monitor the HOTSW LEP's compliance and performance against this Assurance Framework. The HOTSW LEP Joint Scrutiny Committee, administered by the County Council, has overseen the role, achievements, and the work of the HOTSW LEP. The HOTSW LEP annual report for 2022/23 providing further information can be found [here](#).

The [Spring Budget Statement 2023](#) set out Government's intentions regarding the future of LEPs. It expressed a "minded to" decision to withdraw central funding from LEPs and transfer LEP functions into upper tier local authorities or combined authorities. Following an information gathering exercise, Government confirmed in August 2023 it would cease its sponsorship and core funding of LEPs from April 2024 and provided technical guidance on integrating functions into upper tier authorities or devolved administrations. The guidance indicated that the transfer of assets was a local matter for LEP Boards and their accountable bodies to resolve. Government invited local authorities to develop and submit a

draft integration plan in November with the intention that the integration of functions would be completed from 1st April 2024. Wherever possible, Government expects local authorities to work together to deliver LEP functions across whole county geographies or functional economic areas with a minimum population of 500,000, in line with the geography principles set out in the Levelling Up White Paper. In areas where there is not yet a devolution deal either agreed or under negotiation, Government expects LEP functions to be exercised by the respective upper tier local authority or authorities.

In December 2023, the Government wrote to local authority leaders and LEP chairs to confirm that it will provide up to £240,000 to upper tier local authorities in 2024/25 to deliver the functions previously delivered by LEPs. This gave information on the expectations for local authorities to integrate “business voice” i.e. business representation as part of the transition and ongoing delivery of the transferring LEP functions.

Whilst LEPs can choose to continue to operate as private entities, the functions of business representation, strategic economic planning, and responsibility for delivering Government directed programmes are required to be transferred to a top tier local authority, or top tier authorities, or combined authorities as part of a devolution deal depending on local circumstances.

4) Proposed Integration Plan and Approach

4.1 HOTSWS LEP Integration Plan

Having considered the guidance from Government, and the progression of the proposed devolution Devon and Torbay deal and the Devon and Torbay Combined County Authority, the upper tier authorities within Somerset, Devon, Torbay and Plymouth agreed for HOTSWS LEP functions to transfer to each Council and develop and submit a single integration plan. Whilst functions would transfer to each authority, the Councils will continue to collaborate building on the strong working relationships held to ensure functions are delivered across an appropriate functional economic area. All Councils have existing economic departments and can align HOTSWS LEP functions alongside these services.

The plan has been approved by Government and it is now subject to approval by each of the four Councils. An agreement between the local authority partners has been drafted to underpin the Integration Plan which deals with operational implementation and sets out the principles of collaboration across the four council areas.

The partners have worked with the HOTSWS LEP Executive, Board and Government officials to draft a compliant plan in accordance with the guidance given. The proposed Integrated Plan (see appendix 1) provides for a collaborative and smooth transition, within the timetable set down by Government whilst recognising some of the complexity of moving to a different delivery structure. It also recognises the development of a devolution deal for only part of the area. As significant partners within the HOTSWS LEP and already operating several of its functions, programmes and activities, the teams within the four local authorities are well placed to ensure continuity of contracts and that momentum is maintained. The partners, the HOTSWS LEP and its Accountable Body (Somerset Council) have worked through current commitments and contracts, supporting the continuation of several valued programmes and activities, and aligning these with local authority priorities.

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Some further minor changes to the proposed Integration Plan may need to be made in order to finalise it, and it is suggested that Cabinet delegates responsibility to the appropriate officers.

4.2 HOTSW LEP Functions to transfer

The Plan covers the following core functions as defined by Government and which will transfer on 1st April:

- Business Voice
- Strategic Planning and Evidence
- Government Directed Programmes.

In addition the HOTSW LEP Board has developed other significant projects and programmes and these will also transfer.

The “business voice” will continue through the establishment of Economic Growth Boards in the local authority area. In Devon it is proposed to work with Torbay to set up a Business Council to act as the Economic Growth Board for the two local authorities and be part of the shadow governance arrangements to support the creation of the DT CCA. It will work and engage with the existing Growth Board in Plymouth and alongside new arrangements being established in Somerset. The private sector Board Members who sit on the HOTSW LEP Board have all been recruited for their skills and expertise through an open process. They have played a key role in guiding the LEP and its achievements and it is hoped that these individuals would consider continuing to work with the local authorities through these Boards/Business Council.

The remit of the proposed shadow Devon and Torbay Business Council will include:

- Shape and support an economic evidence base and provide insight to underpin Economic Strategies and setting of growth / sector priorities.
- Have oversight of the development, and implementation, of Economic Strategies, including sector development activities.
- Have an overview of monitoring, and reporting, of HOTSW LEP legacy projects and programmes – including capital schemes, business support and digital skills, supporting accountability and reporting into Government.
- Provide peer support and networking across the four local geographies with the Boards collectively meeting at least once a year.

In terms of economic planning and evidence base, work will be undertaken to support a new economic strategy for Devon and Torbay building on current economic plans and the HOTSW LEP’s Build Back Better Strategy. Priorities set out in the Local Industrial Strategy will also be revisited and updated considering new and emerging sectoral opportunities. The current economic performance, challenges and global context will form the basis of setting a new evidence business, alongside business insights from across the business sector and consideration of national policy. As stated above, economic strategy and planning will be guided by the proposed Devon and Torbay Business Council. The economic development services from Torbay and Devon already have expertise and staff who are responsible for undertaking economic analysis, strategy development and

implementation. These teams will work together to support the shadow Business Council oversee the drafting of revised economic plans.

The HOTSW LEP is currently responsible for key functions directed and funded by Government. These include the HOTSW Growth Hub and Careers Hub. Both of these services are delivered by the County Council under a contract from Somerset Council. In the case of the Careers Hub this is delivered for Devon, Plymouth and Torbay, with Somerset operating its own Careers Hub. The County Council already employs the staff delivering these services. As set out in the Integration Plan the current arrangements are proposed to continue for the duration of the committed funding to deliver a seamless set of Services. Included within this will be working together to secure further and extended national funding.

The LEP has commissioned several business support and skills programmes that will continue beyond March 2024. These include a Digital Business Support Programme and a Digital Skills Programme. The County Council is delivering these contracts across the HOTSW area and has funding agreements in place with Somerset Council. As set out in the Integration Plan these will continue under the current arrangements, with performance and monitoring of these contracts being undertaken by the Growth Boards and shadow Business Council.

There are several sector support programmes being delivered by the LEP via local authority partners. These include:

- Marine sector
- Food and Farming sector
- Aerospace and Aviation sector
- Nuclear sector
- Clean Growth sectors.

The local authority partners are developing a position on each of these which will be set out as part of the local authority agreement by the end of March and considering sufficient residual LEP funding being available. Staff employed by local authority partners or through the LEP are being engaged by their employer as part of this process.

5) Proposed approach to transfer of HOTSW LEP assets and resources

The current residual HOTSW LEP revenue funding and assets are being finalised by Somerset Council as the Accountable Body. These resources will include cash reserves, interest, loans repayments, charges on buildings and shares in [South West Mutual](#). The local authority partners have developed an approach to agree the distribution of residual revenue in proportion to the number of businesses within each area using the Inter-Departmental Business Register (IDBR) list of UK businesses that is used by Government for statistical purposes. This provides the following allocation: 52% Devon, 33% Somerset, 8.5% Plymouth and 5.5% Torbay. These sums will support the continuation and delivery of HOTSW LEP functions.

There are several capital schemes that will complete after March 2024 which have been funded from the Local Growth Fund and Getting Building Fund capital grants programme and from the Growing Places Fund which in the main operates as a loan fund. It is

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proposed that each local authority will be responsible for any capital scheme being delivered within their area and grant and loan contracts are novated accordingly.

The distribution of any capital sums unallocated will be distributed in a fair and equitable way between local authority partners. Once the assets and revenue sums have been finalised the authority partners will set this out in an agreement. Any capital sums transferred will support the delivery of economic priorities developed by the shadow Business Council.

Plymouth University employs the core HOTSW LEP team and local authority partners employ staff to deliver Government directed services, and HOTSW LEP programmes. Each employer is taking their own HR advice in respect of staffing impacts resulting from the transfer of functions and is engaging with their employees within their HR policies and practices.

6) Next steps

Milestones to prepare for the transition of functions is set out in the proposed Integration Plan. The key next steps are:

February	<ul style="list-style-type: none">• Budget implications (based on balance sheet forecasts and assets list) will be considered and incorporated into local authority budget management processes. This will require confirmation from Government on funding.• Local Authority Cabinet decisions will be taken to accept the transfer of assets and functions.• Continuation of communication with projects, contractors and key stakeholders outlining end date of funding/contracts and continuity arrangements as appropriate.• Economic Growth Boards / Shadow Business Council developed.• Local Authority Officer Group operational with agreements on operational implementation and asset allocation developed.• Accountable Body to confirm end of contracts and Service Level Agreements; confirm continuity arrangements for legacy programme management and Accountable Body services as appropriate.• Celebratory event of HOTSW LEP achievements.
March	<ul style="list-style-type: none">• Closure of ceased functions including website and social media.• Functions and activities will transfer to appropriate upper tier local authorities by 31 March 2024 underpinned by local authority agreements.
April/May	<ul style="list-style-type: none">• Accountable Body to confirm end of year financial outturn and transfer outstanding legacy funding.• Completion of returns and assurances to Government, as appropriate.• Continuation of PMO function for monitoring and reporting against investment programmes as appropriate.• Continuation of relevant Accountable Body functions.• Review process for submitting business case for ongoing Growth Hub funding.

7) Consultations

The HOTSW LEP Executive and Board have had opportunities to comment on the Integration Plan and proposals from the local authority partners. The Board has not endorsed the Integration Plan. It has asked to see strengthened collaboration across the proposed Economic Growth Boards / Shadow Business Council on regional strategic issues, such as transport, housing and skills and an oversight role on LEP legacy programmes including Growing Places Fund and recycled funds from current loans. The LEP Board will also set out their perspective on the use of any assets transferred to the upper tier local authorities, and the history and intent of previous funding decisions. This will then be considered by the local authorities as part of the agreements on asset transfer and operational implementation of the Integration Plan. The HOTSW LEP Board is also seeking further clarity working with the Accountable Body on director indemnities and the transfer of functions and assets are undertaken in accordance with director legal requirements.

Government officials have also been engaged in the development of the process and the Joint Scrutiny Committee have received updates and have offered comments to the HOTSW LEP Executive. The Integration Plans and guidance from Government have been produced after periods of review and national engagement with the national LEP Network, local authorities, devolved administrations and others, which the HOTSW LEP Chief Executive and Chair have participated in.

8) Options / Alternatives

The following options were considered by the Council and its partners to support the integration of HOTSW LEP functions as directed by Government:

- a) Retain the HOTSW LEP until devolution arrangements are in place across the area. This option was not considered viable given that there are different devolution arrangements moving forward at different timescales across the Heart of the South West area. This would create a staggered integration process creating uncertainty for businesses, staff and local authorities. This would also not meet the intentions set out by Government in its guidance. Further the process and timescales for the devolution proposals in Devon and Torbay remain subject to consultation, Council sign off and legal processes. The current timescales could therefore slip leaving uncertainty for staff, contractors and local authority partners.
- b) Transfer the functions to one local authority partner to deliver on behalf of all four partners. This option was discounted as it would not support the Devon and Torbay devolution deal and proposals emerging in Somerset. Meeting the criteria of a functional economic area was also set out by Government, and broadly Devon and Somerset can be considered functional areas, with blurred boundaries. The recommended approach recognises local variations across the two broad functional economic areas and provides the opportunities of collaboration and generating economies of scale. It also supports the whole area moving forward with devolution at separate timescales.

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9) Strategic Plan

The proposed Integration of LEP functions and assets will contribute to the Council's "Best Place¹" Strategic Plan 2021 – 2025, including:

- Supporting economic programmes and activities contributing to business growth, skills and workforce development and economic infrastructure delivery.
- Continue to deliver a range of economic investments that support net zero.
- Support careers advice and guidance for young people, engaging employers and businesses, schools and training providers.
- Aligns and supports devolution arrangements.
- Delivering LEP Integration in a cost neutral manner for the Council and its partners.

10) Financial Considerations

Agreement on the transfer of assets and resources is under development by the Council and its local authority partners. The principle of the agreement is that no local authority is placed at a disadvantage and that no additional costs or financial burdens are taken on by any local authority partner. A fair and equal distribution of assets to support the delivery and implementation of the Integration Plan is proposed.

The current estimate is that there will be sufficient residual revenue funding to support the continuation of the directed Government services, namely the Growth Hub and Careers Hub up to their current contract terms. The partners will work together to secure ongoing resources for the HOTSW Growth Hub and enter into a new agreement for the delivery of this Service with the County Council once funding is secured.

The current contracts that the Council is delivering for the HOTSW LEP under contract with Somerset Council are fully funded for their duration. Any decision to continue with these programmes beyond their current terms will require additional funding from externally funded sources.

The proposal includes bidding for Government funding to support the integration and transfer of HOTSW LEP assets. Currently there is no information on the timescales or requirements to apply through submitting a business case. Devon would qualify to apply with a population of over 500,000 and it is proposed to do so in partnership with Plymouth and Torbay. This would offset transitional cost, including legal and financial support, setting up a shadow Devon and Torbay Business Council, transferring web-based services and setting up ongoing monitoring and reviews with DLUHC.

There may be redundancy costs for some current members of the HOTSW LEP staffing complement. Any such costs once known will be netted off from the revenue funding held by Somerset Council before the distribution of remaining funds to each partner under the agreed allocation methodology.

¹ <https://www.devon.gov.uk/strategic-plan/>

11) Legal Considerations

Legal advice was taken by Somerset Council on behalf of the local authority partners and the HOTSW LEP. This has supported the approach to asset ownership and the approach to asset transfer.

There are a number of funding agreements between the accountable body and Government, and with recipients of contracts and grant and loan agreements. There is work required to novate these to the receiving local authority and legal costs will be funded from the HOTSW LEP legacy budgets to support this completing smoothly and in time for the transfer date of 1st April 2024. A number of contractual arrangements will continue as currently proposed and reducing the number of agreements that need to be amended.

HR advice has been undertaken by each employing authority. The proposed transfer of functions is not impacting on any staff employed by the Council and Plymouth University has determined that there is no TUPE applied to the core staff that they employ based on the Integration Plan.

The Regulator for Community Interest Companies has been informed of the proposed approach to the integration of HOTSW LEP assets.

The Joint Scrutiny Committee that oversees the work of the HOTSW LEP is proposed to stand down by the end of March. There will be ongoing assurance and monitoring of the HOTSW LEP's funded capital programme by DLUHC and each local authority will be responsible for the reporting and monitoring information and attending compliance and annual conversations with DLUHC as necessary.

12) Environmental Impact Considerations (Including Climate Change, Sustainability and Socio-economic)

The integration of HOTSW LEP functions is not deemed to have any environmental impacts. The work of the HOTSW LEP has supported a number of net zero and sustainable programmes including skills, infrastructure and business support programmes. The proposal is to continue these programmes that remain live and contribute to a range of net zero outputs and outcomes. Completed projects will also be monitored for the duration of funding agreements to ensure that all environmental impacts are monitored.

13) Equality Considerations

The preparation of an Equality Impact Assessment is a requirement from Government as part of the completion of the Integration Plan. A **draft** Equality Impact Assessment has been prepared and it is available at <https://www.devon.gov.uk/impact/published/>. Members will need to consider the draft Impact Assessment for the purposes of this item.

The Devon Equality Reference Group supports the County Council's work on equality and diversity by providing advice, feedback, ideas and scrutiny. The ERG members drawn from the voluntary and community sector are independent of the County Council and Service

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Level Agreements are in place. The ERG's views on the impacts of the proposed HOTSW LEP Integration into the Council will be invited in order to inform the **final** Equality Impact Assessment.

14) Risk Management Considerations

This proposal has been risk assessed and all necessary safeguards or actions are being taken to safeguard the Council's position.

Keri Denton

Interim Director of Performance and Partnerships

Electoral Divisions: All

Cabinet Member for Economic Recovery and Skills

Local Government Act 1972: List of background papers

None.

Contact for enquiries:

Name: Keri Denton

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Address: County Hall, Topsham Road, Exeter, EX2 4QD

Integration of the Heart of the South West Local Enterprise Partnership

Heart of the South West LEP Proposed integration plan

SECTION 1: CORE INFORMATION

Core details and current arrangements	
1.1 Name of LEP which is to be integrated.	Heart of the South West Local Enterprise Partnership
1.2 Name(s) of upper tier authority or authorities into which LEP functions are being integrated.	Devon County Council Plymouth City Council Somerset Council Torbay Council
1.3 Current relationship with the LEP	Each upper tier local authority has representation on the LEP Board and its sub-committees and each deliver services on behalf of the LEP via a Service Level Agreement. Somerset Council are the Accountable Body for the LEP.
Integration leads	
1.4 Contact details for integration leads	<u>Senior Responsible Officer:</u> Jason Vaughan, Executive Director – Resources & Corporate Services (Section 151 Officer) Jason.vaughan@somerset.gov.uk <u>Operational contact:</u> Melanie Roberts Melanie.roberts@somerset.gov.uk

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SECTION 2: GEOGRAPHY

Geography

2. Please set out the proposed geography for the delivery of LEP functions from April 2024.

Answers should confirm whether the proposed geography is coterminous with the current LEP geography. If not, answers should confirm that the proposed geography constitutes a functional economic area (FEA), with reference to the size of population, local travel to work areas (TTWAs) and any other relevant drivers of the local economy.

Where multiple upper tier local authorities operate across the proposed geography, you should confirm the governance arrangements and that service provision will be ensured across the whole geography – no authority should be left out and all parties should agree the arrangements.

The intention is to transfer functions, activities and assets to the four upper tier local authorities within the LEP area (Devon County Council, Plymouth City Council, Somerset Council and Torbay Council). However, the functional economic areas will not revert to the authority boundaries; upper tier local authorities undertake to continue to work together collaboratively and supportively on the appropriate footprint for the activity or function.

Somerset and Devon are over the 500K population threshold; Torbay and Devon are progressing with a devolution deal; and Plymouth will continue to work in partnership across the area. All areas will work in partnership on economic intelligence sharing and sharing market insight; maintaining the delivery footprint for the growth hub; the careers hub will continue delivery on the existing footprint across Devon/Plymouth/Torbay and Somerset and will share best practice; and will work collaboratively on the development of economic strategies. In line with the government guidance there will not be a gap in delivery, or strategy development, in Plymouth.

Each upper tier local authority will continue to engage with, and support, the Great SW objectives. Examples of activity, led and delivered by the upper tier local authorities, across the Great SW geography include Maritime SW, Defence and Security cluster, Future Farm Resilience programme and Energy. The upper tier local authorities will continue to lead on this activity across the area.

Economic Growth Boards and a Local Authority Officer Group will hold the accountability for partnership working across the area:

- The business voice, through Economic Growth Boards, will build on LEP good practice and expertise (see section 3). This may include folding the relevant LEP board members into the new structures. An agreed, shared approach will encourage Economic Growth Board members to sit on wider economy function boards (i.e., Great SW, sector boards such as Defence Cluster, Freeport Board etc). The Economic Growth Boards will oversee the delivery of economic plans and, in the terms of reference, there will be a requirement that Boards collaborate.
- The upper tier local authorities commit to continue and strengthen collaboration on economic intelligence, inward investment, sector support and business support delivery through an officer group with senior representatives from each of the authorities. The officer group will develop an MOU, will meet regularly and agree delivery based on the relevant economic footprint which will vary for each activity. They have agreed to continue to support the HotSW

wide growth hub, subject to funding, and sector support will be delivered on the most appropriate footprint which will be typically wider than a local authority geography.

SECTION 3: BUSINESS VOICE

Current and future activity

3. Please set out how you intend to embed a strong, independent, and diverse local business voice into local decision-making across the area. Answers should cover the following points:

(a) Proposed model & governance structure (e.g., a stand-alone business board, sub-board, or other structure)

(b) Membership (including the mix, balance and diversity of independent business members and any other partners drawn from outside of the business community)

There is an agreed approach across the four upper tier local authority areas to establish three Economic Growth Boards to ensure a strong, meaningful and diverse business voice. The Boards will recognise and build on existing structures across the local geographies.

Terms of Reference for the Economic Growth Boards, operating in an advisory capacity, are being drafted. Terms of reference across all Boards will include setting out:

- Purpose and role;
- Compliance and code of conduct;
- Membership, including recruitment and selection processes.
- Duration of appointments; and
- Frequency of meetings

The Boards will meet frequently and will have common core roles of:

- shape and support an economic evidence base and provide insight to underpin Economic Strategies and setting of growth / sector priorities
- have oversight of the development, and implementation, of Economic Strategies, including sector development activities
- provide strategic oversight of LEP legacy projects and programmes (such as capital schemes, business support and digital skills activity), supporting accountability and reporting into Government;
- advise the relevant Upper Tier Local Authority/ies on the management of any LEP legacy funds, including the use of monies returned from Growing Places Fund loans;
- provide strategic positioning into and collaborate with the Great South West Pan-Regional Partnership to further local economic priorities;
- build and maintain effective strategic relationships and connections with other Economic Growth Boards in the Heart of the South West on common evidence-based needs and priorities, including quarterly joint business facilitated events focusing on common strategic items such as infrastructure and labour market.

Similarly, all Boards will include representation from:

- Businesses, with sector, size and geographical spread;
- Business Representative Organisations;
- FE and training providers;
- The Voluntary, Community, Faith and Social Enterprise (VCFSE) sector; and
- Local Authority/ies

It is the intention to draw on the expertise, skills, and capacity of current LEP Board members as part of an open appointment process, applying Nolan principles, to recruit businesses onto Boards.

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Individual Economic Growth Boards will have the flexibility to add to these common arrangements to reflect their own specific local context and considerations.

Each upper tier local authority has an economic strategy, or similar, and the Economic Growth Boards will provide strategic oversight of work to review and update their strategies. This will build on the work already done including the LEP's Build Back Better Plan and previous evidence base created to support the Local Industrial Strategy. It is important to recognise the work already done by the LEP and this will be aligned and updated to reflect the changing global and national economic context and new opportunities including priority key sectors. The Boards will also provide strategic positioning into the Great SW and, through this, ensure there is alignment between local and regional policy and activity. In line with the recent guidance, development of strategies will include the:

1. Analysis of the main underlying competitive advantages and strengths of areas, as well as opportunities for strategic connections across regions.
2. Opportunities for growth over the next 10 years, and visions for what would happen if these opportunities were successfully grasped in this period. Outputs and measurables will include the base line data and targets for growth.
3. Top public and private sector investment priorities - this has to be in the 3 year delivery plans but looking at the guidance this will need to be accelerated.

As devolution arrangements are established the Economic Growth Boards will evolve into a Business Council to support the work of a Combined County Authority.

SECTION 4: PROJECTS, PROGRAMMES AND SERVICES

Current and future activity

4.1 Please list the projects, programmes and services currently delivered by the local LEP. *In each case you should indicate whether, subject to receiving equivalent funding, the upper tier local authority/authorities would continue to undertake each activity. Where a different set of functions/services is being delivered for a neighbouring area, you should repeat the exercise for that area. You do not need to include LEP activity delivered in a private capacity.*

Title	Short Description	Will the activity continue once the LEP is integrated? (subject to future funding)	
		Yes	No
Government Functions			
Growth Hub	<p>Growth Hub delivery performance has recently been, independently reviewed by DBT, and bench marked with other similar arrangements. The HOTSW Growth Hub is a high performing service and there is no case to make significant changes over the next financial year. A continuation of the Service requires further investment from local authority partners funded from LEP legacy resources which are proposed to transfer on 31st March 2024.</p> <p>Our intention is to ensure a seamless provision across Devon, Plymouth, Somerset and Torbay and continuation of an important service to businesses. Therefore, we will continue the current delivery model during 2024/25. Somerset Council will remain as the Accountable Body</p>	x	<input type="checkbox"/>

Agenda Item 5

	<p>and Devon County Council will continue to deliver the Growth Hub Service* including the employment of staff.</p> <p>Any transitional arrangements into devolved structures will be developed and implemented by 31 March 2025, including any funding apportionment that is needed with the aim of ensuring a smooth transition and a seamless service.</p> <p>A review of the level of programme management oversight that is required will be conducted between now and March 2024 as part of developing the budget and LEP funding transfer to upper tier authorities.</p> <p>Governance and monitoring of the performance of the Service will be undertaken by the Growth Boards with the Growth Hub team providing written reports for each Board meeting as required and an amalgamated report will be presented where the Growth Boards all come together.</p> <p>* Growth Hub Service defined as: Information, Diagnostic and Brokerage Service for All; Digital Business Support; Peer Networks.</p>		
Careers Hubs	<p>Continue the Service until Sept 2024 operating as a Somerset service and a Devon, Plymouth and Torbay service.</p> <p>LAs intent is to continue the service from sept 2024 subject to funding being available and will explore transitional arrangements in liaison with the CEC, application of LEP legacy funding and recognising any devolved administrations put into place.</p> <p>There will remain a Somerset Service and a solution for Devon, Plymouth, and Torbay.</p>	x	<input type="checkbox"/>
Enterprise Zones	<p>The LEP's function and role in any Enterprise Zone will transfer to the relevant local authority from 31st March 2024.</p> <p>Enterprise Zones each have their own governance, and these will continue with the membership of the LEP ceasing and being replaced where required by the local authority. The performance of the Enterprise Zones can be reported into the proposed Growth Boards as required.</p>	x	<input type="checkbox"/>
Local Activity			
Sector Development	<p>Different parts of our local economy have different sectoral strengths, and some of these are recognised on a broader peninsula level. Recognising this variation and significance of sectors how each local authority partner we will take forward current identified opportunities using LEP legacy funds, and subject to costs/benefits assessment is set out in the CONFIDENTIAL appendix.</p>	<input type="checkbox"/>	<input type="checkbox"/>
Inward Investment	See CONFIDENTIAL appendix.	<input type="checkbox"/>	<input type="checkbox"/>

Agenda Item 5

Business Leadership Group	Formal reporting route for the Growth Hub into the Board. This group will cease on or before 31 st March 2024. Refer to Strategic Leadership section and governance proposals for the Growth Hub.	<input type="checkbox"/>	x
Peer Networks Programme	Established to enable SMEs to learn from other successful SMEs. This type of business support to continue where there is funding available from LEP legacy resources and will form part of the transfer of the Growth Hub function.	x	<input type="checkbox"/>
Finance Platform	The intent is that the contract will be completed by March 2024; an options report will be provided for local authorities. There is no agreement to continue funding at this stage and until options are reviewed.	<input type="checkbox"/>	x
Business Angels	Local authorities do not wish to see this continue beyond 31 st March 2024 and no function needs to transfer. Any reporting or legacy requirements will be picked up as part of the Growth Hub going forward.	<input type="checkbox"/>	x
Tourism Data Hub	Local authorities intend for the current contract, funded by the LEP, to be completed with the contract awarded to Destination Plymouth from Somerset Council remaining as the contracting arrangements.	x	<input type="checkbox"/>
Skills Advisory Panel	The SAP will continue until 31 st March 2024, at which point each local authority will take forward its own arrangements linking this into LSIPs and Growth Board proposals. Any contracts held to support the labour market intelligence will cease on 31 st March and be replaced by the LSIP programme. There is no ongoing direct funding for SAPs.	<input type="checkbox"/>	x
Digital Skills Partnership	Local authorities see the DSP forming part of the proposed skills arrangements being put in place to replace the SAP. There are no ongoing contracts in place that need to be novated. There is no ongoing direct funding for DSPs.	<input type="checkbox"/>	x
Innovation Board	Innovation will form part of the proposed Growth Board structures being developed.	<input type="checkbox"/>	x

SECTION 5: DELIVERY AND APPROVALS

Governance of the integration process	
5.1 (a) What mechanisms will be in place to manage the integration process at the local level?	
<p>This Plan sets out upper tier local authority intentions to integrate LEP functions. It is subject to local governance processes and confirmation of funding from Government for ongoing delivery. Key milestones, subject to further guidance from Government, are set out below.</p> <p>The overarching management of the integration process will be led by the Accountable Body S151 Officer. An Advisory Group, chaired by the Accountable Body, comprising of representatives from each of the upper tier local authorities, the LEP and Area Leads (Local Growth Unit) will ensure a smooth transition. This Group will oversee and manage risks. The LEP Board will be updated on progress.</p> <p>The Accountable Body will manage the transfer of assets and novation of legal agreements to the receiving authority, as appropriate, within an agreed timescale.</p> <p>The Advisory Group will be responsible for transition of functions and activities into the respective upper tier local authorities. The integration of appropriate functions, activity and assets into the local authority will be managed by a Senior Responsible Officer who will take responsibility for the function, activity and/or asset. They will be accountable through internal governance processes and their Economic Growth Board. Ongoing delivery will be scrutinised through internal governance arrangements and existing scrutiny committees. Functions/activity will be operationally managed by existing teams within the local authority.</p> <p>Recognising the efficiencies of operating a single Programme Management Function (PMO), Devon County Councils will operate a PMO on behalf of all partners under a Service Level Agreement with each of the upper tier local authorities.</p> <p><u>Key Milestones (subject to further guidance from Government):</u></p>	
November	<ul style="list-style-type: none"> • Confirmation received from upper tier local authorities on target transfer date: agreed 31 March 2024. • Presentation on initial draft Integration Plan to Area Leads (Local Growth Unit) and LEP Executive Group. • Presented integration intentions to the LEP Board (27th). • Meeting with University of Plymouth regarding employer process for impacted individuals. • Local Authorities developed proposals for the Local Authority Officer Group. • Local Authorities developed proposals for the establishment of Economic Growth Boards to secure business voice.
December	<ul style="list-style-type: none"> • Initial communication to impacted individuals. • Accountable Body to seek independent accountancy advice on ownership of assets and agree next steps. • Accountable Body to confirm intentions, on transfer of assets, with CIC Regulator. • Accountable Body will confirm the balance sheet (forecast) and full details of assets; full employment implications and liabilities will be considered.

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	<ul style="list-style-type: none"> • At risk notices to be issued through respective employers, if required. • Accountable Body to confirm contracts and Service Level Agreements due to end in March. • Develop transition plan setting out detailed processes and milestones for each activity.
January	<ul style="list-style-type: none"> • Government to confirm approval of the Integration Plan and confirm funding allocations to upper tier local authorities. • Accountable Body to confirm succession of decision making with the LEP Board. • Consider comments from LEP Board on the Integration Plan (19th). • Local Authority Senior Leadership Teams will review the Integration Plan. • Accountable Body to agree contracts to be novated and initial communications with contractors on intentions. • Mapping of key stakeholders and which will be affected through novation of contracts and funding agreements. • Local Authorities to commence work on equality impact assessments. • The Accountable Body will work with the LEP to manage the winding up process and that all actions will be taken to ensure that the CIC Directors discharge their duties correctly.
February	<ul style="list-style-type: none"> • Budget implications (based on balance sheet forecasts and assets list) will be considered and incorporated into Local Authority budget management processes. This will require confirmation from Government on funding. • Local Authority Cabinet decisions will be taken to accept the transfer of assets and functions. • Continuation of communication with projects, contractors and key stakeholders outlining end date of funding/contracts and continuity arrangements as appropriate. • Economic Growth Boards developed. • Local Authority Officer Group operational with MOU agreed. • Accountable Body to confirm end of contracts and Service Level Agreements; confirm continuity arrangements for legacy PMO and Accountable Body services as appropriate. • Celebratory event of LEP achievements. • Capture the history and intent of each project funded through the LEP to ensure that the corporate knowledge is retained.
March	<ul style="list-style-type: none"> • Closure of ceased functions including website and social media. • Functions and activities will transfer to appropriate upper tier local authorities by 31 March 2024.
April/May	<ul style="list-style-type: none"> • Accountable Body to confirm end of year financial outturn and transfer outstanding legacy funding. • Completion of returns and assurances to Government, as appropriate. • Continuation of PMO function for monitoring and reporting against investment programmes as appropriate. • Continuation of relevant Accountable Body functions. • Review process for submitting business case for ongoing Growth Hub funding.

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<p>5.1 (b) If the existing LEP is intending to formally cease operation and dissolve following its integration, who will be responsible for managing the transition and any legacy issues?</p>		
<p>The Accountable Body will be responsible for managing the transfer of assets and dealing with appropriate legacy issues relating to finance and legal matters where it has previously acted on behalf of the LEP.</p> <p>The Accountable body will support the LEP Board into ensuring that Director Liabilities are considered and managed legally.</p>		
<p>Approvals</p>		
<p>5.2 Has this integration plan been agreed by the relevant boards/persons in both the local LEP(s) and local authority/authorities?</p> <p>Please copy all relevant parties (including the Chair of the local LEP(s)) when you submit this plan.</p>	<p>Yes <input type="checkbox"/></p>	<p>No <input type="checkbox"/></p>
<p>The upper tier local authorities have drafted the Plan and are in agreement with it. Full agreement will be sought through local Governance processes in February 2024 following a review in accordance with the guidance expected from Government in January 2024.</p> <p>The draft Plan was discussed with the LEP Board on 27 November. Further consultation will be undertaken with the LEP Board at its next meeting on 19 January 2024.</p> <p>This Plan, along with the confidential appendix, will be copied to the Chair of the LEP Board, upper tier local authorities and Area Leads (Local Growth Unit) in parallel to submission to Government.</p>		

Heart of the South West LEP Scrutiny Committee

February 21st, 2024

Evaluation of LEP Programmes

Summary

With the functions of the LEP being transferred to Upper-tier Local Authorities and the cessation of the HOTSW Joint Committee, this will presumably be the last of the HOTSW Scrutiny meetings.

Recognising these future changes, last year the LEP Board commissioned Hardisty Jones to complete an impact report of the LEP Local Growth Funding Getting Building Fund and Growing Places Fund.

This report was agreed by the LEP Board last month and has now been published. It is attached together with a summary dashboard.

As well as confirming the outputs and achievements of these programmes to date, the report identifies further economic benefits and includes recommendations and lessons learnt.

The evaluation looks at the impact of three funds awarded by the UK Government to the Heart of the South West (HotSW) LEP namely:

- Growing Places Fund (GPF) in 2011, to establish a revolving loan fund
- Local Growth Fund (LGF), which comprised three Growth Deals with Government in 2014, 2015, and 2017
- Getting Building Fund (GBF) in 2020, to support the recovery from the socio-economic impacts of Covid-19.

£255 million was secured from Government through the three funds with each fund also attracting further public and private sector match funding, enabling the investment to date of a total of £582 million into more than 100 projects.

Four core themes of activity have been delivered across the three funds:

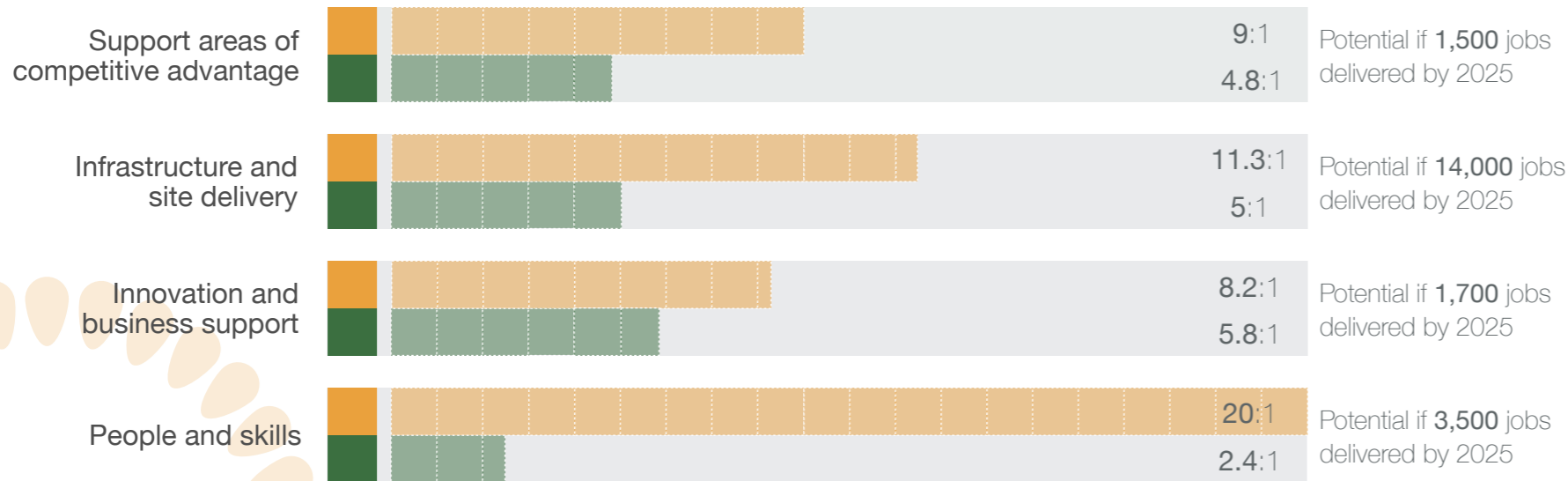
- Support for areas of competitive advantage.
- Infrastructure and site delivery.
- Innovation and business support.
- People and skills.

Lead Officer: David Ralph, Chief Executive, HotSW LEP

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

Benefit to cost ratio - by theme

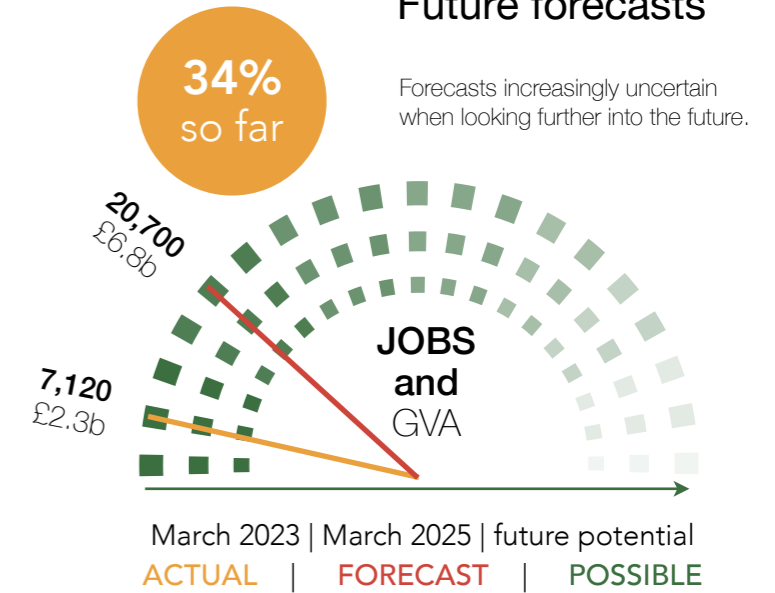
Current Potential



Follows HM Treasury (Green Book) guidance, using only public sector costs

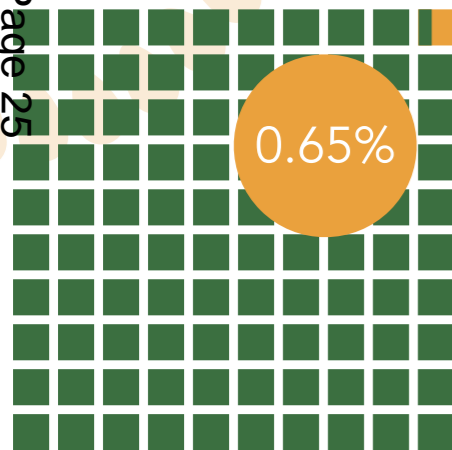
Future forecast BCR dependent on full achievement of forecast jobs by 2025

Future forecasts



Scale of funding

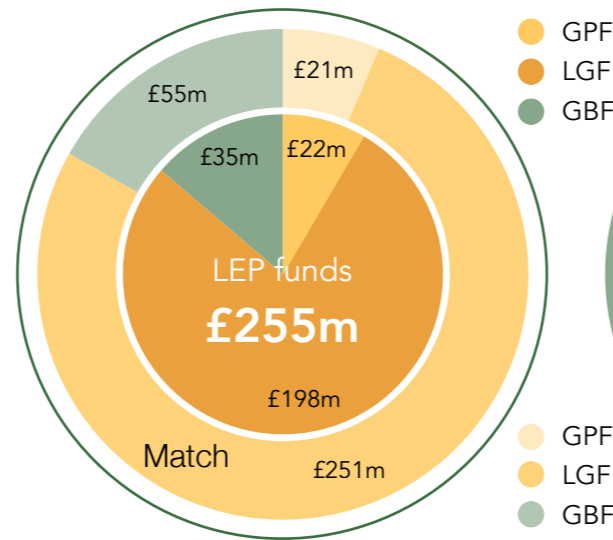
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Total funds awarded over 12 years
£255 million

The funding is small compared to the size of HotSW economy

Annual GVA of HotSW
£39 billion (2021)



Total spend on projects
£582m

£255m LEP funds
£327m matched

Spending on projects

The impact of HotSW LEP investments

based on a report from Hardisty Jones Associates



7,120
operational jobs created



26,600 sq m
of new / improved training space



1,015
construction jobs created



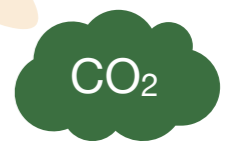
256,970 sq m
of new commercial floorspace



500
businesses assisted






37,800
new learners supported



690,800 kgs
of CO2 avoided

Outputs delivered (to March 2023) from Growing Places Fund, Local Growth Fund and Getting Building Fund

KEY FINDINGS

Strong strategy in place to guide LGF and GBF 	Good fit of projects to strategic context 	Layering of investments helps maximise value 	Investments have attracted private match 
Productivity growth and prosperity supported 	High value for money on all themes and funds 	A lot of transport infrastructure projects 	Pros and cons to competitive funding 
Many outputs / impacts still to be delivered 	Initial targets were over-optimistic 	Long-term horizon scanning is needed 	Major economic shocks have slowed delivery 

RECOMMENDATIONS FOR THE FUTURE

CONTEXT

Ensure a strong strategic context

ALLOCATIONS

Allocate funds according to need

REALISM

Set realistic change expectations

IMPACT

Layer investments to maximise impact

TARGETS

Set challenging but achievable targets

MATCH

Attract private investment if possible

PLANNING

Plan for unforeseen events

ONGOING

Continue to support projects over time

Competitive funds tend to have a bias towards 'shovel-ready' over more strategically valuable projects.

Resources are needed to develop project ideas and prepare them for competitive bidding process.

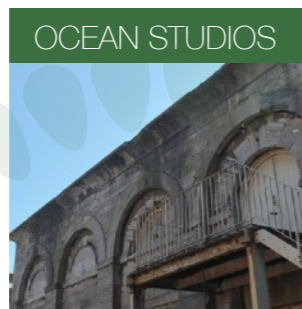
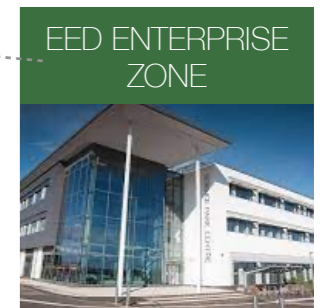
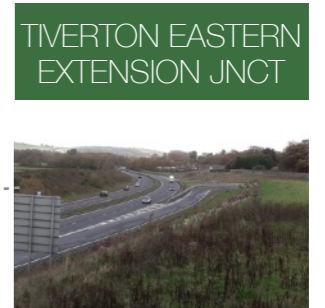
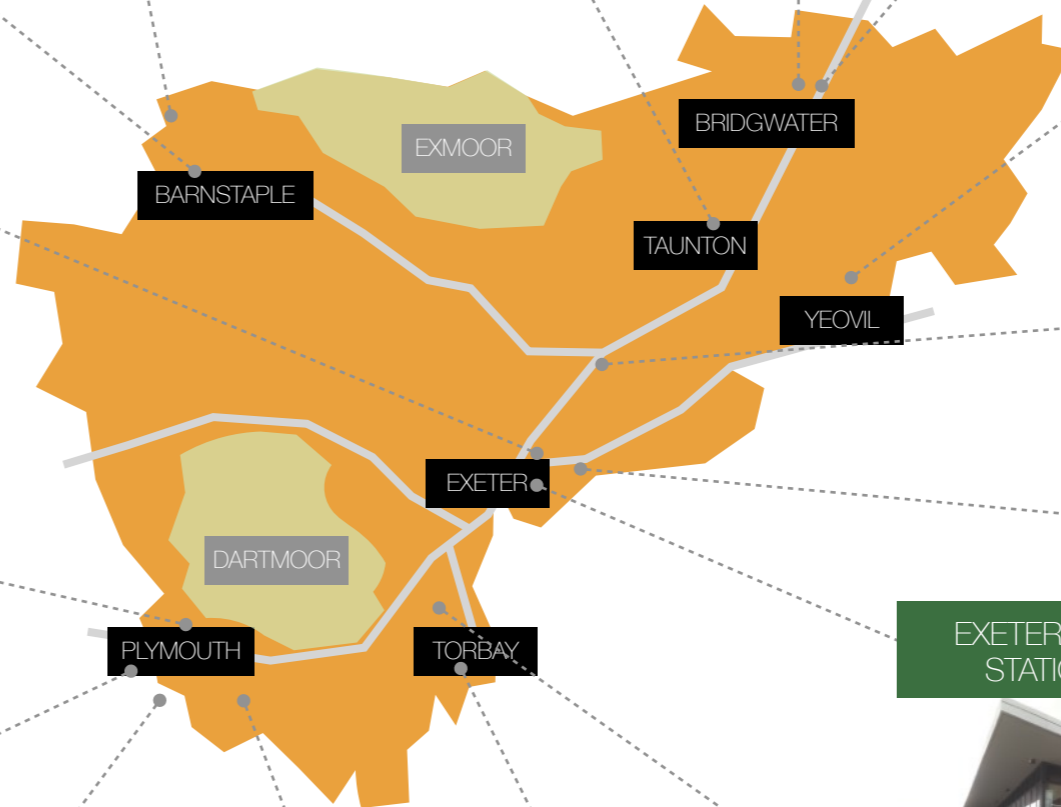
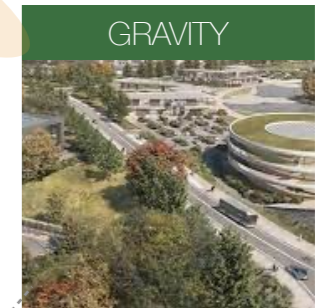
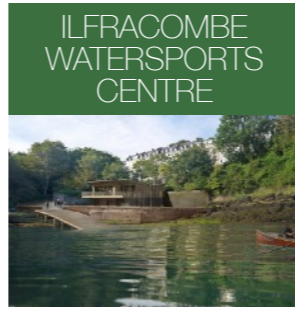
Continued support for projects after the initial investment is important to help them achieve success.

Transport projects represent the largest number of undelivered jobs ... a review suggests the main balance will be created after 2025, if at all.

EXAMPLES OF HotSW LEP FUNDED PROJECTS

2013 - 2023 (in total GPF - 5; GBF - 25; LGF - 52)

HotSW-WIDE PROJECTS



82 projects in total



**HARDISTY JONES
ASSOCIATES**

HEART OF THE SOUTH WEST LEP

The Impact of LEP Investments

December 2023





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Document control

JOB NUMBER	VERSION NUMBER	APPROVED BY	DATE
23 06 01	2.1	GMJ	04/12/2023



Executive Summary

- i. This is an evaluation of the impact of three funds awarded by the UK Government to the Heart of the South West (HotSW) LEP:
 - Growing Places Fund (GPF) in 2011, to establish a revolving loan fund.
 - Local Growth Fund (LGF), which comprised three Growth Deals with Government in 2014, 2015, and 2017.
 - Getting Building Fund (GBF) in 2020, to support the recovery from the socio-economic impacts of Covid-19.
- ii. Each fund also attracted public and private sector match funding, enabling the investment of a total of £582 million into more than 100 projects.
- iii. Four core themes of activity have been delivered across the three funds:
 - Support for areas of competitive advantage.
 - Infrastructure and site delivery.
 - Innovation and business support.
 - People and skills.

£255 million awarded through three funds

- iv. The HotSW LEP was awarded £21.5 million of **GPF**, which has been loaned to five projects. Recycling of repayments has allowed the total investment of £22.5 million so far. These projects have created more than 800 jobs.
- v. A total of £198 million of **LGF** was awarded to the HotSW LEP through three Growth Deals. This has been invested in 48 projects, some of which are umbrella projects with sub-projects. These projects have delivered a range of outputs and outcomes to-date (based on data from March 2023), including new homes, new roads and cycleways, learning/training space, learners assisted, commercial floorspace delivered, enterprises supported, and jobs and apprenticeships. Many more outputs and outcomes are forecast in the future – ostensibly by March 2025, the date set by Government, but likely to be delivered after this date.
- vi. £35 million was awarded to the HotSW LEP for **GBF**, which has been invested in 25 transformational and bedrock projects. These have delivered outputs and outcomes including

commercial space, R&D facilities, learning/training facilities, roads and cycleways, learners assisted, and jobs created and safeguarded. Similar to LGF many of the forecast outputs and outcomes are yet to be delivered.

Total spend of £582 million including match funding

- vii. A total of £255 million of GPF, LGF, and GBF funds have been awarded by UK Government to the HotSW LEP. Further public and private sector match funding has enabled a total spend of £582 million on the projects supported by these funds.

Good fit of projects to strategy

- viii. Since the Strategic Economic Plan in 2014, there has been a well-evidenced strategy context in place to guide the investment decisions for the three funds. Funds have been awarded to projects on a mostly competitive basis, and the projects that have been chosen help to deliver the strategy aspirations and objectives. A significant number of transport infrastructure projects have been supported, as much of the funding originated from the Department for Transport, which often take longer to deliver economic impacts than other types of projects.

There are strengths and weaknesses to the competitive award of funds

- ix. Whilst the competitive award of funds to projects has helped achieve value-for-money, criticisms of this approach include a bias towards 'shovel-ready' over more strategically valuable projects; and the risk of optimism bias when bidding for funds.
- x. As already mentioned above, many projects have not yet delivered outcomes and impacts, and many forecasted jobs are likely to come later than the Government-set March 2025 target date. Major economic shocks, including the Covid-19 pandemic, have contributed to this delay.

Outputs and outcomes have been delivered but many delayed beyond March 2025 target date

- xi. As discussed above, the projects supported by the funds have already generated many outputs and outcomes, and LGF and GBF projects are forecast to deliver many more, but most likely beyond the March 2025 target date. Most of the forecast jobs yet to be delivered, will be created by transport infrastructure and skills capital projects.

Many transport projects supported ... which are slower to deliver economic impacts

- xii. A significant number of projects are transport infrastructure projects, largely new roads and junctions. Whilst these deliver economic growth, they often take longer than other types of projects to deliver those benefits, and depend on the actions of third parties such as housing and employment space developers.

Unforeseen external shocks have slowed project delivery

- xiii. Brexit and Covid-19 were not foreseen when developing the SEP and Growth Deal plan, and have impacted on project delivery.

Many initial targets were over-ambitious

- xiv. No initial targets were set for the outcomes of GPF projects, with Government at the time adopting a relatively light touch approach to GPF compared with the later LGF and GBF programmes. LGF had an initial target of £4 billion of additional economic output which, despite the award of less funds than originally bid for, and other asks not being delivered, may well be met. Few of the other targets are forecast to be met by 2030, including those for the creation of jobs and the delivery of new homes, reflecting the award of less funds than bid for. Some of the initial targets for GBF will be exceeded (e.g. for the delivery of R&D space and new homes), whilst others are unlikely to be met (e.g. for the creation of jobs).
- xv. The calculation of the value-for-money generated by these funds (discussed below) is based on the jobs created by the projects to March 2023, and those forecast by March 2025 (although most of these are likely to be created after this date due to delays in project and outcome delivery). Figures to inform the calculations have been derived from management data provided by projects to the LEP. Even more jobs and impacts than these could potentially be created in the period to 2030, because:
- Some projects are expected to create more jobs beyond the current forecasts to March 2025.
 - Innovation and enterprise centres will likely have turnover of tenants, so will be able to accommodate further new jobs.
 - Many of the apprenticeships created by the projects will lead to permanent jobs and/or higher wages.

Projects have helped to increase both productivity and prosperity

- xvi. Projects supported by the three funds have driven increased productivity in some areas, particularly those where the HotSW has competitive advantage; and driven greater prosperity in other areas, particularly the more rural and less accessible parts of the region. Given the diversity of the region, a spread between the two is inevitable.

The funds have made a difference ... but it is small compared to the size of the HotSW economy

- xvii. Funds of £255 million were awarded for spend on projects in the HotSW since 2011, i.e. over 12 years. The total investment is relatively small, at less than 1% of the annual GVA of the HotSW.
- xviii. The projects have made a measurable difference to the economy of the HotSW (£4.4 billion present value of net additional local impact over a period of roughly 20 years), but this is relatively small compared to the size of the HotSW economy (£39 billion per year in 2021).

Value-for-money is high and has exceeded Government's benchmark

- xix. Total spend of £582 million on the projects has led to the creation of 7,100 jobs by March 2023. Over a ten-year period, these will generate gross GVA of £2.3 billion¹. The projects are forecast to create a total of 20,700 jobs by March 2025 (i.e. an additional 13,600), although it is likely that

¹ The HM Treasury Green Book states that costs and benefits should be calculated over the lifetime of a project, with 10 years being 'a suitable working assumption for many interventions.' Longer periods can be used for infrastructure and building projects, but 10 years has been used as a conservative length of time given the range of projects supported,

most of these will be created after this date. If and when created, these jobs could generate £6.8 billion of GVA. There is also potential for additional jobs to be created beyond these (as mentioned above). These overall figures suggest a return on total investment of 4 : 1 based on jobs created to-date, and the potential for this to increase to 12 : 1 and beyond.

- xx. The HM Treasury Green Book method for calculating the benefit to cost ratio (BCR) is to divide the present value (PV) of the additional benefits of the projects by the PV of the public sector costs only (not the total costs). Using this measure the projects supported by the funds are generating a BCR of 4.8 : 1 based on jobs created to March 2023, with the potential to increase this to 11.5 : 1 and possibly even more. Both figures are well in excess of the UK Government's appraisal metric of a benefit-to-cost ratio of 2 : 1 for good value-for-money from public sector investment.
- xxi. **GPF** projects have created 810 jobs, which will generate £260 million of gross GVA. The BCR for these projects is 10.6 : 1. Reinvestment of repaid loan funds into further projects could lead to an increase in this BCR in the future.
- xxii. **LGF** projects have created 5,560 jobs to March 2023, and are forecast to reach 17,640, although these are unlikely to be created by March 2025. The gross GVA generated by these jobs to-date is £1.8 billion and could rise to £5.6 billion. The BCR based on jobs to-date is 4.6 : 1, which could rise to 11.9 : 1.
- xxiii. **GBF** projects have created 750 jobs to-date, with a forecast of 2,250 jobs to be created by March 2025, although most likely after this date. The gross GVA generated by jobs created to-date is £296 million, and this could eventually become £874 million. The BCR from jobs created to-date is 3.9 : 1, with the potential to increase to 10 : 1.

High value-for-money achieved by each theme

- xxiv. When project data is collated by themes rather than by funds:
 - Projects supporting **areas of competitive advantage** have created 810 jobs to-date, generating a BCR of 4.8 : 1. If the total of 1,470 forecasted jobs are created, the BCR will be 9 : 1.
 - **Infrastructure and site delivery** projects have already created 4,830 jobs, and this number is forecast to increase to a total of more than 14,000. The BCR based on jobs created to-date is 5.1 : 1, and this could increase to 11.3 : 1.
 - Projects enabling **innovation and business support** have created 1,120 jobs to-date, generating a BCR of 5.8 : 1. If the forecast total of 1,710 jobs are created, the BCR will be 8.2 : 1.
 - **People and skills** projects have created only 380 jobs to-date, but they are forecast to deliver 3,470. The BCR based on these jobs to-date is 2.4 : 1, which could increase to 20.2 : 1.

Recommendations for the future

- xxv. Future investments should be underpinned by a robust and well-evidenced strategy that guides priorities and sets out a clear narrative to Government of the HotSW's challenges and opportunities (and their alignment with national ones) and the scale of intervention needed so that future funds and projects can be directed to tackling these. Focusing investment on key challenges and opportunities could involve subsequent projects in particular places complementing each other e.g. delivering infrastructure, then workspace, then specialist



equipment and business support to optimise the opportunities for businesses in areas of competitive advantage.

- xxvi. Expectations for impacts and change, and the targets for these, should be realistic and appropriate to the scale of funding awarded. With relatively small-scale funding, change will be gradual, but should be cumulative and significant over a longer period of time. Peripherality and low productivity in the HotSW are structural challenges that will take decades to tackle, and there is no quick and easy solution. Projects also need to be flexible enough to respond to foreseeable or unforeseen risks and events.
- xxvii. Timescales for project delivery should be realistic, and draw on the experiences set out in this report. The process by which investments in projects such as transport and education infrastructure lead to jobs and GVA is often slower and more complex than has been assumed. The robust use of HM Treasury Green Book guidance on optimism bias in project appraisal should be mandated.
- xxviii. Whilst there are some benefits to the competitive award of funds to projects, commissioning projects will ensure they are tackling the highest priority challenges and opportunities identified in the strategy. Resources should be invested in project development prior to the award of funding.
- xxix. Projects should seek to maximise the attraction of private match funds. If public funds can be awarded as repayable loans, then receipts can be recycled to support further projects and growth.



1 Introduction

- 1.1 The Heart of the South West Local Enterprise Partnership (HotSW LEP) has commissioned this evaluation of the impact of three funds:
- Growing Places Fund (GPF).
 - Local Growth Fund (LGF), which comprised three Growth Deals with Government.
 - Getting Building Fund (GBF).
- 1.2 Together these funds are worth £255 million, and alongside public and private sector match funding have supported more than 100 economic development projects. LGF and GBF have been used to award grants to projects in the HotSW, and GPF has been used to award repayable loans.
- 1.3 In summary:
- GPF was awarded by UK Government to the LEP in 2011 to deliver its response to the financial crisis of the late 2000s. It was established as a revolving loan fund, with repayments intended to support future activity.
 - LGF was awarded through three Growth Deals (GDs) with UK Government, intended to support structural change in the economy of the HotSW. GD1 was awarded in 2014, GD2 in 2015, and GD3 in 2017.
 - GBF was awarded by UK Government in 2020 as part of a programme of activity to help the HotSW recover from the socio-economic impacts of the Covid-19 pandemic. It built on the structural change agenda pursued by the three Growth Deals.
- 1.4 All three funds are primarily intended to support capital projects. Each fund was set within a strategic context, which is discussed in more detail in Chapter 2, below.

Themes

- 1.5 Four core themes of activity have been delivered across the three funds, which have become apparent in retrospect:
- Support for areas of competitive advantage.
 - Infrastructure and site delivery.
 - Innovation and business support.
 - People and skills.
- 1.6 This evaluation considers activity under each of these themes as well as activity supported by each of the three funds. As this is a relatively large amount of public money, HotSW LEP wants to understand how effective this investment has been in addressing the challenges and opportunities of the area, and the value-for-money arising from this.

Approach to evaluation

- 1.7 The overall approach to this evaluation is to consider:
- **Inputs** to the projects and themes, which are the resources committed to projects, measured in terms of LEP, other public spending, and other match funding.
 - **Outputs** are the tangible things that are delivered by the projects e.g. infrastructure delivered, floorspace delivered, houses delivered, learners assisted, businesses assisted etc.

- **Outcomes** are the early and medium-term economic impacts generated by the projects e.g. qualifications achieved, employment safeguarded, new jobs etc.
 - **Impacts** are the long-term results of the projects. For the purposes of this evaluation, GVA is treated as an impact, and measured for each project for ten years.
- 1.8 Value-for-money is measured in terms of social cost-benefit analysis, in accordance with the HM Treasury Green Book and the Magenta Book. Costs include the present value of public sector grants and loans, less any loan repayments (i.e. discounted over time). Benefits are measured in present values of GVA.
- 1.9 All impacts of permanent jobs have been considered for ten years from the delivery of each project. This assumes these jobs last for at least ten years. The net additional benefits of jobs are assumed to decline over the ten years as new jobs would have been created anyway, without this support, over this period.
- 1.10 As well as the quantitative assessment of benefits, this analysis also uses consultations and case studies to gather qualitative information, to complement this. This gives a better-rounded assessment of the impact of the three funds.
- 1.11 The impact of construction jobs (i.e. the GVA generated by these) is temporary and has not been included in these calculations.
- 1.12 The benefit-to-cost ratio (BCR) is calculated by dividing the present value of the net additional local economic benefits (in this case the GVA) by the present value of the public sector costs.

2 Context and Performance

2.1 This chapter sets out the context for this evaluation, including the LEP itself and the three funds, and their performance. The chapter considers:

- An overview of the role of the HotSW LEP.
- An overview of the three funds.
- Consideration of the four themes of activity which run through the three funds.
- Key messages on the delivery of the funds, drawn from project data and consultations with stakeholders from the LEP and those involved in the delivery of projects.

The Heart of the South West LEP

2.2 The overarching purpose of the HotSW LEP is to lead and influence economic growth, job creation and prosperity across the Heart of the South West area covering Devon, Plymouth, Somerset and Torbay. The current core strategy of the HotSW LEP is the Plan to Build Back Better², which has been in place since 2020. It is rooted in the vision and evidence base prepared for the Local Industrial Strategy which centre the LEP's ambitions around delivering clean and inclusive growth, and has shaped the activity supported by GBF. Prior to this the Strategic Economic Plan (SEP) was in place from 2014, and guided the activity of the LGF. The GPF pre-dated this, and was awarded by Government before the LEPs' strategic approach to economic development was formulated.

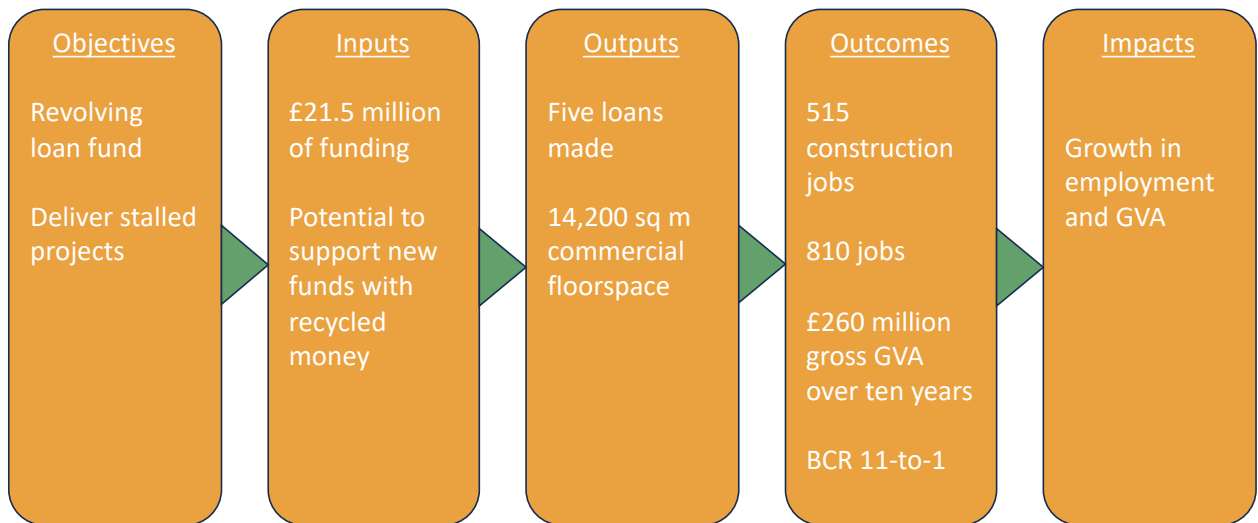
Overview of the three funds

Growing Places Fund

- 2.3 GPF is a revolving loan fund, launched in 2011. The logic model for GPF is summarised in Figure 2.1, below.
- 2.4 Detail on the strategic context, market failure rationale, project objectives, targets, inputs, activities, outputs, and outcomes are set out in Appendix 1. The GVA impacts of these projects are considered in Chapter 3.

² [https://heartofswlep.co.uk/growing-our-economy/build-back-better-plan/#:~:text=Build%20Back%20Better%20has%20a,Local%20Industrial%20Strategy%20\(LIS\).](https://heartofswlep.co.uk/growing-our-economy/build-back-better-plan/#:~:text=Build%20Back%20Better%20has%20a,Local%20Industrial%20Strategy%20(LIS).)

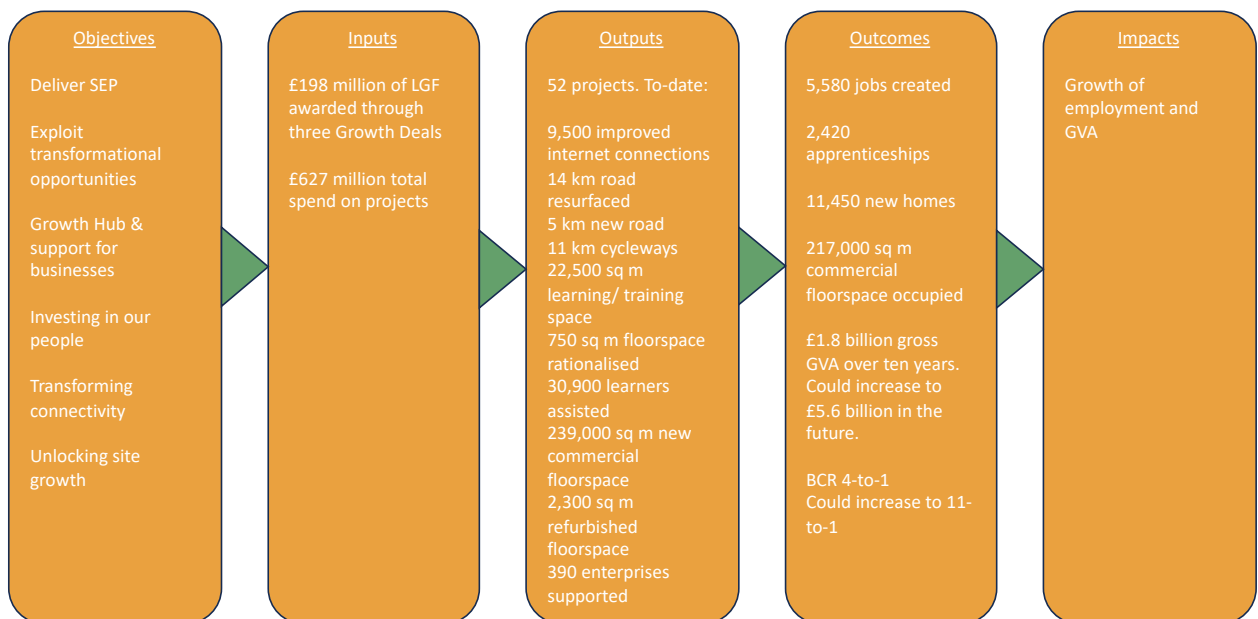
Figure 2.1: Overview of the Growing Places Fund



Local Growth Fund

2.5 £198 million of LGF was awarded through three Growth Deals between the LEP and the UK Government in 2014, 2015, and 2017. The logic model for the LGF is summarised in Figure 2.2.

Figure 2.2: Overview of the Local Growth Fund



2.6 Detail on the strategic context, market failure rationale, project objectives, targets, inputs, activities, outputs, and outcomes are set out in Appendix 2. The GVA impacts of these projects are considered in Chapter 3.

Getting Building Fund

2.7 The logic model for the Getting Building Fund (GBF) is summarised in Figure 2.3, below.

Figure 2.3: Overview of the Getting Building Fund



2.8 Detail on the strategic context, market failure rationale, project objectives, targets, inputs, activities, outputs, and outcomes are set out in Appendix 3.

2.9 The GVA impacts of these projects are considered in Chapter 3.

Themes

2.10 The activity supported by the three funds, discussed above, covers four consistent themes which run through each fund. These have been identified retrospectively, rather than guiding the formulation of the activities, and are:

- Areas of competitive advantage.
- Infrastructure and site delivery.
- Innovation and business support.
- People and skills.

2.11 All three funds set objectives around themes, which map to the four consistent themes listed above. These can be seen in Figure 2.4 below. The projects within each fund map to the themes that cut across the three funds. The mapping of projects to themes is set out in Appendix 4.



Figure 2.4: Funds and Overall Themes

	Growing Places Fund	Local Growth Fund	Getting Building Fund
Strategic context	<i>Government's Prospectus for GPF (2011)</i>	<i>Strategic Economic Plan and Growth Deal bid (2014)</i>	<i>HotSW Build Back Better Plan (2021) and Local Industrial Strategy (2020)</i>
Theme			
Areas of competitive advantage	Transformational projects	Exploiting our transformational opportunities	Transformational Programmes: Energy Futures Digital Futures Engineering Futures
Infrastructure & delivering sites (residential and commercial)	Places and infrastructure	Transforming connectivity Unlocking housing and employment sites	Places and infrastructure
Innovation & business support	-	Growth Hub	Business and innovation
People & skills	-	Investing in our people	People

Key messages

2.12 These key messages are drawn from the data set out above and in the accompanying appendices, complemented with consultations with stakeholders involved in the activities of the LEP and the delivery of the three funds.

Strong strategy context in place to guide LGF and GBF

2.13 No HotSW-specific policy and strategy context was in place for GPF, but there was for LGF and GBF. All HotSW LEP strategies were prepared within the context of national economic growth aspirations, so they helped to achieve these. Significant research was carried out, and evidence considered, to inform the preparation of the HotSW LEP's strategies. Alongside this were significant inputs from the board members and executive team, drawing on their areas of expertise within the private and the public sectors and their understanding of both. Strategies and plans were tested through consultation with stakeholders and then refined to take feedback on board.

2.14 The HotSW LEP worked hard to identify the unique and nationally significant strengths of the region and develop a strategy that responded to its specific challenges and opportunities and differentiated it from other LEPs. Strategies were shaped to demonstrate to UK Government how they contributed to national growth objectives.

2.15 From Growth Deal 2, the HotSW LEP achieved the highest allocation in the country.

Good fit of projects to strategic context

- 2.16 Overall, there is a good fit of projects with the strategic context in place when each fund was allocated. Projects were appropriate responses to evident market failures.
- 2.17 More projects were considered for funding than were eventually supported, as part of a competitive approach to the award of funds. Whilst the LEP worked with regional stakeholders to prioritise projects, particularly for the three Growth Deals, UK Government also played a role in deciding the final list of projects that was supported.
- 2.18 By the time of the LGF and Growth Deals the LEP had established a Strategic Investment Panel (SIP), chaired by a board member, to appraise projects that were bidding for funding, with delegated authority from the full board. The SIP was supported by three working groups covering business, skills, and infrastructure. This helped to ensure that projects' contribution to the strategic objectives of the LEP were well tested through the project appraisal process.
- 2.19 Projects were given ongoing support by the LEP to maximise their chances of success, and ultimately repayment of the loans which could then be re-used.

Large number of transport infrastructure projects

- 2.20 It has been noted by consultees that the LEP has supported a relatively large number of transport infrastructure projects, particularly road projects. Although not an initial area for support by the LEP, transport and housing were introduced into its remit by the time of the LGF and Growth Deals, and significant funds came from the Department of Transport. A transport board was established to consider these projects given their specialist nature within economic development, their route to stimulating economic growth (often taking longer than other types of projects to deliver outcomes and being more dependent on third parties eventually delivering homes and jobs), and the difficulty of comparing transport projects with other economic development projects. Over time, this became more integrated into the LEP's overall approach.

There are pros and cons to the competitive award of funds

- 2.21 Consultees have talked about the competitive and time-constrained process for allocating funding to the LEP, and then from the LEP to projects, and this is highlighted as a risk in the 2021 report on the LGF. Whilst this helped to ensure that value-for-money was achieved throughout the process, concerns raised about this approach include:
- Favouring projects that are already well developed, i.e. 'shovel-ready' projects, over those that may be more strategically valuable but less well developed.
 - The potential to encourage optimism bias (even inadvertently) in the presentation of projects to increase their attractiveness.
- 2.22 There is a need for resources to be able to develop project ideas and prepare them for competitive bidding processes. Without this, smaller local authorities are disadvantaged by the competitive and time-constrained approach to the award of funds.
- 2.23 It has been asserted that the LEP scrutiny of projects was robust enough to avoid any significant optimism bias, but a number of projects are taking longer to deliver outcomes and impacts than initially planned, and may yet fail to reach their targets. It is claimed that no projects have yet failed to be delivered once started (albeit that some projects were

abandoned before starting as conditions changed; for example proposed investments in 4G infrastructure were overtaken by the market moving into this space removing the need for public finance), which is posited as evidence of the robustness of the project appraisal.

Major economic shocks have slowed project delivery

2.24 Major economic shocks including Brexit and Covid-19 were not foreseen, so their impacts on project delivery cannot be considered a shortcoming of the LEP's approach (although greater consideration of unknown risks should be considered in the future). With hindsight, these help to explain some of the delays in project delivery and the slow achievement of impacts. Reactions to these shocks, including an accelerated trend towards working-from-home, have made some office workspace projects less attractive, albeit that many have been successful, and there has been strong demand for workshop space. However, investment in digital infrastructure projects has proven to be more valuable than initially expected.

Layering of investments helps to maximise their value

2.25 Where possible the LEP has tried to provide ongoing support to projects to ensure their successful delivery. This has led to further rounds of investment in existing projects. The need for the continued support for projects is seen as an important lesson for any future programmes. This is part of a process of layering complementary investments to maximise their value e.g. investments in road infrastructure will be followed by investment in employment land and premises, and then investment in skills development and business support to optimise the likelihood of delivering successful and sustainable economic growth.

Investment of funds has attracted private match funding

2.26 All of the funds, and GPF in particular, sought to unlock private investment into projects. Many high-profile projects are public-private partnerships (e.g. Exeter Science Park), rather than private enterprises. Future funds and programmes could seek to increase private sector involvement in projects.

2.27 Continued support for projects after the initial investment is important to help them to achieve success. In some cases, this could mean providing revenue funding for the running of projects and not just a one-off capital investment.

Initial targets were over-optimistic

2.28 In comparison to initial targets for the funds:

- No initial targets were set for GPF.
- LGF is not forecast to deliver close to the targets for homes and jobs set out in the Growth Deal, although less funding was awarded than sought.
- GBF is only forecasting to deliver a small proportion of the original target for the delivery of commercial space, and is forecast to deliver fewer jobs than the original target; but it is forecast to over-deliver against targets for R&D space and new. As a response to the Covid-19 pandemic, bidding was compressed into a short period in the summer of 2020, which meant that many of the business cases were at an early stage. This led to refinement and adjustments after the award of GBF as the business cases were developed further and tested, leading to many of the differences noted.

- 2.29 Whilst many outputs and outcomes have been delivered to-date, there are many more yet to be delivered:
- GPF projects are not forecasting further outputs and outcomes. There is potential for GPF repayments to be recycled, to deliver further economic development activity in the HotSW.
 - LGF should assist many more learners and enterprises, create many more jobs, and deliver more homes in the coming years if forecasts are robust.
 - GBF has significant outputs and outcomes yet to be delivered if forecasting is robust.
- 2.30 There are a range of possible reasons for the high level of outputs and outcomes yet to be delivered.
- In some cases, insufficient resources were committed to deliver the projects (exacerbated by high inflation in construction and materials costs).
 - Changes to the projects, or greater complexity than originally anticipated, which has slowed their delivery.
 - Changes in external circumstances (particularly Brexit and Covid-19), which has slowed their delivery.
 - High levels of employment and a tight labour market post-Covid-19, which has made recruitment more difficult.
 - Optimism bias about the timing of delivery of outputs and impacts. Projects are not as 'shovel ready' as initially thought.

Funds have supported productivity growth in some places and greater prosperity in others

- 2.31 A range of views have been expressed about whether the focus of the LEP should be on investing in projects that increase productivity, most likely in more urban areas or associated with major infrastructure works, or on increasing prosperity across the region, including in rural areas. There are varying views on the extent to which either should be prioritised. In a LEP area that comprises urban and deep rural areas, this will be an ongoing and probably insoluble debate. However, it has been suggested that the LEP has managed to enhance the HotSW's most competitive sectors including nuclear, aerospace, and marine, and this has had a positive impact on places such as Bridgwater, Yeovil, Exeter, and Plymouth.
- 2.32 Some consultees have advocated investment in fundamental infrastructure projects (e.g. power and digital infrastructure) which will enable long-term economic growth whereas others have advocated the need for investment in revenue to complement existing capital investments and ensure best value-for-money is achieved. These two views are not mutually exclusive and show there is potential to invest in a wide range of projects.

Long-term horizon scanning is needed

- 2.33 There is a need for long-term horizon scanning to understand future infrastructure needs, leading to investment in developing a pipeline of projects.

3 Value-for-Money

- 3.1 This chapter considers the value-for-money generated by the funds, with modelling based on management data provided by projects to the HotSW LEP. The accuracy and robustness of the data has not been audited. In this chapter, analysis is carried out by each fund and then by the four themes that cut across the three funds.
- 3.2 The method for calculating the impacts of the investments is set out in Appendix 5. This follows HM Treasury (Green Book) guidance and uses only public sector costs to calculate the benefit-to-cost ratio (BCR). However, for illustration, this chapter does include some assessments of value-for-money using total project costs, including private match funds.
- 3.3 Benefits have been calculated over a ten-year period, which is conservative, but follows the HM Treasury Green Book guidance as ‘a suitable working assumption for many interventions.’

Overall value-for-money

- 3.4 The total amount awarded by Government for GPF, LGF, and GBF is £255 million. Together with other public and private funds, a total of £582 million was spent on projects supported by these three funds.
- 3.5 Gross benefits generated by the projects supported by the three funds are £2.3 billion based on actual jobs created to the end of March 2023³. If the additional jobs forecast to the end of March 2025 are created, the gross benefit could rise to at least £6.8 billion. Some projects may continue to create jobs beyond the forecast to March 2025, so this could increase further.
- 3.6 A simple comparison of the total spend to the gross benefits generated by the projects shows a return on total investment of 4 : 1, which could rise to 12 : 1.
- 3.7 Government guidance on appraisal and evaluation states that the present value (PV)⁴ of the net additional benefits of projects should be compared to the PV of the cost to the public sector to calculate the BCR (i.e. not total cost). This definition is used for the rest of this report.
- 3.8 The PV of all public funds spent on these projects to-date is £334 million, rising to £382 million when all funds are spent. The PV of the net additional benefits to the HotSW based on jobs created to-date is £1.6 billion, and could rise to £4.4 billion if forecasted impacts are achieved.
- 3.9 This gives a BCR of 4.8 : 1 based on jobs created to-date, rising to 11.5 : 1 if all impacts are eventually achieved. Both figures are well in excess of the UK Government’s appraisal metric of a benefit-to-cost ratio of 2 : 1 for good value-for-money from public sector investment.

Value-for-money by funds

Growing Places Fund

- 3.10 GPF has been awarded as loan funding to five projects, which have delivered outputs, and no more are forecasted for the future. Figure 3.1 shows the spend and gross impacts of these

³ GVA benefits from jobs enabled by the three funds are measured over ten years from the creation of the jobs. See Appendix 4 for the full methodology statement.

⁴ Present value (PV) is the cumulative value of costs or benefits over time, with future values discounted at 3.5% per year in line with HM Treasury guidance.

projects. Figure 3.2 then sets out the PV of public sector costs and net additional impacts, which show a BCR of 10.6 : 1⁵. This is the highest of the three funds to-date, which is to be expected given it has had the longest time to deliver outputs.

Figure 3.1: Gross Inputs and Outputs of Growing Places Fund

	Total Cost ⁶	GPF Spend ⁷	Jobs	Gross GVA ⁸
Total	£38,500,000	£17,600,000	810	£259,900,000

Figure 3.2: Net Additional Inputs and Outputs of Growing Places Fund

	PV Total Public Sector Spend (Costs)	PV GVA (Benefits)	BCR ⁵
Total	£17,600,000	£186,300,000	10.6

3.11 All jobs and GVA have already been generated by these projects, and no further impacts are expected. However, reinvestment of repaid funds could lead to more jobs and GVA in the future.

Local Growth Fund

3.12 This analysis is based on cost and output data provided for projects which were awarded funds from LGF. This was awarded and spent over three Growth Deals. Figure 3.3 shows the costs, jobs created and gross GVA based on jobs created to-date and those forecasted to March 2025. There are a significant number of jobs yet to be created and GVA yet to be generated.

Figure 3.3: Gross Inputs and Outputs of Local Growth Fund

	Total Cost ⁹	Total Public Sector Spend	LGF Spend ¹⁰	Jobs	Gross GVA ⁸
Total jobs to March 2023		£265,800,000		5,560	£1,760,300,000
Total jobs forecast to March 2025	£448,800,000	£310,100,000	£176,600,000	17,640	£5,629,300,000

3.13 Currently there are 12,060 further jobs forecasted for delivery by March 2025, but most likely beyond this date. Close to two-thirds of these (7,740) are attributed to six projects, shown in the figure below. Five of these six projects are new road or junction projects.

⁵ BCR is calculated using only public sector costs, in line with HM Treasury (Green Book) guidance.

⁶ Total costs are available for three of the five projects. This figure includes the total costs of three projects, and the GPF spend of the other two.

⁷ This is the spend on projects for which data has been provided. A total of £21.5 million was awarded by Government.

⁸ GVA generated over ten years from the creation of each job. See Appendix 4 for details of the methodology used to calculate this.

⁹ Note this is the original cost submitted as part of the business case for each project.

¹⁰ Current spend is less than the full amount awarded as around £12 million is being managed through Freedoms & Flexibilities agreed with UK Government. This will be spent by the end of December 2024.

Figure 3.4: Projects with Large Numbers of Forecast Jobs

	Jobs Delivered to Date	Forecast Jobs by March 2025
Bridgwater College Hinkley Skills Capital	0	2,600
Yeovil Western Corridor Capacity Upgrade	0	1,600
Huntworth Roundabout Bridgwater	90	1,400
A382 widening, Newton Abbot	20	800
Huntspill Energy Park	0	700
J25, M5 at Henlade	5	600
Total	120	7,740

3.14 Figure 3.5 shows the PV of public sector spend and the PV of net additional impacts generated by jobs created to-date and forecasted in the future. These give a BCR of 4.6 : 1 based on jobs created to-date, rising to 11.9 : 1 if all jobs and benefits are realised⁵. The BCR to-date exceeds the benchmark of 2 : 1, and the forecasted BCR, if achieved, will exceed this considerably.

Figure 3.5: Net Additional Costs and Benefits of Local Growth Fund

	PV Total Public Sector Spend (Costs)	PV GVA (Benefits)	Benefit to Cost Ratio
Total jobs to March 2023	£265,800,000	£1,235,000,000	4.6
Total jobs forecast to March 2025	£307,500,000	£3,647,000,000	11.9

Getting Building Fund

3.15 £35 million of GBF was awarded in 2020 as part of the response to the impact of the Covid-19 pandemic. Figure 3.6 shows the total spend on projects by this fund, including all public spend, and GBF spend within this. It also shows the jobs and gross GVA generated by jobs created to-date (March 2023), and those forecasted to March 2025 (but most likely beyond this date).

Figure 3.6: Gross Inputs and Outputs of Getting Building Fund

	Total Cost	Total Public Sector Spend	GBF Spend	Jobs	Gross GVA ⁸
Total jobs to March 2023	£94,400,000	£50,100,000	£35,400,000	750	£296,300,000
Total jobs forecast to March 2025		£57,100,000	£35,400,000	2,240	£874,100,000

3.16 Whilst some of the outputs and outcomes have already been delivered, there are significant amounts yet to be delivered. Close to 80% of these can be attributed to five projects, shown in the figure below.

Figure 3.7: Projects with Large Numbers of Forecast Jobs

	Jobs Delivered to Date	Forecast Jobs to March 2025
Dunball Junction	25	480
Firepool and Taunton Station Access	0	210
Welding Centre of Excellence	0	190
Health Tech Incubation Hub	15	170
Torquay Gateway	0	120
Total	40	1,490

3.17 Figure 3.8 shows the PV of costs and net additional local benefits from the jobs created by GBF to-date and forecasted in the future. The BCR based on the jobs created to-date of 3.9 : 1 is higher than the Government's benchmark of 2 : 1. If all forecasted benefits are realised, this will rise to 10 : 1, which is a very high BCR.

Figure 3.8: Net Additional Costs and Benefits of Getting Building Fund

	PV Total Public Sector Spend (Costs)	PV GVA (Benefits)	Benefit to Cost Ratio
Total jobs to March 2023	£50,100,000	£196,100,000	3.9
Total jobs forecast to March 2025	£56,100,000	£571,200,000	10.0

Forecast future job numbers and impacts

3.18 Whilst current and forecast job creation data has not been audited, a high-level review of 29 transport projects supported by LGF and GPF has been carried out, as these include many of the largest as-yet undelivered numbers of jobs. In their original appraisals these projects were planned to deliver just over 23,000 jobs. By March 2023 they had created just over 3,800 jobs (17% of the original target), with a further 7,960 (34%) forecasted to be created by March 2025. However, the review of these projects suggests that only just over 100 of these jobs are likely to be created by March 2025, with the balance created after this date, or not at all. Looking forward to 2030, some but not all of the 7,960 jobs will have been created, generating additional GVA impacts.

3.19 As well as those jobs forecast for the short to medium-term discussed in the previous paragraph, further jobs and impacts could be created by 2030 through several mechanisms:

- Some of the 23,000 jobs proposed in the projects' original appraisals, and planned to be delivered after 2025, will be delivered. There are 11,300 potential jobs in this category. A detailed review of each project is needed to estimate how many might be delivered by 2030, but given the existing delay in delivering jobs forecast by March 2025, it is unlikely to be a significant proportion of the total.
- There are at least 15 innovation and enterprise centre projects delivered by the three funds (with projects such as the Unlocking Growth Fund delivering multiple centres in several

places, so the total number of premises is higher). Some of the businesses in these centres will outgrow their premises and graduate to other premises in the HotSW, freeing up space which can then accommodate more new jobs, so they could create additional jobs by 2030.

- Many of the 2,420 apprenticeships created by the projects to-date will lead to permanent jobs in the HotSW and/or higher wages for those who fill these jobs, although some of these may already be accounted for in forecast job creation, so there is a small risk of double counting.

3.20 In summary, initial job targets set at project appraisal were over optimistic, but the numbers now forecast to be delivered are still high. Many of the jobs forecasted for delivery by the Government’s target of March 2025 will come after this date. Some of these may not ultimately be delivered, but there is potential to deliver further jobs that are not included in the forecasts to March 2025, including those originally forecasted for delivery after this date, further jobs created in innovation and enterprise centres, and permanent jobs which results from apprenticeships.

Value-for-money by themes

3.21 The following sections consider the same underlying data as that assessed above, but the projects are allocated to themes rather than to the three funds.

Theme: Areas of competitive advantage

3.22 Thirteen projects have been allocated to this theme. Eight are supported by GBF, which was awarded in 2020, illustrating a greater focus on this theme in the most recent round of funding.

3.23 These Competitive Advantage projects have been awarded £26.8 million of GPF, LGF, and GBF. They have currently delivered more than 800 jobs, and are forecast to deliver nearly 1,500 jobs by March 2025 or after this date.

Figure 3.9: Gross Inputs and Outputs of Projects under ‘Areas of Competitive Advantage’ Projects

	Total Cost	Total Public Sector Spend	LEP Funds Spend	Jobs	Gross GVA
Total jobs to March 2023		£49,000,000		810	£277,600,000
Total jobs forecast to March 2025	£51,400,000 ¹¹	£49,100,000	£26,800,000	1,470	£544,100,000

3.24 The BCR for Competitive Advantage Projects is currently 4.8 : 1, rising to 9.0 : 1 if forecast jobs are delivered.

¹¹ Note: This does not include all match funding for GPF projects as this data has not been provided

Figure 3.10: Net Additional Costs and Benefits of the 'Areas of Competitive Advantage' Projects

	PV Total Public Sector Spend (Costs)	PV GVA (Benefits)	Benefit to Cost Ratio
Total jobs to March 2023	£39,500,000	£191,100,000	4.8
Total jobs forecast to March 2025	£39,600,000	£357,500,000	9.0

Theme: Infrastructure and site delivery

- 3.25 Forty-seven projects have been allocated to this theme – four supported by GPF from 2011, thirty supported by LGF from 2014 onwards, and 13 supported by GBF in 2020. Whilst these projects have been the most numerous under each fund, the largest number were supported by LGF through the three Growth Deals.
- 3.26 Together these projects have been awarded £137 million of GPF, LGF, and GBF. They have delivered 4,830 jobs to March 2023, and are forecast to deliver more than 14,000 jobs to March 2025 or beyond this date.

Figure 3.11: Gross Inputs and Outputs of 'Infrastructure and Site Delivery' Projects

	Total Cost	Total Public Sector Spend	LEP Funds Spend	Jobs	Gross GVA
Total jobs to March 2023	£397,800,000 ¹¹	£221,900,000	£136,600,000	4,830	£1,538,300,000
Total jobs forecast to March 2025		£272,400,000		14,040	£4,534,600,000

- 3.27 The BCR generated by these Infrastructure and Site Delivery projects is 5 : 1 to March 2023, which will rise to 11.3 : 1 if forecasted jobs are created.

Figure 3.12: Net Additional Costs and Benefits of 'Infrastructure and Site Delivery' Projects

	PV Total Public Sector Spend (Costs)	PV GVA (Benefits)	Benefit to Cost Ratio
Total jobs to March 2023	£213,800,000	£1,081,100,000	5.1
Total jobs forecast to March 2025	£261,500,000	£2,961,600,000	11.3

Theme: Innovation and business support

- 3.28 Twelve projects delivering Innovation and Business support have been funded by LGF and GBF, with none funded by GPF (which only supported Competitive Advantage and

Infrastructure and Sites projects). Nine of these were funded by LGF from 2014 onwards and three were supported by GBF.

3.29 These projects have been awarded £39 million of LGF and GBF funds. To March 2023 they have delivered more than 1,100 jobs, and are forecasted to deliver 1,700 jobs.

Figure 3.13: Gross Inputs and Outputs of ‘Innovation and Business Support’ Projects

	Total Cost	Total Public Sector Spend	LEP Funds Spend	Jobs	Gross GVA
Total jobs to March 2023	£60,300,000	£45,100,000	£38,900,000	1,120	£382,300,000
Total jobs forecast to March 2025		£45,700,000		1,710	£563,900,000

3.30 The jobs created by these projects to March 2023 will generate a BCR of 5.8 : 1. If the jobs forecast to March 2025 are created, the BCR will rise to 8.2 : 1.

Figure 3.14: Net Additional Local Impact of Inputs and Outputs for Projects under ‘Innovation and Business Support’ Theme to-Date and Forecast

	PV Total Public Sector Spend (Costs)	PV GVA (Benefits)	Benefit to Cost Ratio
Total jobs to March 2023	£45,100,000	£261,400,000	5.8
Total jobs forecast to March 2025	£45,700,000	£376,000,000	8.2

Theme: People and skills

3.31 Seven People and Skills projects have been supported by LGF and GBF, with none supported by GPF. Six of these were supported by LGF from 2014 onwards and one by GBF in 2020. Together, these projects were awarded £27 million of LGF and GBF funds. They have created 380 jobs by March 2023, which is forecast to rise to nearly 3,500.

Figure 3.15: Gross Inputs and Outputs of ‘People and Skills’ Projects

	Total Cost	Total Public Sector Spend	LEP Funds Spend	Jobs	GVA
Total jobs to March 2023	£72,200,000	£35,100,000	£27,400,000	380	£118,400,000
Total jobs forecast to March 2025				3,470	£1,120,800,000

- 3.32 The jobs created by these projects to March 2025 will generate a BCR of 2.4 : 1 over ten years, rising to more than 20 : 1 if all the forecasted jobs are created.

Figure 3.16: Costs and Benefits of 'People and Skills' Projects

	PV Total Public Sector Spend (Costs)	PV GVA (Benefits)	Benefit to Cost Ratio
Total jobs to March 2023	£35,100,000	£84,100,000	2.4
Total jobs forecast to March 2025		£708,800,000	20.2

Key messages

- 3.33 This section sets out the key messages arising from this analysis of the modelling of the management data provided by the HotSW LEP.

Overall value-for-money is high

- 3.34 The overall value-for-money based on jobs created to-date by the projects supported by the three funds is a BCR of 4.8 : 1. This would increase to 11.5 : 1 if all additional forecasted jobs are created (unlikely by March 2025, but more likely by 2030). When appraising projects for investment, UK Government has recently been seeking a BCR of at least 2 : 1, so this benchmark is comfortably exceeded, demonstrating good value-for-money. Whilst the BCRs are impressive, there is a significant gap between benefits generated by the jobs created to-date and those based on the jobs forecasted in the future, so potential for significant further benefits to the HotSW.

Value-for-money is high for all funds and themes

- 3.35 Jobs created by GPF will generate a BCR of 10.6 : 1 and there are no further forecasted jobs to be created.
- 3.36 LGF is showing a BCR of 4.6 : 1 based on jobs created to March 2023, but has delivered just less than one-third of the jobs and GVA that are forecasted in the future. If these further benefits are achieved, the BCR will rise to 11.9 : 1, which is very impressive. Two-thirds of the jobs as yet undelivered are forecasted to be delivered by six projects, with the Bridgwater College Hinkley Skills Capital project being the largest contributor to this number. Five of the six are transport infrastructure projects, and as discussed in Chapter 2 these can take much longer than originally anticipated to deliver economic benefits.
- 3.37 GBF is showing a BCR of 3.9 : 1 based on the impact of jobs created to March 2023, but has only delivered one-third of the total number of jobs forecast in the future. If all these forecasted jobs are eventually delivered, the BCR will increase to 10 : 1. Four-fifths of the as-yet undelivered jobs are attributable to five projects. The largest gaps are with two transport infrastructure projects.
- 3.38 For both LGF and GBF, delivery of all the forecasted additional jobs by March 2025 is unlikely. Some of these additional jobs will be delivered by this date, some after this date, and some may not be created at all.

3.39 The overall message from this analysis is that to-date (based on March 2023 data) the funds and projects have generated good value-for-money for public investment, with an overall BCR of 4.8 : 1, which is over double the benchmark used by Government when appraising economic development projects.

Many outputs and impacts have not yet been delivered

3.40 There are significant amounts of forecasted jobs and benefits that have not yet been delivered by projects funded by both LGF and GBF. GPF has already delivered a BCR of 10.6 : 1, and the other two funds could be similar if their forecasted numbers of jobs are achieved. If the forecasted impacts are considered a proxy for the target impacts of the funds, then overall they have only achieved 37% of their target impact so far.

3.41 When projects are considered by themes, there is a pattern of similar gaps between impacts to-date and forecasted impacts for the four themes, although it is notable that there is a particularly significant gap for People & Skills projects, with only jobs 380 created to-date, and a forecast of 3,470 jobs.

3.42 Much of the gap between impacts to-date and forecasted impacts are attributed to a relatively small number of projects that have not yet created their target jobs and GVA. This analysis has not investigated the reasons for this, but possible explanations are posited in paragraph 2.30. The projects that have not yet delivered impacts include further education capital projects and transport infrastructure projects (particularly roads).

4 Wider Economic Impacts

4.1 This chapter considers the wider impacts of the three funds in particular places in the HotSW. Four case studies of the impact of LEP funds in particular places have been undertaken, to understand how multiple investments can benefit them:

- The Electronics and Photonics Innovation Centre in Torbay.
- Plymouth Science Park.
- A number of investments in northern Devon.
- The Unlocking Growth Fund, with sub-projects across the HotSW, with Somerset considered here.

The Electronics and Photonics Innovation Centre

4.2 The electronics and photonics sector has been present in Torbay for many decades. The once largest business, Nortel, which employed around 5,000 people in good quality, skilled jobs, closed in 2002. Following closure, some former employees set up their own businesses locally, creating a local cluster of technology businesses. However, with limited local infrastructure and many company founders reaching retirement age, the growth potential of the cluster had stalled. The HotSW SEP identified the electronics and photonics activity in Torbay as a comparative advantage sector for the HotSW.

4.3 The Electronics and Photonics Innovation Centre (EPIC) is intended to revitalise the sector, support the establishment of new businesses, and stimulate future growth through the provision of flexible workspace and access to industry-leading open-access equipment.

Projects supported

4.4 An initial investment was made under LGF, followed by a complementary investment under GBF:

- LGF – initial capital funding for the EPIC building, which opened in 2019.
- GBF – provision of specialist equipment in EPIC for use by electronics and photonics companies. These include a classified cleanroom and prototyping suite.

4.5 In addition, funding of £150,000 has been available for each overseas inward investor.

Inputs and outputs

4.6 EPIC attracted £3 million of LGF along with more than £5 million of match funds. The initial target was to create 220 jobs. Monitoring data claims 46 jobs created by March 2023, with a further 115 forecast in the future.

4.7 The fit-out project attracted £1 million of GBF, along with £200,000 of match funding. Monitoring data claims over 670 learners assisted, 178 jobs created by March 2023, and a further eight to be created in the future.

4.8 Since opening in 2019, all but one of the 40 units within EPIC has been let to 13 tenant businesses, which include:

- Bay Photonics – photonic integrated circuit assembly. Since moving to EPIC it has expanded from seven to 30 employees, occupying eight units in the building.

- Effect Photonics – highly integrated optical communications products.
- Photonics Express – a specialist consulting and distribution company for laser materials processing.
- Oriole Networks – developing high speed optical telecommunications devices.
- Nanusens – a Spanish owned company producing sensors.
- Prior Scientific (Queensgate) – precision piezo manufacturing facility.
- VTEC Lasers and Sensors – optics and data integration.
- QLM Technology – gas sensing in the oil and gas industry.
- Innov8ive – specialising in data, AI, and machine learning from discharged systems.
- iTracking – specialists on telematics and camera systems.
- CutLeaf Innovation – building and programming drones for the creative industry.
- Superb Media – software and marketing.
- White Rock Systems – design, development, and maintenance of software.

4.9 Around 135 people are currently employed in EPIC. At least 75% of the building must be occupied by businesses involved in electronics and photonics, and no single business can occupy more than 25% of the total space.

Net additional local impact

4.10 EPIC has supported and enabled ongoing growth in the electronics and photonics sector that might not otherwise have taken place. Tenant businesses also support suppliers in the local economy.

Wider impacts

4.11 EPIC has helped to anchor the electronics and photonics sector in the HotSW. Three of the tenant businesses are foreign-owned, bring new investment into the UK. Promotion of EPIC at international events has helped to raise the profile of the South West globally.

4.12 The shared equipment provided at EPIC has helped small businesses who could not otherwise afford such equipment to compete with much larger businesses, thus enabling their growth.

4.13 EPIC's close location to South Devon College means EPIC and the sector more broadly have worked with the college to develop a skills pipeline.

Lessons learned

4.14 Significant consultation with businesses was undertaken as part of the design process for the building, which led to a very high specification that could not be delivered within the budget available. The specification was reduced to enable construction, but later retrofitting of services such as compressed air was less efficient than if it had been included during construction.

4.15 Whilst the EPIC building was an essential first step in the support for the cluster, the shared equipment within it is just as important. However, the shared equipment needs to be regularly updated. EPIC does not generate enough surplus to reinvest in new equipment, so further public funds will need to be sought.

4.16 At present there is a lack of grow-on space for companies graduating from EPIC, which limits the further growth of the sector in Torbay. Delivery of grow-on space is a priority over more innovation space.

Plymouth Science Park

4.17 Plymouth Science Park (PSP) was established before the investment of funds from the LEP and has been developed over five phases. LEP investment has helped with the delivery of the fifth phase of buildings and to provide open access equipment within the buildings.

Projects supported

4.18 Investments have been made into PSP through LGF and GBF:

- LGF support for the construction of the Phase 5 buildings.
- GBF support for the Health Tech Innovation Hub (HTIH), an additive manufacturing facility initially for health technology businesses, which was invested in equipment and repurposing of existing buildings rather than new construction. This has since evolved to support more sectors.
- LGF investment in Digital Reverse Engineering and Metrology (Dream) software to complement and optimise the investment in additive manufacturing equipment.
- A small grant for Technologically Evolved Additive Manufacturing (Team).

Inputs and outputs

4.19 PSP Phase 5 attracted £3 million of LGF along with £4 million of match funding. Monitoring data shows 202 jobs created.

4.20 The HTIH received just over £1 million of GBF, along with £440,000 of match funding. Monitoring data shows 12 jobs created and three safeguarded to-date, with a further 23 safeguarded jobs in the future.

Net additional local impact

4.21 Investment in additional space at PSP, then open access equipment for use by local businesses in a range of sectors, then software to optimise this have helped to maximise the benefit of these investments in PSP to local businesses and sectors including health technology, defence, and others. Investment in repurposing space in response to market demand has maximised its value to the local economy.

Wider impacts

4.22 The investment in equipment which can be used by a wide range of sectors has helped to turn PSP into more than a property solution, and has helped it to evolve from supporting the health sector to help others, including defence. Having specialist equipment in the buildings has also increased the income stream to PSP, helping towards commercial viability.

Lessons learned

4.23 Mixed opinions have been shared on the support for Phase 5 of PSP. Whilst it enabled the construction of new buildings to expand PSP and raise its profile, it required the borrowing of match funding and subsequent interest payments that could compromise the viability of PSP; and the design did not optimise income or allow flexibility to respond to changing market demand. With the benefit of hindsight, laboratory space would be more beneficial than office space. The more rigorous application of exit policies could have been used to ensure more space is available for businesses undertaking R&D in a science park environment.

- 4.24 However, the investment of GBF has allowed the repurposing of space from low value-added use (conferencing) to higher value laboratory and research space, along with open access equipment to make the best use of this space – creating centres of excellence.
- 4.25 Investment in buildings is an important first step, but investments in open access equipment that businesses cannot afford themselves ensures that high-value activity takes place in these buildings. A further investment in software to optimise the equipment has been controversial but is claimed to have made the investments far more valuable to the local business community, allowing more advanced research and development activity. Provision of revenue funding for specialist staff, alongside capital investment, would help further maximise the value of investments.
- 4.26 As far as possible, equipment should be sector agnostic, allowing its use by the greatest possible range of businesses.

Investments in Northern Devon

Projects supported

- 4.27 A number of projects have been supported by the three funds in Northern Devon (the Districts of North Devon and Torridge). Projects funded by the LGF are:
- North Devon Innovation Centre Roundswell. This was eventually delivered as an enterprise rather than innovation centre.
 - Roundswell Phase 2 Barnstaple - providing a pedestrian/cycle bridge over the A39 at Roundswell linking new and existing employment and residential areas.
 - A39 Heywood Junction, Bideford - to accommodate planned development of 5,943 dwellings and 30ha of employment space.
- 4.28 Projects funded by GBF are:
- Ilfracombe Watersports Centre.
 - Devon Workhubs – including North Devon Innovation Centre Phase 2
 - Burrows Centre Project – a centre for environmental awareness and education.
 - Smart Biosphere – smart rural digital infrastructure.
- 4.29 The Zebcat project to retrofit net zero technology to homes has also made some investment in Northern Devon.
- 4.30 Although a reasonable number of projects has been delivered in Northern Devon, this follows initial concerns about insufficient investment in the local area during the earlier rounds of funding.

Inputs and outputs

- 4.31 The LGF funded projects have received £3.9 million of funding towards projects with a combined cost of £8 million. These have created 272 jobs to-date and are forecasting a further 602 jobs.
- 4.32 The GBF projects have received £2.9 million of funding towards projects with a total cost of £8.2 million. These have created 38 jobs to-date and are forecasting a further 8 jobs.

Net additional local impact

- 4.33 The LGF awards have enabled the delivery of large projects, including employment space and homes. The GBF funded projects have supported more workspace, particularly for smaller and new-start businesses in workhubs, and tourism/environmental projects which support one of the area's key sectors.

Wider impacts

- 4.34 These projects help to meet the strategic objectives of the LEP as well as those of the local authorities, and national economic objectives. Some of these projects are inter-related, for example the Roundswell (innovation) enterprise centre and the active travel infrastructure to access this, which also opens up the potential for future investment in a park-and-change facility at Roundswell. Whilst the initial project proposal was for an innovation centre, this evolved to become an enterprise centre in response to further assessment of local economic needs and opportunities, demonstrating the flexibility of the funds to respond to local circumstances. The enterprise centre has proved very successful, and has exceeded targets for occupancy and job creation.
- 4.35 Several of the investments have supported recovery from Covid-19 and growth in the tourism sector, which although a regional priority, is not a high productivity sector. These projects have helped to support productivity and the levelling up agenda. Some consultees have suggested that the rural parts of the region have seen a greater economic impact from Covid-19, so GBF should be more focused here. Investments in work hub projects have also supported the post-Covid support for levelling up.
- 4.36 Overall, the projects have had a beneficial and cumulative effect on the local economy, for example raising the profile of Roundswell as a business location and attracting businesses to other sites as well as the enterprise centre.

Lessons learned

- 4.37 The 'layering' or geographical focusing of complementary investments into a particular area (e.g. transport infrastructure, employment premises, homes, and enterprise workspace) shows how subsequent investments can enhance earlier ones, increasing the benefit to a local area.
- 4.38 The limited resources of local authorities to carry out project development prior to bidding for funding has been identified as a potential constraint to economic growth in areas such as Northern Devon. In addition, the lack of high-profile drivers of economic growth (e.g. universities or major infrastructure projects) means that the challenges are different in more rural areas than in the cities and more accessible areas., and the importance of investing funds to increase prosperity as well as productivity must be recognised.

Unlocking Growth Fund

- 4.39 Unlocking Growth Fund is an umbrella project, comprising a number of sub-projects creating workspace for start-ups and small businesses across the area, particularly in smaller market towns. The LGF award to the Unlocking Growth Fund has enabled investment in infrastructure to bring forward strategic employment sites at key locations. Subsequently, GBF has been awarded to similar workspace projects.

Projects supported

4.40 This is a programme of eight investments in projects, which are:

- Yeovil Innovation Centre Phase 2, to extend the existing innovation centre by 1,000 sq m of smaller units.
- Highbridge Enterprise Centre Phase 2, providing additional light industrial workspace, allowing the grow-on and expansion of businesses currently in Phase 1.
- Wiveliscombe Enterprise Centre, delivering flexible workspace in western Somerset where market failure is particularly acute.
- Devonport Market Hall, creating office and co-working space for digital companies in Plymouth, to create a digital hub.
- Claylands Business Park which provides grow-on space in Torbay.
- Caddsdawn Blue, providing grow-on office space in Bideford.
- Wells Technology Enterprise Centre, providing flexible office and light industrial space, with business support.
- Opening up of 8 ha of employment land at Pathfields Business Park near South Molton through the delivery of a road and services.

Inputs and outputs

4.41 £5.2 million of LGF plus £15.7 million of match funds were invested in the project. This has led to the creation of 320 jobs to-date, plus a forecast further 537 jobs.

Net additional local impact

4.42 Surveys of Somerset's enterprise centres have shown average occupancy of more than 90%, and 90% of respondents have maintained or increased employment in the previous year (2022 to 2023). Surveys of tenants have identified that businesses have become more productive, efficient, and confident after locating in these centres. The enterprise centres funded by this project have enabled support to be provided to non-tenant as well as tenant businesses, increasing the impact in their local areas.

Wider impacts

4.43 Some of the centres have attracted tenants from outside of the HotSW as well as start-ups from within the region, bringing greater benefit not only to the region, but also to the often-smaller market towns they are located in.

4.44 Summative assessments of the Wells and Wiveliscombe centres in Somerset show that activity in the enterprise centres has generated indirect expenditure and supply chain activity in the local economies; they have provided focal points for the delivery of business support events and workshops; and they have created a 'buzz' in the local area. The success of these centres to-date has raised the possible need for grow-on space as tenants' businesses expand. This also enables the enterprise centres to support more tenants as space is vacated.

Lessons learned

4.45 Grant funding of the construction of new workspaces has enabled an operating model where rental income covers costs, so the project is not reliant on further public funding. In Somerset,

costs have been managed by taking a network approach to managing the centres, allowing economies of scale.

- 4.46 Procurement of an integrated design and build solution has been beneficial to the delivery of some of the centres. When design and cost challenges have arisen, the floorspace of centres has been reduced to ensure they are delivered within the available funds.



5 Conclusions and Recommendations

- 5.1 This chapter summarises the conclusions and lessons learned that are set out in the preceding chapters, and then sets out recommendations for delivering future economic development projects.

Conclusions and lessons learned

Three funds over 12 years have consistently supported four themes of activity

- 5.2 This impact report considers three funds delivered by the HotSW LEP – the Growing Places Fund (GPF), Local Growth Fund (LGF), and Getting Building Fund (GBF). Each was conceived for a slightly different purpose (e.g. response to an external shock, or to promote structural change), but all had the same objectives of driving economic growth, productivity, and prosperity in the region.
- 5.3 Four themes of activity have been consistently delivered by the three funds:
- Support for areas of competitive advantage within the HotSW.
 - Infrastructure and site delivery.
 - Innovation and business support.
 - People and skills.

Strong strategic context in place for LGF and GBF

- 5.4 Whilst there was no HotSW-specific policy and strategy context in place for GPF, there was for both LGF and GBF. Strategies have identified regionally specific challenges and opportunities and set objectives to respond to these, which has helped to focus the funds' investments on the greatest areas of need and opportunity, ensuring the most benefit to the region.

Good fit of projects to strategic context

- 5.5 There is a good fit of projects to the strategies underpinning LGF and GBF. Whilst there was no HotSW-specific strategy context in place for GPF, the projects are similar to those delivered by the two later funds, and the value-for-money expectations are similar.

Competitive award of funds has had positive and negative consequences

- 5.6 Funds were awarded to projects through competitive processes. Projects were scrutinised and tested by the LEP, and a shortlist submitted to UK Government which then played a role in agreeing the final list of projects. Whilst the competitive process helps to identify projects which are ready to deliver and provide good value-for-money, it has been criticised for prioritising projects that are 'shovel-ready' over those that may be a better fit with strategic objectives. With little or no funding available for project development, there has been limited scope to develop projects in response to strategic needs. It has also been suggested that the competitive award of funds could lead to optimism bias in the proposed delivery timescale and impacts of projects to make them appear more attractive. This is discussed further below.
- 5.7 Given the competitive and time-constrained process for awarding funding, projects which were already well worked-up had a better chance of success as they were deemed to be more

'shovel-ready.' Many of these were initially developed with the support of the now disbanded South West RDA. Larger local authorities have managed to invest in project development, whereas smaller ones with more limited resources have struggled. With no source of funding for project development, a pipeline of suitable projects is more challenging in the future.

Many transport projects supported ... which are slower to deliver economic impacts

- 5.8 A significant number of projects are transport infrastructure projects, largely new roads and junctions. Whilst these deliver economic growth, they often take longer than other types of projects to deliver those benefits, and depend on the actions of third parties such as housing and employment space developers. These projects could be a significant cause of the delay to the delivery of impacts such as jobs and GVA.

Initial outcome targets were over-optimistic

- 5.9 No initial targets were set for GPF. LGF projects are not forecast to deliver close to the fund's initial targets for homes and jobs set out in the Growth Deal bid document, although less funding was awarded than originally sought. GBF projects are forecasted to under-deliver against some of the fund's initial targets, but over-deliver against others.
- 5.10 Many projects have yet to deliver their forecasted levels of jobs and GVA. LGF and GBF funded projects have only delivered around one-third of the number of jobs they are forecasted to deliver by 2025. Whilst Brexit and Covid-19 have led to some of the delays and potential under-delivery¹², other causes may include under-resourcing of projects and optimism bias over their delivery timescale or impacts (in particular for large building and transport infrastructure projects). However, some projects, such as digital infrastructure and some flexible workspace, have been well placed to support changing needs caused by the effects of Covid-19 (e.g. more flexible and home-working).
- 5.11 The recycling of loan repayments from GPF could lead to ongoing delivery of projects and economic benefits in the future.

Unforeseen external shocks have slowed project delivery

- 5.12 Brexit and Covid-19 were not foreseen when developing the SEP and Growth Deal plan, and have impacted on project delivery.

The funds have made a difference ... but it is small compared to the size of the HotSW economy

- 5.13 Funds of £255 million were awarded for spend on projects in the HotSW since 2011, i.e. over 12 years. The total investment is relatively small, at less than 1% of the annual GVA of the HotSW, which is currently around £39 billion. By comparison, attempts to level-up East and West Germany involved the spend of £71 billion every year from 1990 to 2014, and the GDP per capita and productivity are still lagging in the former East¹³. Investing funds at a large scale over a long period of time is key to making long-lasting structural changes to the region's economy.

¹² Although over a period of 12 years and more, it is reasonable to expect at least one unforeseen economic downturn.

¹³ What can German reunification teach the UK about levelling up? 2021, <https://www.centreforcities.org/blog/what-can-german-reunification-teach-the-uk-about-levelling-up/>

- 5.14 GPF is a revolving loan fund. The repayments of these loans should support further economic development activity in the future, leading to more output, outcomes, and impacts.
- 5.15 The LEP has made a measurable difference to the economy of the HotSW (£4.4 billion present value of net additional local impact over a period of roughly 20 years), but this is relatively small compared to the size of the HotSW economy (£39 billion per year in 2021).

The benefit-to-cost ratio is much higher than the Government's benchmark

- 5.16 The overall BCR achieved to-date by the projects supported by the LEP is 4.8 : 1. This is significantly greater than the UK Government's appraisal benchmark of 2 : 1. However, forecasted impacts are much higher than those so far achieved, so the BCR could eventually be higher.

Some projects have increased productivity and others have grown prosperity

- 5.17 Some projects have contributed to increased productivity (often in the more urbanised and accessible parts of the region, where the opportunities lie), whereas others contribute more to driving up prosperity (often in the more rural and peripheral parts of the region). These objectives are not mutually exclusive, and in a region comprising both urban and deep rural areas, both are appropriate. The projects supported by the LEP have helped to enhance the most productive opportunities in the region (including nuclear, aerospace, and marine) whilst also delivering jobs and prosperity throughout the whole area.

Recommendations for the future

Ensure a strong strategic context

- 5.18 There should be a strong strategy in place to guide economic development activity, based on a robust evidence base and thorough analysis of this. This will identify regionally specific challenges and opportunities, and also contribute to meeting national aims and objectives. There are some persistent fundamental challenges in the HotSW (including peripherality, limited accessibility, and low productivity in many places), but also some highly competitive opportunity areas (including nuclear, aerospace, and marine). It is appropriate to continue to focus on addressing both the challenges and opportunities of the HotSW. Continuous high-quality research should be undertaken to inform strategy development that is appropriate to the HotSW, and to keep this up to date.
- 5.19 Horizon-scanning to identify future trends, their possible impacts on the HotSW, and consideration of how to maximise positive impacts and mitigate negative impacts should be core to strategy development.

Consider layering investments to maximise their impact

- 5.20 Focusing investment on key opportunities or challenges should be considered. Initial investments in fundamental infrastructure (e.g. transport and broadband) could be followed by delivering appropriate workspace (e.g. flexible workspace or R&D space) if there remains a market failure in delivering this, and then investments in the skills and equipment needed to maximise the impact of local opportunities. Examples such as EPIC and Plymouth Science

Park show the value of complementary investments over time which have enabled high value and productivity activity and employment.

Continue to support projects over time

- 5.21 Ongoing support to projects beyond their initial investment will help to maximise their chances of success and impacts. This can involve advice and guidance to project deliverers, through to further rounds of funding for expansions or complementary projects.

Set realistic expectations for change

- 5.22 Expectations for impacts and change should be realistic, and appropriate to the scale of funding awarded. With funding of the scale considered here, change will be gradual, but should be continuous, leading to cumulative and more significant change over time. The HotSW is a relatively peripheral and low-productivity region within the UK, so structural change will take time and much investment.

Set challenging but achievable targets

- 5.23 Targets set for any future activity should be challenging but achievable given the level of funding available. Expectations about the delivery timescale and scale of outputs and outcomes should be realistic and should draw on previous experience. Efforts should be made to avoid optimism bias when considering which projects to support. Remember that the process by which transport infrastructure and education capital projects lead to the delivery of jobs is often more complex and takes longer than has sometimes been assumed.

Plan for unforeseen events

- 5.24 Greater consideration should be given to how strategies and projects can be flexible enough to respond to both foreseeable and unforeseen risks to the economy, climate, and other contextual factors.

Consider allocating funds according to needs

- 5.25 Whilst there are some benefits to the competitive allocation of funds to projects, an alternative approach would be to commission projects to meet well-evidenced strategic needs, and invest in the development of these projects prior to the award of funding. This would benefit smaller and more rural local authorities that often do not have the resources for project development.
- 5.26 Skills capital projects (e.g. new training centres and teaching facilities) have been highlighted by several stakeholders as being particularly successful. In part this is attributed to the expertise of the education sector in considering their needs, spending time on project development, and preparing good quality bids for funding.

Attract private investment where possible

- 5.27 Maximising the attraction of private sector investment to projects is important, to achieve best value from the public investment. If all or some of the funds can be awarded as repayable loans rather than grants (i.e. if recipients are able to make repayments), there is scope to recycle these funds and support further projects in the future.



Appendix 1. Growing Places Fund

Strategic context

A1.1 GPF is a revolving loan fund. It was launched in 2011, originally as the Heart of the South West Local Enterprise Partnership Infrastructure Fund. It was intended to invest in projects that had stalled due to the economic climate at the time, which would deliver economic growth. Government's Prospectus for GPF¹⁴, published in 2011, set out the objectives, which included:

To generate economic activity in the short term by addressing immediate infrastructure and site constraints and promote the delivery of jobs and housing.

To allow local enterprise partnerships to prioritise the infrastructure they need ...

To establish sustainable revolving funds to unlock further development, and leverage private investment.

Market failure

A1.2 The GPF was intended to invest in projects that will not otherwise proceed, due to market constraints, but would generate positive externality benefits of economic growth and employment. At the time of its launch, the economic outlook was poor, and there was imperfect information about future economic growth, which led to a lack of investment in infrastructure and other growth projects.

Project objectives

A1.3 GPF was invested in capital projects, not revenue, which should stimulate growth in earnings, jobs, and productivity. Projects should have been able to start immediately and repay the investment in the future.

Targets

A1.4 No targets were set out in the original application to Government in 2011. At the time, Government had a very light-touch framework for directing these funds, and no targets were required.

Inputs

A1.5 The HotSW LEP was awarded £21.5 million for GPF. Some of this has been recycled, enabling investment of £22.5 million. Match funding of £21 million was attracted by the projects supported by the fund.

A1.6 Two projects have fully repaid their loans. With repayments, there is currently £15.4 million of funding lent out and the current portfolio is due to repay by 2029. There is a grant agreement in place with Connecting Devon & Somerset for £4.1 million.

¹⁴ <https://assets.publishing.service.gov.uk/media/5a78a0dce5274a2acd1888d9/2024617.pdf>

Activities

A1.7 Seven projects have been or will be supported. Funding was also awarded to the Ocean Studios project, but this was repaid without the project taking place. Five loans have been made. Two of these are now repaid.

Figure A1.1: Activities Supported by the Growing Places Fund

Project	Description
Exeter Science Park	Innovation Centre under Phase 1 of Exeter Science Park
Millfields (Genesis)	Provision of workspace on Union St, Plymouth especially for social enterprises to promote the physical regeneration of Union Street and to aid the economic regeneration of deprived parts of the city centre.
DC Homes Hotel	Provision of Mercure Hotel in Bridgwater to support Hinkley Point C development
Oceansgate	Regeneration of the Devonport site to create a marine industries production campus. Phase 1 delivery.
Connecting Devon & Somerset	A grant contributing to CDS's extension of superfast coverage across the majority of its area and which had a priority towards business connectivity.
Concise	Decontamination and generation of the formal Federal Mogul site, creating 125 new homes, starter business units, and flood defences (repaid).

Outputs and outcomes

A1.8 These projects have delivered 14,170 sq m of commercial floorspace. Outcomes include 515 construction jobs and 810 operational jobs in the HotSW. The reinvestment of funds could lead to the delivery of more outputs and incomes in the future.

Appendix 2. Local Growth Fund

Strategic context

A2.1 The strategic context for the LGF and Growth Deals is set out in the HotSW's Strategic Economic Plan (SEP)¹⁵. The SEP was published in 2014 along with a Growth Deal bid document and a deal was signed with the UK Government.

A2.2 The SEP was accompanied by the original Growth Deal bid which sought £332 million plus a range of other interventions to transform the economy. The Growth Deal bid document stated: *"By 2030, we want to have transformed the profile, reputation and positioning of our area nationally and globally"* (p.3). The Growth Deal is focused on delivering the infrastructure needed to achieve future growth. It sets out five proposals:

- Transforming connectivity to compete on the global stage – covering road, rail and digital infrastructure.
- Unlocking housing and employment site growth – tackling transport constraints to site development, and delivering planning and financial support for site delivery.
- Investing in our people – delivering skills infrastructure, employee engagement, and accessibility.
- An exemplar Growth Hub and support for businesses – delivering a range of business support, and science and innovation infrastructure.
- Exploiting our transformational opportunities – including nuclear, marine, environmental futures, and aerospace.

A2.3 In the event, although the HotSW area did relatively well in the competitive bidding for Growth Deal across LEP areas, the total Local Growth Fund award across three growth deals was significantly less than the original ask, and many of the wider asks were also not agreed, or happened at a different scale e.g. A303/358 dualling between Ilminster and Honiton. Performance against the strategic objectives above must be seen in this context.

Market failure

A2.4 The market failures tackled by the LGF and Growth Deals include:

- Generating positive externalities that benefit the local economy, including employment and economic growth.
- Delivering public goods, including road infrastructure.

A2.5 The projects supported by the LGF would not be delivered without its support.

Project objectives

A2.6 The Growth Deal bid document identified the ambition to *"transform the profile, reputation and positioning of our area's economy nationally and globally"* in particular by tackling the barriers caused by the state of the HotSW's transport, digital, skills and enterprise support infrastructure.

¹⁵ <https://heartofswlep.co.uk/growing-our-economy/productivity-strategy/strategic-economic-plan/>

Targets

A2.7 There are a number of targets set out in the Growth Deal bid document, which although not entirely consistent, are broadly similar:

A2.8 Investments would be made into:

- Strategic transport routes.
- Local infrastructure to enable housing and employment growth.
- Skills infrastructure.
- Digital infrastructure.
- Enterprise and innovation support systems and centres.

A2.9 The Growth Deal bid states: “By 2030, we aim to have created an extra 81,000 jobs, an extra £4bn in economic output and 74,500 more homes than would be achieved on our current trajectory” (p.5).

A2.10 Other targets set out in the Growth Deal bid, for 2030 (p.3) were to:

- Transform the economic growth rate from below the national average to above.
- Double the number of new jobs and increase the rate of house-building by 50%.
- An economy approaching £50bn of GVA.
- Transport / skills infrastructure fit for the 21st century.
- Urban and rural economies strong and working together.

A2.11 In return for £332 million of funding and devolved powers over areas such as transport and skills (sought by the LEP but not received), the Growth Deal bid (p.4) set targets of:

- A much more resilient economy.
- Residents, businesses and investors reaping the benefit of more rewarding careers and greater prosperity.
- More than 59,00 new jobs (noting this is different to the 81,000 jobs mentioned above).
- 500 ha of employment land.
- More than 76,000 homes built faster than planned.
- £370 million of further investment/match funding.

Inputs

A2.12 The HotSW LEP was awarded £198 million of funds. This was awarded through three Growth Deals¹⁶. Match funding of other public and private funds was attracted by the projects supported by this fund, providing a total spend of £449 million.

Activities

A2.13 Management data has been provided on the projects supported by LGF through three Growth Deals¹⁷. These include:

- Three business support projects.

¹⁶ £89 million in Growth Deal 1, £65 million in Growth Deal 2, and £44 million in Growth Deal 3 (calculated from data set out in HotSW LEP Annual Report 2022 - 23 p.8 footnote 1)

¹⁷ Note that some projects include several sub-projects (e.g. Unlocking Growth Fund and the Hinkley Point Training Agency), so different figures are quoted. HotSW LEP management data has been provided for 48 overarching projects.

- Three digital infrastructure projects.
- Three innovation centre projects.
- Six skills projects.
- Twenty-five transport infrastructure projects, including road, rail, and active travel infrastructure.
- Eight other projects which largely overlap with the themes above.

A2.14 The full list of projects is set out below.

Figure A2.1: Activities supported by the Local Growth Fund

Project	Description	Theme (LEP management classification)	Fit with Strategic Context
Yeovil Western Corridor Capacity Upgrade	Junction improvements, new footway/cycleway and new and improved pedestrian/cycle crossing facilities	Transport	Unlocking Site Growth
Torbay Western Corridor Capacity Improvements	Capacity improvements on the section of the A3022 (to the west of Paignton) from Churscombe Cross in the north to Windy Corner in the south	Transport	Unlocking Site Growth
Bridge Road, Exeter	Work to widen Bridge Road to provide two lanes in each direction from Countess Wear to the Matford roundabout in order to tackle queuing and reduce journey times for all traffic, while at the same time improving pedestrian and cyclist facilities.	Transport	Unlocking Site Growth
Derriford Transport Scheme	The Derriford Transport Scheme (DTS) aims to unlock sustainable growth by reducing current congestion and minimising the impact of additional trips on the highway network that will be generated from new developments in the area.	Transport	Unlocking Site Growth
A382 widening, Newton Abbot	The Phase 1 scheme will improve access between Newton Abbot and Forches Cross, forming the first phase of a wider corridor improvement scheme to the A382 from Newton Abbot to Drumbridges. The scheme will also	Transport	Unlocking Site Growth



Project	Description	Theme (LEP management classification)	Fit with Strategic Context
	complement and maximise the benefits of new and planned infrastructure improvements at Drumbridges and Houghton Barton Avenue respectively.		
Torquay Gateway	Road junction improvements and improved cycle links in the Torquay Gateway area, improving access into the town from the northern boundary to Shiphay Junction and also at Gallows Gate	Transport	Unlocking Site Growth
Huntworth Roundabout Bridgwater	Improvements to the junction to help unlock development of 973 dwellings and generation of 1,700 jobs.	Transport	Unlocking Site Growth
A361 Portmore to Landkey Stage 1	Improvements to allow the junction to cope with proposed development including up to 5,943 new dwellings and 30 ha of employment in Torridge and 3,885 new dwellings and 26 ha of employment in North Devon	Transport	Unlocking Site Growth
Derriford Hospital Interchange	A package of strategically important infrastructure essential to support and enable the substantial increase of 9,000 jobs and the delivery of 2,950 new homes planned for the north of Plymouth in the next 15 years.	Transport	Unlocking Site Growth
Taunton Rail Station Enhancements	Enhancements to the station, expanding its facilities to make it a gateway to Taunton and to complement the regeneration of the town centre and adjacent Firepool development.	Transport	Transforming Connectivity
Torquay town centre access	Alterations to the highway network to provide more direct vehicle access into Torquay Town Centre.	Transport	Transforming Connectivity



Project	Description	Theme (LEP management classification)	Fit with Strategic Context
Roundswell Phase 2, Barnstaple	Provides a pedestrian / cycle bridge over the A39 at Roundswell linking new and existing employment and residential areas.	Transport	Unlocking Site Growth
A38 Deep Lane junction, Sherford	Junction improvement work to help unlock the planning permission for Sherford, which halts housing development beyond 1,300 homes unless this Phase 1 improvement, and improvements to the Deep Lane South junction (to the southern side of the A38) are implemented.	Transport	Unlocking Site Growth
A379 Newcourt junction, Exeter	Junction improvement work to: improve access to Sandy Park area to unlock development; have minimal impact on the operation of J30 of the M5; minimise impact on Old Rydon Lane and limit U-turning traffic on A379 as a result of the proposed development.	Transport	Unlocking Site Growth
A39 Heywood Road Junction (Bideford)	Junction improvement work to accommodate planned development of 5,943 dwellings and 30ha of employment space.	Transport	Unlocking Site Growth
Marsh Barton Railway Station (Exeter)	Building a new railway station within one of Exeter's main industrial areas	Transport	Transforming Connectivity
Plymouth Northern Corridor traffic signals	Improvement to junction signalling/traffic management	Transport	Transforming Connectivity
Bridgwater College Hinkley Skills Capital	To train local people to take advantage of job opportunities at the new nuclear power station	Skills	Investing in Our People or

Project	Description	Theme (LEP management classification)	Fit with Strategic Context
			Exploiting Transformational Activities
Plymouth College Stem Centre	Building hosting a regional Centre of Excellence for STEM (science, technology, engineering and maths)	Skills	Investing in Our People
Hinkley HPTA package	A programme of six skills focused projects at Bicton College, South Devon College, Petroc College, Exeter College, the National College for Nuclear, and Yeovil College	Skills	Investing in Our People
SW/Hinkley Low Carbon Innovation and Collaboration Project	Two separate projects to deliver a hub for ambitious businesses seeking to collaborate and exploit opportunities in the low carbon and nuclear energy sectors	Other/Innovation	Growth Hub and Support for Businesses
Exeter Science Park Environmental Futures Campus	Investment in road access to supercomputer site within the Science Park	Other/Innovation	Unlocking Site Growth or Exploiting Transformational Activities
Somerset College Centre for Engineering	Investment to help young people in Somerset get the skills they need to work in science, technology, engineering and manufacturing	Skills	Investing in Our People
Plymouth Science Park (Phase 5)	Building works for the New Plymouth Science Park Phase 5 site, as part of expanding the Plymouth Science Parks Business Park	Other/Innovation	Growth Hub and Support for Businesses
Flood Action Plan	Investment to address the flooding issues around the somerset levels.	Flood management	Transforming Connectivity

Project	Description	Theme (LEP management classification)	Fit with Strategic Context
Growth Hub	Suite of business support services operating across Devon and Somerset	Business Support	Growth Hub and Support for Businesses
Plymouth Eastern Corridor cycle network	Improvements to the local cycle network.	Transport	Transforming Connectivity
Plymouth Charles Cross and Exeter Road	Junction improvements to improve traffic management and reduce congestion at a key node in Plymouth City Centre's road network.	Transport	Transforming Connectivity
Broadband Phase 2	Investment in superfast broadband across Devon and Somerset.	Other/Telecommunications	Transforming Connectivity
Electronics & photonics innovation centre (EPIC)	Creation of 220 jobs and provide incubation for start-up businesses, as well as highly specialised microelectronics and photonics equipment for more developed companies.	Other/Innovation	Growth Hub and Support for Businesses
Marine Industries Production Campus at South Yard phase 1	Funding for site separation and remediation activities to boost the Plymouth City Deal's flagship marine campus scheme, supporting 30-40 businesses and 159 jobs	Business Support	Unlocking Site Growth or Exploiting Transformational Activities
Unlocking Growth Fund	Investment in infrastructure required to bring forward strategic employment sites at key locations leading to creation of 667 jobs, plus managed workspace. A programme of eight projects to deliver enterprise space at Yeovil, Highbridge, Wiveliscombe, Devonport, Claylands, Caddsdawn, Wells, and Pathfields.	Business Support	Unlocking Site Growth

Project	Description	Theme (LEP management classification)	Fit with Strategic Context
Exeter Science Park MET Office Environmental Futures Campus	A project to provide a collaboration centre at the heart of the Met Office Environmental Futures Campus at Exeter Science Park, aligning world leading researchers with key commercial partners around one of Europe's most powerful supercomputers. Creation of 158 jobs and 30,000 sq ft of innovation space.	Other/Innovation	Exploiting Transformational Activities
Exeter Science Park Grow On Buildings	Space for businesses which have evolved or outgrown the incubation space within Stage 1 (currently under construction), supporting 200 jobs and 30,000 sq ft of floorspace.	Other/Innovation	Growth Hub and Support for Businesses
J25, M5 at Henlade	Junction and road improvements to accommodate planned large scale development of farmland into an industrial estate.	Transport	Unlocking Site Growth
Tiverton Eastern Urban Extension	New access onto the A361 North Devon Link Road and to serve the new development to the East of Tiverton (Tiverton Eastern Urban Extension) as without it there would be significant traffic pressure on the existing road network.	Transport	Unlocking Site Growth
Somerset Energy Innovation Centre Phase 3	Development of a further 2,000 sq m of office, meeting and additional collaborative innovation work space. Strategic fit with Nuclear transformational opportunity.	Innovation	Growth Hub and Support for Businesses
Constructing Futures	An innovative project offering construction students and people from disadvantaged backgrounds the opportunity to gain experience through renovating properties while also addressing a skills challenge in the area. The project will build on findings of CITB work and will involve setting up a social	Skills	Investing in Our People



Project	Description	Theme (LEP management classification)	Fit with Strategic Context
	enterprise to purchase, renovate, sell and reinvest the proceeds in further projects.		
South Devon College Hi Tech centre	New facility to provide higher level technical skills, supporting local businesses, with a strong focus on advanced manufacturing, links with the Torbay electronics/photonics cluster, providing significant numbers of training places.	Skills	Exploiting Transformational Activities
iAero (South) Centre	Construction of an aerospace innovation and collaboration space in Yeovil to support business growth and create higher level jobs. Private sector involvement including Machinery/equipment donated by Augusta Westland. Strategic fit with Aerospace transformational opportunity and part of regional cross-LEP partnership.	Innovation	Exploiting Transformational Activities
Houghton Barton Package	Link road and park and change site to unlock significant urban extension at Houghton Barton, west of Newton Abbot and provide a sustainable transport solution for the area.	Transport	Unlocking Site Growth
Taunton Toneyway Improvements	Junction capacity enhancement on major link between M5 and Taunton town centre to support urban extension at Monkton Heathfield, development in Crownhill Industrial Estate and housing growth at Creech St Michael, as well as supporting growth in Taunton. Strategic connectivity priority and links to A303/358/30.	Transport	Unlocking Site Growth
Huntspill Energy Park	Enterprise Zone infrastructure to unlock 91 hectare site linked to nuclear smart specialisation. New highway link and roundabout development to enable development of strategic mixed	Transport	Unlocking Site Growth

Project	Description	Theme (LEP management classification)	Fit with Strategic Context
	employment site with identified potential for Hinkley supply chain.		
Plymouth Central Railway Station	Transformational redevelopment of station site, to act as a key gateway for the city centre, supporting the city’s ambitions to grow population to 300,000 and create 18600 jobs. Unlocks mixed use development, including residential and student accommodation and supports the growth of Plymouth University. Provides synergy with DfT Access strategy.	Transport	Unlocking Site Growth or Transforming Connectivity
North Devon Innovation Centre, Roundswell	A new centre on a key strategic site, providing business support and workspace to SMEs in Northern Devon	Innovation/Employment	Growth Hub and Support for Businesses
Digital Call A - Boosting Mobile Connectivity	Voucher scheme to be matched by benefitting businesses	Digital/Internet Infrastructure	Transforming Connectivity
Digital Call B - FE Digital Accelerator	Further Education Digital Infrastructure Programme	Digital/Internet Infrastructure	Transforming Connectivity
Digital Call C - 5G Smart Sound Plymouth	5G testbed for marine and maritime sectors	Digital/Internet Infrastructure	Exploiting Transformational Activities

Review of the programme

A2.15 An end of programme report was published by the HotSW LEP in 2021¹⁸. This reviewed the three Growth Deals between the HotSW LEP and the UK Government. It stated that £198 million of spend had supported 62 projects at that point. **Error! Bookmark not defined.** It identified that the largest amount of funds had been spent on transport projects (46% of the total) due to the contribution of significant funds from the Department for Transport. The

¹⁸ <https://heartofswlep.co.uk/projects/local-growth-fund-report/>

report set out the impact of the spend to 2021, and forecast impacts to 2025. These are superseded by the more recent data set out below.

A2.16 The report set out some lessons for the future, which include:

- Significantly greater investment of funds is needed to create structural change in the economy of the HotSW. It should be recognised that investments will deliver small (but hopefully continual) progress rather than step-change in the region’s economic performance.
- Targets should be stretching but realistic, and based on previous experience of what is achievable. The quality and resilience of outputs and outcomes should be considered, as well as the quantity. The competitive allocation of funding raises the risk of optimism bias in the setting of targets. Targets have been reduced for some projects, and others have shifted outputs and outcomes into the future. Delivery of some outcomes (e.g. housing) are beyond the control of the body delivering the project.
- Targets should be based on evidenced needs rather than being driven by a competitive process. There should be scope to flex targets if there is a significant change in external circumstances (e.g. Covid-19).
- Outputs, outcomes, and impacts take years to be realised, and this should be recognised in the approach to monitoring and evaluation.
- Funding of a broad range of projects is only one role of the LEP. Influencing UK Government and other organisations is equally important in supporting economic growth in the region.
- Programme overheads are relatively low, and delivering fewer, larger projects is more efficient.

Outputs

A2.17 The outputs and outcomes of the projects supported by the LGF to-date (data provided to the end of March 2023) and forecast to the end of March 2025, drawing on data provided by projects to the LEP, are summarised in the figure, below.

Figure A2.2: Outputs of Local Growth Fund Projects

	To-date (end March 2023)	To-date and forecast
Outputs	<ul style="list-style-type: none"> • 9,500 new homes with new or improved fibre optic internet. • 14 km of road resurfaced. • 5 km road newly built. • 11 km new cycleways. • 22,500 sq m new/ improved learning/ training space. • 750 sq m floorspace rationalised. • 30,900 learners assisted in courses leading to qualifications. • 238,700 sq m commercial floorspace created. • 2,300 sq m commercial floorspace refurbished. • 217,300 sq m commercial floorspace occupied. 	<ul style="list-style-type: none"> • 9,500 new homes with new or improved fibre optic internet • 14 km of road resurfaced • 5 km road newly built • 11 km new cycleways • 22,500 sq m new/ improved learning/ training space • 750 sq m floorspace rationalised. • 55,400 learners assisted in courses leading to qualifications. • 238,700 sq m commercial floorspace created. • 2,300 sq m commercial floorspace refurbished. • 217,300 sq m commercial floorspace occupied.

	To-date (end March 2023)	To-date and forecast
	<ul style="list-style-type: none"> • 390 enterprises receiving non-financial support. • 5,580 jobs created. • 2,420 apprenticeships. • 11,450 new homes. 	<ul style="list-style-type: none"> • 3,800 enterprises receiving financial support other than grants. • 390 enterprises receiving non-financial support. • 17,640 jobs created. • 2,420 apprenticeships • 18,210 new homes

A2.18 Whilst many of the outputs and outcomes have already been delivered, the most significant ones not yet delivered, but forecast by 2025, are:

- 23,100 learners to be assisted (42% of the forecast overall total).
- 3,800 enterprises to receive non-financial support (100% of the forecast overall total).
- 12,060 jobs to be created (68% of the forecast overall total)
- 6,760 more new homes (37% of the forecast overall total)

A2.19 Much of the under-delivery to-date is due to a small number of projects. These are identified in Chapter 3, Figure 3.4. Some of the forecast outputs may be delivered in the future, and the LEP is closely monitoring the projects contributing to the remaining outputs above but there is clearly a degree of risk these may not be delivered by March 2025.

A2.20 Whilst the original target to deliver £4 billion of economic outputs may be met (see paragraph 3.8), the forecast outputs and outcomes to 2025 will not meet many of the initial targets set for LGF, noting that the award of funds was two-thirds lower than the amount sought (£198 million awarded vs. £332 million sought), external shocks such as Covid have impacted on the economy and job creation, and there was likely optimism bias in the original targets. Notably:

- The forecasted delivery of 17,640 jobs is significantly less than the 59,000 to 81,000 initial targets.
- The forecasted delivery of 18,210 new homes is significantly less than the 74,500 initial target.

A2.21 Some projects may well continue to deliver outputs and outcomes beyond the Government's 2025 target, which would make further progress towards the original targets.



Appendix 3. Getting Building Fund

Context

A3.1 The GBF was part of Government's response to the economic impact of the Covid-19 pandemic, which began in the Spring of 2020. It was intended to support:

... investment in local, shovel-ready infrastructure projects to stimulate jobs and support economic recovery across the country.

A3.2 GBF ran for 18 months from September 2020.

Policy context

A3.3 The National Build Back Better Plan was published in 2021¹⁹. It set out three core pillars of growth: infrastructure; skills; and innovation. The HotSW's Build Back Better (BBB) Plan was published in late 2020²⁰, building on the Local Industrial Strategy (LIS) and its evidence base²¹. It was intended to tackle pre-existing structural challenges in the HotSW alongside Covid-19 induced challenges and unlock transformational opportunities. In particular, it sought to deliver greater productivity through clean and inclusive growth, moving priorities on from the previous SEP and focusing more tightly on transformational opportunities. There are two sets of programmes within the BBB Plan: transformational programmes and bedrock programmes.

A3.4 The transformational programmes were:

- Energy Futures – promoting growth in nuclear and renewable energy.
- Digital Futures, with three strands: analytics and digital innovation; health technology; and green and accessible visitor economy.
- Engineering Futures, with three strands: aviation/Future of Flight programme; photonics and microelectronics cluster; and the marine and maritime supercluster.

A3.5 The enabling Programmes were:

- Places & Infrastructure – covering strategic connectivity and transformation of left-behind places.
- Business & Innovation – covering business and innovation support.
- People – delivering a comprehensive skills strategy.
- Bedrock – becoming a testbed for food, farming, and nature-based solutions.

Market failure

A3.6 The GBF was launched at a time of great uncertainty and market constraint, early in the Covid-19 pandemic. It addresses at least two areas of market failure:

- Imperfect information on the future of the economy in the early stages of the Covid-19 pandemic.

¹⁹ <https://www.gov.uk/government/publications/build-back-better-our-plan-for-growth>

²⁰ <https://heartofswlep.co.uk/growing-our-economy/build-back-better-plan/#:~:text=Build%20Back%20Better%20has%20a,structural%20challenges%20the%20area%20faces.>

²¹ <https://heartofswlep.co.uk/growing-our-economy/clean-inclusive-growth/>

- Generating positive externalities in terms of economic growth and jobs that benefit the local economy, particularly when addressing long-term constraints to growth. Pre-existing structural challenges in the HotSW were exacerbated by the impacts of Covid-19.

A3.7 In the absence of public intervention, these projects would not have proceeded.

Targets

A3.8 Target outputs for the GBF were:

- 56,971 sq m commercial space.
- 8,772 sq m R&D workspace.
- 19 training spaces.
- 4,929 learners assisted.
- 2,872 businesses assisted.
- 10 roads/cycle lanes/walkways.
- 1,658 sq m green space.
- 65 broadband connections.

A3.9 Target outcomes for the GBF were:

- 1,569 construction jobs.
- 2,371 jobs created.
- 607 jobs safeguarded.
- 1,533 houses.

Inputs

A3.10 The LEP was awarded £35 million of Getting Building Fund.

Activities

A3.11 Twenty-five projects have been supported by the GBF. These include:

- Eight futures/transformational projects to support key sectors.
- Three business and innovation projects.
- One skills capital project.
- Thirteen place and infrastructure projects, including sites, workspace, rail, road, public transport, tourism, and net zero projects.

A3.12 The full list of projects supported is set out below.

Project	Description	Fit with Strategic Context (i.e. BBB)
Torquay Gateway	The Council has acquired an opportunity to deliver a strategically important and highly visible employment space. Development of the site will provide over 2,000 sq m of office and industrial space along with the supporting infrastructure. This development will also act as a catalyst, to accelerate the development of approximately 400 new homes and support a larger	Places & infrastructure



Project	Description	Fit with Strategic Context (i.e. BBB)
	infrastructure programme which includes Edginswell station and the Torbay Hospital improvement programme.	
Brunel Plaza - Concourse Phase 2	This project will refurbish Intercity House, improve the station concourse and provide new accommodation for the British Transport Police and Great Western Rail and Cross-Country staff. Land transferred from Network Rail to the Council will facilitate development of a multi-storey car park, a hotel and a second University of Plymouth faculty building. Public realm improvements will include a new pedestrian gateway into the city centre.	Places & infrastructure
Firepool and Taunton Station Access	Improvements to Taunton Station will include the provision of a multi-storey car park, an enhanced forecourt, better integration with bus services and the relocation of the entrance and ticket office to face the Firepool development. Access and traffic signalling will be improved and will secure linkage to the station and to the Firepool regeneration site.	Places & infrastructure
Ilfracombe Watersports Centre	The construction of a water sports centre and associated infrastructure on a brownfield site within Ilfracombe Harbour will support regeneration at the town's main tourist attraction. The enhanced tourism offer could provide up to 100 jobs (directly and indirectly) and support up to 300 local businesses.	Places & infrastructure
Burrows Centre Project	The Burrows Centre in Northam seeks to transform a building which is no longer fit for purpose into a regional centre for environmental awareness and education. Surrounded by SSSI and within both the North Devon UNESCO Biosphere Reserve and North Devon AONB, this project aims to develop a high quality offer for nature and eco-tourism and will be supported by a designated Nature Tourism Officer to work with the community and business sector.	Places & infrastructure
Exeter Bus Station	Exeter's new bus station will act as a transport hub in the city centre and will service vital bus services from rural towns & villages across the county. This project is a critical enabler for the wider CityPoint regeneration project - relocating the old bus station has freed up a	Places & infrastructure



Project	Description	Fit with Strategic Context (i.e. BBB)
	critical city centre site which is of great importance to the economic growth of Exeter - creating space for over 1,000 city centre jobs (offices, hotels, etc), and over 500 new city centre homes.	
Enhancement of Future Skills Centre	The Future Skills Academy at Exeter Airport (previously a Flybe Training Academy), led by Exeter College, will provide an enhanced range of advanced engineering roles, green jobs and business skills and training. It will provide specialist courses and interactive and digital learning. Significantly, this project reinforces local capacity around advanced manufacturing training and fortifies the region against the loss of Flybe.	People/Skills Strategy
Taunton Digital Innovation Centre	This is a collaborative Somerset County Council and Somerset West and Taunton Council scheme to bring forward a 3,000 square metre Digital Innovation Centre on the Firepool site in Taunton. The Centre will provide flexible, high-quality innovation and collaboration space and support services targeted at new and existing businesses in, or moving into, the digital economy.	Digital Futures/Analytics and Digital Innovation
Welding Centre of Excellence	The Welding Centre in Plymouth will improve welding capacity in the region. This will support the ongoing development at Hinkley Point C and emerging work at Devonport, ensuring the local economy is properly serviced. In addition, there is potential for match funding in early spring through the Weldability Foundation which could double the number of welding bays and specialist trainers.	Energy Futures and Engineering Futures
Exeter Science Park Grow on Building	The net zero-carbon, BREEAM-Excellent, three-storey Grow-out Building will provide office and laboratory spaces from 95 sq m to 335 sqm. These spaces will help larger start-ups relocate, smaller start-ups grow, support local recovery and drive Devon's productivity and economic growth.	Business & Innovation
Zebcat 2	The aim is to scale up delivery of net zero retrofit of homes (social housing as a launching market). It builds on the successful HotSW ZEBCat project that demonstrated the approach in 16 homes in the	Places & Infrastructure



Project	Description	Fit with Strategic Context (i.e. BBB)
	HotSW LEP area, using the successful Dutch Government developed 'Energiesprong' (Energy Leap) approach. Homes are guaranteed to be warm every day, with enough hot water and plug power, and affordable for residents. A further 250 home retrofits will be delivered to kick start a volume market, drive innovation and a local, industrialised, supply chain.	
Green Homes		Places & Infrastructure
EPIC	High tech fit-out	Engineering Futures/Photonics & Microelectronics
iAero	Workspace, equipment and support services to support aerospace and advanced engineering	Engineering Futures/Aviation
Torbay Business Centre	Providing flexible grow on space in Torquay	Places & Infrastructure
Devon Work Hubs	Capital grants programme to support rural work hubs	Places & Infrastructure
Bruton	Enterprise and light industrial space in Bruton, Somerset	Places & Infrastructure
Plymouth City Business Park	Supporting start-ups and scale-ups	Business & innovation?
Centre for Clean Mobility	Capital fit out of the new centre for clean mobility at Exeter Science Park	Engineering Futures/Aviation?
Health Tech Incubation Hub	Plymouth Science Park	Digital Futures/Health Technology
Smart Biosphere	The creation of a 'smart rural' digital infrastructure across northern Devon. The funding will create a 'Smart Biosphere' data centre, data modelling, big data processing, machine learning/artificial	Digital Futures/Green Visitor Economy



Project	Description	Fit with Strategic Context (i.e. BBB)
	<p>intelligence and a regional-wide low power wide area network (LoRaWAN) of data gateways and sensors, integrated with spatial data from satellites. Benefits include applications for improved agricultural practises and compliance, data science start-up/SME opportunities, catchment services/water quality, soil management and carbon sequestration, digital woodland management, plus educational opportunities from primary schools right up to University research. The project will create economic growth at the intersect of big data/AI and environmental futures.</p>	
<p>Plymouth Sound National Marine Park</p>	<p>Plymouth has received National support to become the UK's first National Marine Park. The NMP is designed to stimulate growth in the marine environment, support the tourism sector, enhance health and well being and deliver a blue print for green growth. The NMP is deemed a key part of the City's recover from Covid-19. Although it is a long term project for the City we want to accelerate early delivery of advanced access point. These sites will include works to slipways and pontoons, public realm improvements, and digital infrastructure to engage communities, visitors and businesses with the NMP. These advanced access points will also include mobility hubs that will support sustainable transport including a new electric boat charging hub. This will support jobs, add and enhanced tourism offer and deliver for local communities in all in a manner that supports carbon reduction.</p>	<p>Engineering Futures/Marine & Maritime</p>
<p>Unlocking East Quay, Watchet</p>	<p>A cultural and enterprise development currently under construction in Watchet, West Somerset. It will comprise art gallery, education space, 15 studios/workshops, papermill, print studio and geology lab with 5 holiday accommodation pods.</p>	<p>Places & Infrastructure</p>
<p>Dunball Junction</p>	<p>Full signalisation of Dunball roundabout to enable planned residential and commercial growth to proceed. Scheme is required to meet capacity and safety requirements of Highway England in respect of J.23 of the M5.</p>	<p>Places & Infrastructure</p>



Project	Description	Fit with Strategic Context (i.e. BBB)
SME Resource Efficiency Programme		Business & Innovation?

Outputs and outcomes

A3.13 The outputs and outcomes of the projects supported by the GBF to-date (data provided to the end of March 2023) and forecast to the end of March 2025, drawing on management data provided by the LEP, are summarised in the figure, below.

Figure A3.3: Outputs and Outcomes of GBF Projects

	To-date (end March 2023)	To-date and forecast
Outputs	<ul style="list-style-type: none"> • 4,100 sq m commercial space • 1,800 sq m R&D facilities • 4,100 sq m learning/training facilities • 3,800 sq m public realm/greenspace • 8 km of road/cycleways • 20 super/ultrafast broadband connections • 500 businesses/institutions assisted • 6,900 new learners assisted • 300 homes unlocked • 300 retrofits • 690,800 kg of CO2 avoided • 500 construction jobs • 800 jobs created or safeguarded 	<ul style="list-style-type: none"> • 5,700 sq m commercial space • 28,400 sq m R&D facilities • 4,100 sq m learning/training facilities • 3,800 sq m public realm/greenspace • 10 km of road/cycleways • 20 super/ultrafast broadband connections • 2,000 businesses/institutions assisted • 7,100 new learners assisted • 3,900 homes unlocked • 300 retrofits • 1.1 million kg of CO2 avoided • 1,500 construction jobs • 2,200 jobs created or safeguarded

A3.14 Whilst some of the outputs and outcomes have already been delivered, there are some significant ones yet to be delivered:

- 1,600 sq m of commercial space (28% of the forecast overall total).
- 26,600 sq m of R&D facilities (94% of the forecast overall total).
- 2km of road/cycleways (20% of the forecast overall total).
- 1,500 businesses/institutions assisted (75% of the forecast overall total).
- 3,600 homes unlocked (92% of the forecast overall total).
- 409,200 kg of CO2 avoided (37% of the forecast overall total).
- 1,000 construction jobs (67% of the forecast overall total).
- 1,400 jobs created or safeguarded (64% of the forecast overall total).

A3.15 Much of the under-delivery to-date is due to a small number of projects. These are considered in Chapter 3, Figure 3.7. The LEP is closely monitoring the projects contributing to the remaining outputs above but there is clearly a degree of risk these may not be delivered by March 2025.

A3.16 There are some notable differences between the targets set for GBF and the outputs measured to-date and forecast in the future, both positive and negative. These include:

- Planned delivery of only 5,700 sq m of commercial space compared to a target of 56,971 sq m, but planned over-delivery of 28,400 sq m of R&D facilities compared to an initial target of 8,772 sq m, albeit that only 1,800 sq m has been delivered to-date. Considered together, a forecast 34,100 sq m of commercial and R&D space will be delivered against a combined target of 65,743 sq m.
- Planned creation and safeguarding of 2,200 jobs (with only 80 delivered to-date) compared to a target of 2,978.
- Planned delivery of 3,900 new homes (with only 300 delivered to-date), compared to a target of 1,533.

A3.17 Bidding for GBF was compressed into a short period over the summer of 2020. The accelerated process and a requirement to focus on specific projects rather than broader priorities meant that the business cases for many projects were at a relatively early stage. Therefore, there was some adjustment and refining of outputs as the business cases were developed and then tested. This was largely done after the award was made leading to many of the differences noted.



Appendix 4. Mapping of Projects to Themes

A4.1 Projects can potentially fit under more than one theme, so a best-fit has been chosen.

	Getting Building Fund	Growing Places Fund	Local Growth Fund
Themes	Projects		
Areas of competitive advantage	<ul style="list-style-type: none"> • Taunton Digital Innovation Centre • Welding Centre of Excellence • EPIC • iAero • Centre for Clean Mobility • Health Tech Incubation Hub • Smart Biosphere • Plymouth Sound National Marine Park 	<ul style="list-style-type: none"> • Exeter Science Park • Oceansgate 	<ul style="list-style-type: none"> • Marine Industries Production Campus at South Yard phase 1 • iAero (South) Centre • Digital Call C - 5G Smart Sound Plymouth
Infrastructure & delivering sites (residential and employment)	<ul style="list-style-type: none"> • Torquay Gateway • Brunel Plaza - Concourse Phase 2 • Firepool and Taunton Station Access • Ilfracombe Watersports Centre • Burrows Centre Project • Exeter Bus Station • Zebcat 2 • Green Homes • Torbay Business Centre • Devon Work Hubs • Bruton 	<ul style="list-style-type: none"> • Millfields (Genesis) • DC Homes Hotel • Concise • Ocean Studios 	<ul style="list-style-type: none"> • Yeovil Western Corridor Capacity Upgrade • Torbay Western Corridor Capacity Improvements • Bridge Road, Exeter • Derriford Transport Scheme • A382 widening, Newton Abbot • Torquay Gateway • Huntworth Roundabout Bridgwater • A361 Portmore to Landkey Stage 1



	Getting Building Fund	Growing Places Fund	Local Growth Fund
	<ul style="list-style-type: none"> • Unlocking East Quay, Watchet • Dunball Junction 		<ul style="list-style-type: none"> • Derriford Hospital Interchange • Taunton Rail Station Enhancements • Torquay town centre access • Roundswell Phase 2, Barnstaple • A38 Deep Lane junction, Sherford • A379 Newcourt junction, Exeter • A39 Heywood Road Junction (Bideford) • Marsh Barton Railway Station (Exeter) • Plymouth Northern Corridor traffic signals • Flood Action Plan • Plymouth Eastern Corridor cycle network • Plymouth Charles Cross and Exeter Road • Broadband Phase 2 • Unlocking Growth Fund • J25, M5 at Henlade • Tiverton Eastern Urban Extension • Connecting Devon and Somerset Phase 3 and 4G mobile package • Houghton Barton Package • Taunton Toneway Improvements



	Getting Building Fund	Growing Places Fund	Local Growth Fund
			<ul style="list-style-type: none"> Hunspill Energy Park Plymouth Central Railway Station Digital Call A - Boosting Mobile Connectivity Digital Call B - FE Digital Accelerator
Innovation & business support	<ul style="list-style-type: none"> Exeter Science Park Grow on Building Plymouth City Business Park SME Resource Efficiency Programme 		<ul style="list-style-type: none"> Exeter Science Park MET Office Environmental Futures Campus Exeter Science Park Environmental Futures Campus SW/Hinkley Low Carbon Innovation and Collaboration Project Plymouth Science Park (Phase 5) Growth Hub Electronics & photonics innovation centre (EPIC) Exeter Science Park Grow On Buildings Somerset Energy Innovation Centre Phase 3 North Devon Innovation Centre, Roundswell
People & skills	<ul style="list-style-type: none"> Enhancement of Future Skills Centre 		<ul style="list-style-type: none"> South Devon College Hi Tech centre Bridgwater College Hinkley Skills Capital



	Getting Building Fund	Growing Places Fund	Local Growth Fund
			<ul style="list-style-type: none">• Plymouth College Stem Centre• Hinkley HPTA package• Somerset College Centre for Engineering• Constructing Futures



Appendix 5. Methodology for Calculating Impacts

A5.1 To provide a single value-for-money metric for the three funds and four themes, the analysis has focused on the jobs created (as a proxy for all outcomes) and the GVA generated (as a proxy for all impacts).

Scenarios

A5.2 For each fund and theme, we have considered two scenarios: firstly, the outcomes (jobs) delivered to-date and the impacts (GVA) associated with these jobs over ten years; and secondly the outcomes (jobs) including those forecast to be delivered in the future (to March 2025), and the impacts (GVA) associated with these jobs over ten years.

A5.3 Data on the forecast delivery of outputs and jobs has been provided by HotSW LEP.

Costs

A5.4 Cost data has been obtained from data provided by the HotSW LEP.

A5.5 All spending beyond the financial year 2022/23 has been discounted to Present Values (PV) using the HM Treasury discount rate of 3.5%. No adjustments have been made to spending that has occurred in the past in line with Green Book guidance on discounting²².

Benefits

A5.6 Data on the number of Full time Equivalent (FTE) jobs that have been created or safeguarded by each project has been obtained from data provided by the HotSW LEP.

A5.7 The GVA impacts of these jobs have been calculated by multiplying the number of jobs by a GVA per FTE worker figure. This figure has been calculated based on employment and GVA data for each local authority in the HotSW LEP area.

A5.8 Where projects are located in a specific local authority (for example infrastructure projects) the GVA per worker figure for that local authority has been used. Where projects impact the entire LEP area the average GVA per worker for the LEP area is used.

A5.9 Jobs have been valued over a ten-year period. The HM Treasury Green Book states that costs and benefits should be calculated over the lifetime of a project, with 10 years being 'a suitable working assumption for many interventions.' Longer periods can be used for infrastructure and building projects, but 10 years has been used as a conservative length of time given the range of projects supported.

A5.10 Some assumptions have been made about when jobs have been created based on information in the data provided by HotSW LEP on the physical completion of projects.

A5.11 Jobs have diminishing value over the ten-year period, with a 10% decline in value each year following their creation to account for displacement of jobs that would have been created anyway. In the first year of creation they are valued at the full GVA per worker figure but, ten years after their creation they are worth 10% of this value.

²² HM Treasury (2020) The Green Book: Central Government Guidance on Appraisal and Evaluation



A5.12 For costs data, there is no discounting of the value of jobs up to and including the financial year 2022/23. All values beyond this point are discounted using the HM Treasury discount rate of 3.5%.

Additionality Adjustment

A5.13 Following the calculation of gross benefits (as set out above) the figures are adjusted for additionality. The factors considered in additionality, their definitions, and the adjustments used in this analysis are presented in the table below.

Figure A4.1: Additionality Adjustment

Factor	Definition	Adjustment	Reason for Adjustment
Leakage	How much of the employment and economic impact 'leaks' outside the HotSW area.	0%	There is zero leakage associated with these projects as the objective is to create jobs in the HotSW.
Displacement	How much of the employment and economic impact is displaced from elsewhere in the HotSW.	25%	There is a low (25%) displacement figure used as the projects that provide workspace for example, may attract businesses and workers from other workspaces in the HotSW area.
Multiplier Effect	The additional benefit generated by employees' spending within the HotSW.	1.3	We assume a medium (1.3) multiplier given the size of the HotSW area and the potential reach of workers spend in the area.
Deadweight	What would happen in the absence of the project.	25%	We assume a low (25%) deadweight figure based on the fact that some of the activity undertaken by these projects may have happened as a result of private market activity.

Benefit to Cost Ratio

A5.14 Two benefit-to-cost ratios have been calculated, one based on all costs and benefits up to and including the financial year 2022/23, and one based on the total forecast public sector spend and total forecast benefits.

A5.15 Based on the methodology described above, it should be noted that the 'to-date' analysis will include benefits realised in the future as a result of jobs created to-date, but not the value of jobs to be created in the future. For example, a job created in the financial year 2022/23 will be included in the to-date analysis, but will be valued (diminishingly) up to the financial year 2031/32.



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