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

County Hall
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Exeter
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(see below)

Your ref :
Our ref :

Date : 6 February 2019
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**HEART OF THE SOUTH WEST (HOTSW) LOCAL ENTERPRISE PARTNERSHIP (LEP)
JOINT SCRUTINY COMMITTEE**

Thursday, 14th February, 2019

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 2.15 pm at Committee Suite - County Hall to consider the following matters.

PHIL NORREY
Chief Executive

AGENDA

1 Apologies

PART I - OPEN COMMITTEE

2 Minutes (Pages 1 - 4)

Minutes of the meeting held on Friday 2 November 2018, attached.

3 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

4 Performance of the Local Enterprise Partnership (Pages 5 - 70)

Report on the Local Enterprise Partnership Annual Performance Review, attached.

5 Inclusive Growth (Pages 71 - 104)

Report of the Heart of the South West Social Inclusion Framework, attached.

MATTERS FOR INFORMATION

6 Scrutiny Work Programme

In accordance with previous practice, Scrutiny Committees are requested to review the list of forthcoming business and determine which items are to be included in the Work Programme.

The Scrutiny Work Programme can be found at:

<https://new.devon.gov.uk/democracy/committee-meetings/scrutiny-committees/scrutiny-work-programme/>

7 Dates of Future Meetings

Thursday 20 June 2019 @ 2.15pm

Thursday 17 October 2019 @ 2.15pm

Thursday 13 February 2020 @ 2.15pm

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

NIL

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Membership

Councillors J Brook (Chair), Y Atkinson, R Hosking, J Mathews, L Leyshon, M Lewis, C A Paul, R Williams (Vice-Chair), C Lewis, S Darling, G Derrick, J Morris, N Cavill, L Kennedy, N Thwaites, I Bramble and J Chesters

Declaration of Interests

Members are reminded that they must declare any interest they may have in any item to be considered at this meeting, prior to any discussion taking place on that item.

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Terms of Reference

1. The Joint Scrutiny Committee provides strategic overview and Scrutiny of the activities of the Heart of the South West (HotSW) Local Enterprise Partnership (LEP)
2. In meeting its purpose, the Joint Scrutiny Committee will be specifically charged with:
 - The review of strategic decisions made by the LEP Board;
 - The review of progress of programmes under the management of the LEP to identify barriers to progress, good practice and possible improvements to the LEP's programme management function, notwithstanding the ability of Local Authorities to scrutinise individual programmes of delivery which impact on their communities;
 - Scrutiny of the delivery of the Strategic Economic Plan and the Productivity Strategy; and
 - To review LEP performance and consider any comparative data the Joint Committee deems necessary.

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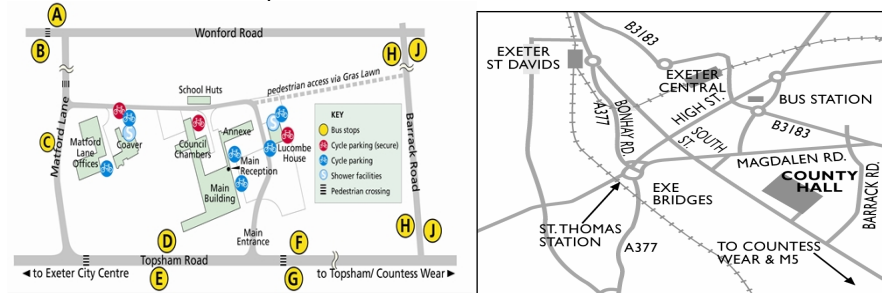
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HEART OF THE SOUTH WEST (HOTSW) LOCAL ENTERPRISE PARTNERSHIP (LEP) JOINT SCRUTINY COMMITTEE

2 November 2018

Present:-

Councillors J Brook (Chair) Y Atkinson, R Hosking, L Leyshon, M Lewis, R Williams, S Darling, G Derrick, J Morris, N Cavill and N Thwaites

Apologies:-

Councillors J Mathews, C A Paul and C Lewis

Members attending in accordance with Standing Order 25

Councillor J Brazil

* **1** **Election of Chair**

RESOLVED that Councillor J Brook be elected Chair for the ensuing year.

* **2** **Election of Vice Chair**

RESOLVED that Councillor R Williams be elected Vice Chair for the ensuing year.

* **3** **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* **4** **Strengthened Local Enterprise Partnerships**

The Committee considered the Report of the County Solicitor (CSO/18/31) which outlined the detail contained within the recently received Government guidance relating to 'Strengthened Local Enterprise Partnerships'.

The Committee was also asked to consider this in light of its agreed terms of reference, which were attached at appendix 1 to the Report.

The Report highlighted there was a lack of detail within the guidance about how any local arrangements should operate, but the review documentation did recognise the role of local authorities in scrutinising LEPs and also the recommendations of the Mary Ney Report.

It further outlined some suggested reporting links between the Heart of the South west Joint Scrutiny Committee (LEP), the LEP Board and also the Heart of the South West Joint Committee.

The Committee considered the importance of reviewing the operation and effectiveness of the Joint Scrutiny Committee and suggested an evaluation took place several months after its initial meeting.

Discussion points with Members included:

- the need for the Committee to review strategic decisions of the LEP and to conduct proactive and pre-decision scrutiny by contributing to strategy rather than just reviewing decisions retrospectively; and

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2/11/18

- ensuring that the cycle of the Committee was in line with the decision-making timescales of the LEP Board to allow Members to pro-actively input into strategic decisions.

It was **MOVED** by Councillor Brook **SECONDED** by Councillor Williams and

RESOLVED

(a) that the Committee's progress to date regarding the implementation of a Joint Scrutiny function (Committee) for the South West Local Enterprise Partnership (LEP) and the Terms of Reference and Operating Procedures as outlined in appendix 1 of Report CSO/18/31, be noted;

(b) that the recently issued Government Guidance 'Strengthened Local Enterprise Partnerships' be noted and that current processes in relation to Scrutiny are fit for purpose; and

(c) that the Committee review and evaluate its operation in twelve months time to assess effectiveness and added value and consider whether any changes are necessary noting, that any changes proposed would be subject to the approval of the Constituent Authorities and may require wider consideration across the Heart of the South West Councils.

* 5 **Introduction from Mr Ralph - Chief Executive of Heart of the South West LEP Board**

The Chief Executive of the Heart of the South West (HotSW) Local Enterprise Partnership (LEP) Board outlined the role of the Board and the benefit and value of joint working between the LEP Board and Scrutiny Committee.

Key points raised during the presentation and in discussion with Members included:

- The LEP Board was four years into a programme of delivery with most of the funds allocated to 67 projects;
- All of the HotSW LEP funds were held by local authorities, predominantly by Somerset County Council, who hold the Board to account through its Standing Orders and S151 Officer, as well as being internally and externally audited;
- A LEP Review had been conducted following concerns raised nationally around the accountability of LEPs, ultimately leading to the Mary Ney Review and the need for greater governance of LEPs, with Scrutiny playing a large part in this;
- The aim of the HotSW LEP was to drive economy in the area and to raise local productivity levels – however it was noted that the South West could never match the same productivity levels as London due to the different structural makeup. On average, the South West performed at 75% of national productivity levels and the LEP Board was looking at ways to change this;
- The LEPs Strategic Economic Plan included areas such as job growth, increasing knowledge and upskilling workers, increasing broadband connectivity, delivering new housing and raising productivity and wages;
- Future focus of the Board was on an aging population, business start ups, innovation, connectivity and increasing wages to keep young people in the South West;
- The impact of Brexit on the economy of the South West, including EU Workers and inward investment;
- Funding streams – such as the UK Shared Prosperity Fund;
- The necessity for superfast broadband and infrastructure to help support small local businesses and new housing developments; and
- The essential need for affordable housing for young people in the south west, and the current disparity between wages and house prices, forcing many families out of the area and ultimately affecting economic growth.

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The Chair thanked Mr Ralph for attending the Committee and for his informative presentation on the work of the LEP Board.

A copy of the presentation is attached to the minutes.

* 6 **Scrutiny Processes and Operation - Presentation by the Head of Scrutiny**

The Committee received a presentation from the Head of Scrutiny at Devon County Council on Scrutiny processes and operations, including why (motivation), how (processes) and what (product) Scrutiny did to make better decisions and how this was achieved by being transparent, active, gathering evidence and making recommendations for change.

The four principles of good Scrutiny included:

- providing a critical friend to challenge executive policy and decision-makers;
- enabling the voice and concerns of the public;
- being carried out by independent minded councillors, and
- driving improvement.

It would be important for this new Scrutiny Committee to consider and review its impact on decision making.

A copy of the presentation is attached to the minutes.

* 7 **Devon Scrutiny Annual Report 2017/2018**

The Committee noted Devon's Scrutiny Annual Report for 2017/18.

* 8 **Scrutiny Work Programme**

In considering the work programme, it was **RESOLVED** that the work programme be agreed with the addition of items added at the meeting including:

- Digital activity
- Review of completed projects and lessons learned
- Emerging local industrial strategy
- Performance of the LEP
- Inclusive growth

A copy of the work programme is attached to the minutes.

* 9 **Dates of Future Meetings**

Dates of future meetings were noted as follows.

Thursday 14 February 2019
Thursday 20 June 2019
Thursday 17 October 2019
Thursday 13 February 2020

All meetings to start at 2.15pm with Masterclass sessions at 10.30am.

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

The Meeting started at 2.15 pm and finished at 4.40 pm

Report on the LEP Annual Performance Review

Recommendation: That the HoTSW LEP Scrutiny Committee satisfies itself with the progress of the LEP to answer the challenge posed by government.

Background

On the 9th January representatives from HoTSW LEP met with government for the Annual Performance Review. For the first time the Scrutiny Chair and Head of Scrutiny were invited to this meeting. The Annual Performance Review is the process by which Government monitors LEP achievements, and is measured against three themes;

- Governance
- Delivery
- Strategy

In line with the Government's articulated strategy and ambition for LEPs the 'Strengthened Local Enterprise Partnerships' paper published in July 2018 by the Ministry of Housing, Communities and Local Government states:

'This is one element of the wider assurance system, which also comprises of Local Enterprise Partnership reporting to Government on agreed outputs, evaluation frameworks and annual performance reviews. In January 2018 we issued best practice guidance in response to the recommendations of the Ministry of Housing, Communities and Local Government Non-Executive Director Review into Local Enterprise Partnership governance and transparency.'

The meeting took a thorough review of the evidence presented and concluded positively. Indications given at the meeting were that the HoTSW LEP was making expected progress and that Government was happy with the actions taken to address issues previously outlined (see Annex C for more detail).

For more information and detail please see the referenced documents attached to this report

- Annual Strategic Review
- Annex C: LEP Preparation
- Annex D: Section 151/73 Assurance Statement
- Annex E: Governance Assurance Statement

A N N U A L
S T R A T E G I C
R E V I E W

E V A L U A T I O N
O F T H E S T R A T E G I C
E C O N O M I C P L A N

A report from
Ash Futures

June 2017



HEART OF THE
SOUTH WEST
LOCAL ENTERPRISE PARTNERSHIP

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APPENDICES

Summary of LEP investment decision-making processes
Projects by SEP aims and priorities
ESIF calls list
Progress with outcomes
Consultee list

This report has been prepared by: Simon Hooton
Shane Vallance



In association with: Dr. Rebekah Southern



Jo Talbot



Executive Summary

In March 2017, Ash Futures was commissioned to undertake an Annual Strategic Review (ASR) of the Heart of the South West (HoSW) Strategic Economic Plan (SEP). The responsibility for the delivery of the SEP is shared by a number of partners across the area. However, this Review concentrates on the activities of the Local Enterprise Partnership (LEP); and addresses these key questions:

- What investment has been achieved?
- What progress is being made towards SEP objectives and priorities (by leadership theme)?
- To what extent is progress being made in terms of 'economic performance' and progress against key outcome measures?
- To what extent is the Local Enterprise Partnership achieving Strategic Added Value?

There are a number of critical issues that serve as background for the ASR and its findings and recommendations:

- Firstly, the economic context in which the HoSW LEP, and in which the SEP was developed, has changed considerably in the subsequent three years. The expectations of economic growth are more muted at a national level, heightened by uncertainty associated with BREXIT, and this has had implications on the strength of growth within the HoSW.
- Secondly, the SEP was formulated at a time when LEPs understood they were to be given a number of responsibilities and 'freedom and flexibilities' that have subsequently been rolled-back by Government. This has shifted the expectation of what LEPs can do to meet local problems flexibly.
- Thirdly, the timing and the criteria of the funding programmes that have been available to the LEP and its partners – most notably Growth Deals – has set parameters around what could be funded. Use of Growth Deal was therefore not completely at local discretion, rather it was limited by national requirements.
- Finally, it is recognised that the HoSW was a relatively new 'construct' and does not naturally represent a functional economic, or political, area as found elsewhere in the UK. As such, considerable effort has been spent on persuading both public and private stakeholders of the benefits of the LEP. The evidence suggests the results on this have been mixed.

The ASR has involved both quantitative and qualitative assessment of achievements and progress against the SEP. This includes interviews and discussions with over 40 partners involved at different levels of the LEP – Board, Strategic Investment Panel, Leadership Groups and the core team. Desk research has included a review of economic data, governance structures and terms of reference for key LEP groups, financial information on the investment programmes, and project information for a sample of supported projects. There is mixed evidence on whether the LEP has improved the level of integration at a political level, or whether it has been wholly successful in fully engaging and harnessing the private sector in the area.

The broad findings of the ASR are that it has identified a lot of positive activity that is being driven and influenced by the HoSW LEP. Many stakeholders recognise that it has achieved a great deal given the limited resources available, and is well led. The partnerships that have been created

around a range of common issues have led to greater cross-boundary working and closer working relationships, particularly amongst local authorities at an officer level. There is a large amount of goodwill in place across a range of partners, and it is our view that the LEP partnership structure has facilitated this.

It is also recognised that the LEP has been an important part of creating a narrative for the area, identifying the key economic issues that need to be addressed and promoting that narrative within Government circles. The SEP largely remains an important framing statement. Progress has been made in this respect, particularly in an environment where the political focus of Whitehall is, perhaps, not concentrated on the far South West.

As would be expected in any review process, this work has also identified activities where the LEP could improve. Some of these are procedural whilst others relate to wider strategic issues.

The areas where stakeholders feel that the LEP has worked relatively effectively include:

- *Both the core team, and the teams working within the local authorities to support LEP processes, were praised for their professionalism and commitment to furthering the wider objectives of the partnership.* Most of the supported projects consulted commented on the openness and knowledge of officers in helping them develop their projects. Certainly, at an officer level there is a commitment to the LEP and working across boundaries to achieve the best outcome for the HoSW as a whole.
- *The partnerships that have been put in place by the LEP were seen as positively trying to address the key issues within the area.* It is also recognised that the HoSW is actively involved in widening partnerships beyond the immediate area where there is a necessity to do so. It was felt that it was an 'open' LEP in this respect and, perhaps, less parochial than other examples.
- *In general, stakeholders felt that the LEP was well-led.* The core team achieve a lot with very limited resources. They were particularly praised in terms of working at a political level, trying to help the HoSW 'punch above its weight' in Government circles.
- *It was felt that, broadly, a consistent narrative had been created across the HoSW area.* Stakeholders within the partnership had a broadly consistent view of what structural issues the HoSW faced. What was less clear was how well understood this message was outside of the LEP.
- In terms of investment, it was felt that *many of the infrastructure projects supported were seen as helping to pave the way for future growth, particularly in urban areas.* The majority of stakeholders consulted were also aware that the beneficial impact from these infrastructure projects may take some time to fully develop.

The review process also identified a number of areas where stakeholders felt that improvements could be made.

- It was felt that *the lack of an Action Plan that clearly articulated what SEP objectives were for the LEP (and other partners) to address, and how it was going to do it, had inhibited the ability for everyone to fully understand its focus.* Without this Action Plan it has been difficult to make the direct connection between investment activities and achievement of SEP outcomes. Equally, the opportunities for making connections and 'plugging gaps' are

being missed. This would be one way to ensure that there was *a clear 'line of sight' from the SEP to investment decisions.*

- It is felt that *there now needed to be a greater focus on 'sweating the assets' of those infrastructure investments, and better linkages across investment programmes including those with revenue potential.* There is a danger that without further support, the full economic benefit of investments made to date may not be fully realised. *Strategically linking different funding streams, including those from Europe, will help to bring more integrated outcomes.* This will also help with the aim of better spreading the economic benefits of those investments beyond the urban areas, recognising that no replacement programmes for the Local Growth Fund has yet been identified by Government, or that they could come with similarly 'tight' criteria.
- *There could be improvements made to how the Leadership Groups work together.* Whilst each of the Groups were generally felt to be working reasonably well within their existing remit (some felt there was a lack of clarity of purpose and a lack of influence), there is little integration across the three Groups which could mean that opportunities to achieve stronger linkages of activities contributing to SEP delivery may be being missed. As a consequence, a view expressed by some was that the SEP was being delivered in a 'piecemeal' fashion.
- It was generally felt that *communication beyond the LEP partnership had been patchy* and that LEP activities continued to be poorly understood, particularly by the business community. In terms of investment activity, it was felt that there was a lack of transparency in some of the decisions made by the LEP. The rationale for investment decisions was not clear from a review of the published meeting minutes.
- *There is clearly some tension in the LEP partnership between the private and public sector partners.* Feedback from private sector stakeholders suggest that they feel the LEP's agenda is influenced too much by the agenda of local authorities, whilst the public sector feels that this is countered somewhat by limited commitment (principally in terms of financial resources) from the private sector.
- Following on, a view expressed by many stakeholders is that *the LEP struggles with acting wholly independently from local authority influence and that its structure (lean core team with local authority support) is a contributory factor.* It is recognised there is a balance between ensuring an integrated partnership, with local authorities as important partners, and a structure that allows the LEP to make difficult but independent decisions when necessary.
- It is difficult to find evidence that the SEP has directly influenced the investment decisions of either public or private sector partners. While match funding has been secured for individual projects, *there is little strategic alignment of investment to the SEP aims. The SEP should be guiding the economic investment plans of local authorities, where possible.*
- Whilst it is recognised that the Growth Deal programme had a necessary focus on criteria set by Government, there were some views (not necessarily shared by all) that *rural areas had benefitted less from the investment programmes to date.*
- *The SEP outcome measures and objectives in the current economic environment do not currently look achievable, certainly in the short-term.* Some of this is outside of the LEP

partnership's control (with more muted conditions nationally). However, the fact that many of the SEP outcome measures are expressed in relative terms does mean that even if significant absolute improvements have been made to the HoSW economy, they may still never meet their outcome measures given that other areas will grow more quickly, notably London and South East. It is our view that some of the outcome targets, particularly those associated with the 'transformational' target, now look very aspirational in their nature.

- *There is currently a heavy concentration of information and knowledge in very few key personnel within the LEP.* It was commented that the LEP Chief Executive was the only person who would fully understand all activity. *This presents a risk in terms of organisational knowledge capacity.* This issue has been further accentuated by recent large-scale changes at a Board level.
- *We feel there is an inherent risk that the true impact of supported investments will not be captured by the current monitoring & evaluation arrangements.* Many projects have indicated that the subsequent development expected to follow the original infrastructure investments may take some years to complete. Current M&E arrangements (at both a project and programme level) are in place until 2020/21. It is our expectation that many of the economic benefits will be delivered beyond that time period and, therefore, not captured. *This presents an institutional risk to the LEP because, if politically challenged in the future, it may not have sufficient evidence to demonstrate impact.*
- *Currently, there is no 'feedback loop' back to the Strategic Investment Panel to develop its understanding of 'what has worked well, and what not' with investments made.* Whilst we recognise that many projects are still at an early stage of development, we feel this is a missed opportunity. A better understanding of how investments have developed would lead to better long-term decision-making.

Recommendations

DELIVERY OF SEP OBJECTIVES

01 Any future revision of the SEP (or the emerging Productivity Plan) needs to have a robust Action Plan which can connect across partners and programmes, and where the respective contribution of each delivery activity (and partner responsibility) to the overall objectives can be clearly identified. The overall responsibility for delivering the LEP's Action Plan should be with the LEP Board, with a commissioning approach potentially acting as the tool for delivery.

02 The outcome measures for any future SEP revision (or the emerging Productivity Plan) should have a better focus on absolute rather than relative targets. If relative targets are to remain, then there should be consideration regarding the exclusion of London and South East from any measure. There should also be a better balance between 'realistic' and 'aspirational' for targets to be a better measure.

INVESTMENT PROGRAMMES

- 03** For any future funding programme, there should not necessarily be a focus on investing in 'new things'. Instead, we feel there is further scope to support investments already made to achieve a better economic outcome, particularly with a revenue focus. This might include workforce development, skills, supply chains, and sustainability. There will be greater impacts if available funding streams are fully aligned.
- 04** The LEP should consider how investment decisions could be communicated more clearly and transparently. This would help build engagement and trust with stakeholders.
- 05** Following on from the 'sweating the assets' issue, in the future the LEP should consider how the benefits of investments can be shared better across surrounding rural areas.

INTERNAL ORGANISATION

- 06** Better integration and coordination of the three Leadership Groups to be created, possibly through regular meeting of Group Leads.
- 07** LEP communications policy and approach to be reviewed, with a reinvigorated focus on the business community and organisations outside of the LEP partnership.
- 08** The LEP should consider how it can spread knowledge of LEP activities and linkages around the partnership (including core team). It needs to be minimise the risk presented if key team members are unavailable.
- 09** The LEP partnership should engage in an 'open and honest' discourse between private and public sector partners to ensure that their respective skills are best utilised to achieve SEP objectives. This discourse should take place, and be led, at LEP Board level.

MONITORING AND EVALUATION

- 10** The LEP should find the resources for a more effective Monitoring and Evaluation process and to extend it beyond 2020/21, if possible.
- 11** An ongoing item should be placed on the SIP agenda that allows project feedback to be relayed to members.

INDEPENDENCE AND FLEXIBILITY

- 12** If future funding becomes available the LEP Board should review the level of resource devoted to the core team, and to decide whether a small amount of additional resource would be beneficial in terms of facilitating greater independence and flexibility.

Chapter 1: Introduction

The Brief

In March 2017, Ash Futures was commissioned to undertake an Annual Strategic Review of the Heart of the South West (HoSW) Strategic Economic Plan (SEP), addressing these key questions:

- What investment has been achieved?
- What progress is being made towards SEP objectives and priorities (by leadership theme)?
- To what extent is progress being made in terms of 'economic performance' and progress against key outcome measures?
- To what extent is the Local Enterprise Partnership (LEP) achieving Strategic Added Value?

The Annual Strategic Review (ASR) is one part of a two fold commission, the other being a Process Review of investment decision making and for which a separate report has been written.

The Tasks

The responsibility for the delivery of the SEP is shared by a number of partners across the area. However, this Review concentrates on the activities of the Local Enterprise Partnership. Work for both the ASR and the Process Review has been undertaken through:

- Initially the development of a Review Framework, setting out the logic chain for the SEP from vision to outcomes, linking the Brief's review questions to this and using it to develop the desk research and interview questions for use in the study
- Desk research which has encompassed:
 - ▶ Review of economic indicators
 - ▶ Review of SEP documents
 - ▶ Review of project information for a sample of projects
 - ▶ Review of governance structures and terms of reference for key LEP groups
 - ▶ Review of financial information on Growth Deal and Growing Places Fund investments
 - ▶ Review of three other LEPs of comparable scale to HoSW to look at their governance and investment decision making processes'
- Interviews and discussions on a one-to-one and group basis with:
 - ▶ Partners involved at different levels of the LEP – Board, Strategic Investment Panel, Leadership Groups and the core team
 - ▶ A strategic selection of other stakeholders not directly involved in the LEP
 - ▶ A sample of projects supported through Growth Deal and Growing Places Funding
 - ▶ Group discussions held with the Strategic Investment Panel and each of the three Leadership Groups (People, Business and Place)

The information from this combined activity has been brought together to respond to the key ASR questions as detailed in the brief. There are more details about governance arrangements, LEP processes, communications and issues of good practice in the parallel Process Review.

The Context

The critical background for this ASR is the economic context in which the LEP has been working and in which the SEP is set, and the timing and criteria of the funding programmes it has used.

The SEP was developed at a time of considerable economic policy change nationally. The June 2013 Government Spending Review saw the development of SEPs linked to negotiations on

Growth Deals and the awarding of funding from the Single Local Growth Fund. This was itself the pooling of funds from different government departments, notably the Department for Transport and Further Education (FE) capital spend. The timing of Growth Deal bids, and the criteria on which they had to be based, set parameters around what could be funded. Use of Growth Deal was therefore not completely at local discretion, rather it was limited by national requirements.

"The LEPs' role in relation to European Funds is also becoming clear. Initially the LEPs were to have the direct role in decision making and funding European Regional Development Fund (ERDF) and European Social Fund (ESF) ERDF projects and in Spring 2014 LEPs prepared strategic plans setting out priorities for European Structural and Investment Funds (ESIF). As the LEPs are non-statutory the European Commission subsequently made it clear that they could not take on the role of an Intermediary Body (ie, could not manage the funds and programmes directly). The result is that LEPs remain an important partner and advisory body however the funds will be managed by Government departments whilst compliant relationships are put in place. For example the Cornwall devolution deal has confirmed the new devolved Combined Authority will manage the ESIF funds directly.

LOCAL ENTERPRISE PARTNERSHIPS IN THE SOUTH WEST: PLANNING AND DELIVERY POTENTIAL¹

At the same time, the wider economic context has become more uncertain since the SEP was prepared, and whereas the SEP set itself targets associated with transforming the local economy, growth expectations nationally have become more muted and there seems to be increasing uncertainty as a result of BREXIT, for example. Therefore, in undertaking this ASR we feel it is important to understand the timeline and context.

¹ Chris Balch, Plymouth University, Mary Elkington, Gareth Jones, Hardisty Jones Associates; for Royal Town Planning Institute SW, Feb 2016

GOVERNMENT ACTIONS	Allocated funds		Profiled spend	HoSW LEP ACTIONS
<p><i>"LEPs will bring locally-elected leaders and business together, on an equal footing with one voice, to create more flexible economic development"</i></p> <p>NICK CLEGG</p>	£m	2010	£m	HoSW LEP established 1st Chair appointed
Government announces Growing Places Fund	GPF 22.54	2011		LEP Prospectus produced LEP local bidding process to identify the projects for the Growing Places Fund 1st interim CX appointed
<p><i>"Central government . . . confers on LEPs a range of benefits but also creates some drawbacks, not least the degree of LEP autonomy and capacity to act."</i></p> <p>RT.P.I</p>		2012	GPF 1.17	Growing Places Fund first approvals CX resigns 2nd interim CX
<p>Single Local Growth Fund established</p> <p>LEPs to develop a SEP to be used for negotiations on Growth Deals</p> <p>LEPs to draw up investment programmes for ESIF 2014 - 2020</p>		2013	GPF 0.46	Local Transport Board established Development of pipeline project lists CX appointed New Chair appointed
<p>Plymouth and Peninsula City Deal signed</p> <p>Growth Deal 1 Financial Allocations announced</p> <p>ESIF notional allocation announced - for period 2104-20</p>	GD1 103.3 ESIF 108.8	2014	GPF 6.88	Draft ESIF Strategy submitted Draft SEP submitted to Government. Leadership Groups established Partnerships Manager starts
<p>Growth Deal 2 Financial Allocations</p> <p>Calls for ESIF projects in HoSW area, made by DEFRA, DCLG and DWP</p> <p>SW Enterprise Zones agreed</p>	GD2 65.2	2015	GPF 0.63 GD 24.2	South Yard, Huntspill, Exeter and East Devon EZs agreed Greater SW Partnership established
		2016	GPF 0.67 GD 45.1	HoSW Devolution Prospectus launched LEP commissions the HotSW Productivity Plan
<p>Industrial Strategy consultation</p> <p>Growth Deal 3 Financial Allocations:</p> <p>General Election</p>	GD3 43.6	2017	GPF 8.92 GD 65.4	SW Rural Productivity Commission established, with surrounding LEPs 8 new Board members appointed

"LEPs have faced a whirlwind of changes in recent years."

TIM JONES

Chapter 2: The Strategic Economic Plan

Aims and Priorities

HoSW's Strategic Economic Plan (SEP) was submitted to Government and published in 2014. It sets out an aspirational vision for the HoSW area to "transform the reputation and positioning of our region nationally and globally by 2030". Its mission proposes "connecting people, places, businesses and ideas to transform our economy, securing investments in infrastructure and skills to create more jobs and enable rewarding careers".

VISION: transform the reputation and positioning of our region nationally and globally by 2030

MISSION: reposition the Heart of the South West's profile and reputation nationally and globally. Connecting people, places, businesses and ideas to transform our economy, securing investments in infrastructure and skills to create more jobs and enable rewarding careers

<p>AIM: creating the conditions for growth - improving our infrastructure and services to underpin growth</p>	<p>AIM: maximising productivity and employment - stimulating jobs and growth across the whole economy</p>	<p>AIM: capitalising on our distinctive assets - utilising our distinctive assets to create opportunities for business growth and better jobs</p>
<p>ENVIRONMENTAL SUSTAINABILITY achieving growth whilst protecting and enhancing our environment</p>		<p>INCLUSION where opportunity is available to all and everyone benefits from collective success</p>
<p>PRIORITY: PLACE</p>	<p>PRIORITY: PLACE</p>	<p>PRIORITY: PLACE</p>
<p>Infrastructure for growth:</p> <ul style="list-style-type: none"> • Transport and accessibility • Digital infrastructure • Sustainable solutions for flood management • Energy Infrastructure 	<p>Infrastructure and facilities to create more and better employment:</p> <ul style="list-style-type: none"> • Enterprise infrastructure • Strategic employment sites • Unlocking housing growth 	<p>The infrastructure and facilities needed to support higher value growth:</p> <ul style="list-style-type: none"> • Specialist marine sites • Science/Innovation infrastructure • Maximising environmental assets
<p>PRIORITY: BUSINESS</p>	<p>PRIORITY: BUSINESS</p>	<p>PRIORITY: BUSINESS</p>
<p>Creating a favourable business environment:</p> <ul style="list-style-type: none"> • A simpler business support system, tailored to our needs • Improving access to finance • Stimulating enterprise growth 	<p>Achieving more sustainable and broadly based business growth:</p> <ul style="list-style-type: none"> • Reaching new markets (on-line, supply chains, public sector) • Globalisation (exports and inward investment) 	<p>Supporting higher value growth:</p> <ul style="list-style-type: none"> • Innovation through Smart Specialisation • Building capacity for innovation
<p>PRIORITY: PEOPLE</p>	<p>PRIORITY: PEOPLE</p>	<p>PRIORITY: PEOPLE</p>
<p>Creating a responsive environment, where businesses and individuals can reach their potential:</p> <ul style="list-style-type: none"> • Skills infrastructure and facilities • Accessibility to education/employment • Employer engagement and ownership 	<p>Increasing employment, progression and workforce skills.</p> <ul style="list-style-type: none"> • Moving people into employment • Supporting people to progress to better jobs • Improving workforce skills 	<p>Creating a world class workforce to support higher value growth:</p> <ul style="list-style-type: none"> • Enterprise and business skills • Technical and higher level skills development and retention • Skills and employment opportunities aligned to our transformational opportunities

The vision and mission are developed in the SEP through three main aims (and two cross cutting ones) and three priorities. This logic chain is summarised in the diagram above and is the vital starting point for the Annual Strategic Review which looks at whether and how investments being made are, or will, deliver the SEP's aims, mission and vision.

Outcomes and Growth Indicators

The aims and priorities are only a part of the logic chain for the SEP. It also defines some overall outcomes for the SEP, and which are set out as objectives for 2020 and 2030. Bearing in mind that the SEP is a document which is for the HoSW area as a whole and not specific to any one funding stream and its particular requirements, and also that it has set itself a high aspirational vision, the outcomes also reflect this. One notable feature of the outcome measurements is that a majority set relative targets rather than absolute numbers. The outputs from individual projects should therefore be contributing towards achieving these outcomes – and to the growth scenarios below.

OUTCOMES	OUTCOMES	OUTCOMES
<p>2020</p> <ul style="list-style-type: none"> • Transport infrastructure more resilient • Partial dualling of A30/303 corridor • Rail journey less than 2h 45m • 95% superfast broadband reach • 10,000 new homes a year 	<p>2020</p> <ul style="list-style-type: none"> • Top 15 LEPs for youth unemployment • Start to close the gap with UK average wages • Middle third of LEPs for competitiveness, exporting and enterprise indicators 	<p>2020</p> <ul style="list-style-type: none"> • Middle third of LEPs for innovation and knowledge economy indicators • Middle third of LEPs for higher value employment indicators
<p>2030</p> <ul style="list-style-type: none"> • Eliminate cut-offs • Full dualling of A30/303 corridor • Rail journey less than 2h 30m • 100% superfast broadband reach • 10,000 new homes a year 	<p>2030</p> <ul style="list-style-type: none"> • Top 10 LEPs for youth unemployment • Average wages equal UK average • Top third of LEPs for competitiveness, exporting and enterprise indicators 	<p>2030</p> <ul style="list-style-type: none"> • Top third of LEPs for innovation and knowledge economy indicators • Middle third of LEPs for higher value employment indicators

The SEP uses some core indicators to describe three 'growth scenarios', with the transformational scenario being the most aspirational target². This uses absolute figures and also indicates what transformational growth should mean in terms of growing faster than UK averages for the chosen indicators.

GROWTH SCENARIOS - IMPACTS			
Indicator	Baseline	Strong Growth	Transformational
	falling behind UK averages	keeping up with UK averages	faster than UK averages
Average GDP growth	2,654%	2.8 - 2.85%	3.06%
New jobs by 2030	82,000	112,000 - 120,000	163,000
GVA by 2030 (2010 prices)	£45 billion	£47 - £47.5 billion	£49 billion
New homes by 2030	104,421	135,000 - 144,000	179,000
Investment needed to achieve this	n/a	EUSIF, City Deal, private sector, investment in Hinkley, moderate Growth Deal allocation, some added freedoms and flexibilities	As per strong growth + significant LGF allocation and commitments to address strategic transport infrastructure

² The term 'aspirational' is used in the context of the SEP's overall aspirational vision, which we assume encapsulates both the strong and transformational growth scenarios

In 2015, HoSW LEP commissioned the consultants SQW to carry out the first Annual Review of the LEP and consider progress towards delivery of the SEP. In undertaking this Review it is also useful to briefly flag up key recommendations from that work. These covered three immediate priorities:

- Continuing to 'do the basics' well – in relation to progress and delivery of GD and GPF
- Continuing to communicate with stakeholders (especially businesses) and be transparent in decision making
- Continuing to prioritise and act strategically

And considering further actions on wider issues

- Giving more explicit consideration to productivity issues
- Responding to the 'deep rural' agenda and its fit with transformational actions
- Reflecting further on the spatial economy of the area
- Continuing to engage with processes around devolution deal

One further suggestion was an alternative suite of indicators for measuring performance linked to the three priorities of the SEP – business, place and people. This was a result of SQW's recommendation to 'move to a tool which draws directly on official data that are regularly – and reliably – updated on a consistent basis'. We have taken these indicators, as well as those in the SEP, forward into our review work, particularly in relation to progress on economic performance and key outcome measures.

This is all a vital starting point for the ASR. It is about the progress against SEP aims, priorities, outcomes and growth targets which can show whether or how investments are contributing to the economic change that the SEP's vision is seeking. At the same time, it recognises that there are other external factors that might inhibit the ability to do so.



Plymouth City Council applied for funding through Growth Deal 2 and the Growing Places Fund as part of the SW Peninsula City Deal to support the first phase of a marine industries development on the South Yard site of Devonport's Naval Base. Marine industries have been identified as a potential high growth sector for the UK and the Oceansgate Project was designed to build on Plymouth's strong marine industrial presence by providing the opportunity to expand in commercial exports, Naval, Leisure and Marine renewables whilst also helping to create a network of marine industries campuses across the Peninsula. Both loan and grant funding was initially sought for this project but the eventual allocation was more strongly weighted to the former than was envisaged which has somewhat constrained the development.

POSTCARD

OCEANSGATE MARINE INDUSTRIES PRODUCTION CAMPUS

Positively, construction work has started and is running slightly ahead of schedule; two construction apprentices have already been taken on through the development, showing some of the wider impacts that can be achieved through infrastructure investment; and, there have been some unexpected benefits including a number of 'historic finds' on the blitz site that are being used for educational purposes locally. With early indications suggesting that prospective tenants are excited about the opportunities, the team is confident that they will deliver a successful project. They are clear that Oceansgate would not have been possible without the capital investment but, as with other projects, feel that even more could have been achieved if additional grant funding could have been secured to support the activity.

Chapter 3: Evaluation Questions

Section 1: What investments have been made

As the LEP's website states *'The LEP has no direct discretionary funding to allocate to businesses or organisations. However LEPs are a platform for funding applications; with some funding streams being entirely dependent on LEPs administering them, such as the Growth Deals, and others having potential advantage should they be supported by the LEP, such as European funding'*³.

This evaluation question has been approached in two parts. The first is the basic question of what investments have been made. For this we have looked at total funding through Growth Deal and Growing Places Funding, being the two funding programmes over which the LEP has had direct delivery management during the SEP period.

The more interesting question is whether the investments made have contributed to delivery of SEP aims, vision, outcomes and growth targets. For this we have looked at how GD and GPF projects fit with SEP aims and priorities and also looked more broadly at other funding opportunities.

The LEP has had a key influencing role in the distribution of EU funding through the ESIF, in that the ESIF strategy for the HoSW is very much a subset of and integrated with the SEP. However its management and delivery is not part of the LEP's direct project management activities.

Beyond that the LEP seeks to have an influencing role over the investment decisions of others. Local investment is being made where there is a matched funding requirement to go with GD, GPF and ESIF funding (as well as ESIF and GD/GPF being potential matched funders in their own right). However, it is hard to establish that this is happening on any strategic level more widely.

The following summarises the LEP's role in investments⁴:



³ <http://heartofswlep.co.uk/doing-business-in-cjr-area/funding/>

⁴ A summary of investment decision making processes is given in Appendix I

Overview of GD and GFP Core funding programmes

Development of the SEP, setting out the area's proposals for growth, was linked with the allocation of funding through the Single Local Growth Fund. Growth Deal funding has been allocated in three rounds; Growth Deal 1 in 2014, Growth Deal 2 in 2015 and Growth Deal 3 in 2016. As the timeline has already set out, the Growth Deal funding is very largely a capital grant programme. It is heavily dominated by investments in transport schemes, skills development/training space and other workspace because the Growth Deal funding was drawn principally from Dept of Transport and Skills Funding Agency/BIS capital funding for Further Education⁵.

The Growing Places Fund preceded the SEP by quite some time. Nationally announced in 2011, with an allocation to each LEP, local projects were selected through local competition in 2012. Again the funding was essentially capital funding although as loan rather than grant. It too came with national guidance on its use and focuses on unlocking strategic housing and employment development sites.

	Total Allocation/Offer £m	Total number of projects	Current Profile for total spend
Growing Places Fund	22.54	7	22.54
Of which:			
- loan	18.34		
- grant	4.2		
Growth Deal 1	114	28	114.09
Growth Deal 2	65.2	11	40.10 **
Growth Deal 3	43.57	10	43.57
TOTAL	245.31	56	220.3

Source: HoSW LEP financial monitoring information

** One major road project has been taken out of the Growth Deal and is to be funded directly by DfT instead.

One point to note on GD1 is that the overall allocation made to HoSW area was £130m but this included funding to others as well as the LEP. Discussion for this Review identified that the LEP's share was £111m and was subsequently adjusted to include some further funding for one project, taking it to £114m. What is also relevant to note is that, as projects are contracted and delivered, total funding packages do change and final out-turns on projects may not match initial allocations. Providing definitive investment figures is not therefore straightforward.

Only seven of the 56 projects are as yet complete in spending terms, although others should complete this year. Profiling of the Growth Deal funding indicates that a significant element of the total spend (65%) is still to come - for Growth Deal 2 and 3 projects which are in the process of being contracted, and for Growth Deal 1 and 2 projects, which are still in progress. Four of the Growing Places funded projects have completed capital spend. One is now making repayments on the loan, one has completed repayments and the remainder have planned repayment schedules. Three have still to complete their spend amounting to around 56% of total GPF allocation.

⁵ Of the £2bn 2015-16 Local Growth Fund pot, 55% came from three blocks of transport funding (with a considerable amount already pre-committed) and a further 16.5% from FE capital funding. The remainder was a mix of New Homes Bonus, Adult skills, Regional Growth Fund, Local Infrastructure Fund and Housing Revenue Account.

	GD 1,2,3, projects profile £m	GPF spend profile £m	TOTAL SPEND PROFILE £m
12/13		1.17	1.173
13/14		0.46	0.463
14/15		6.88	6.88
15/16	24.21	0.63	24.84
16/17	45.13	0.67	45.80
17/18	65.39	8.92	74.31
18/19	50.59	3.80	54.39
19/20	9.57		9.57
20/21	2.87		2.87
TOTAL	197.76	22.54	220.30

Source: HoSW LEP April 2017 profile of GD spend/GPF Monitoring Report Month 11, 2016/17

What these figures indicate is that whilst GPF and then GD allocations have been made to HoSW, actual spend on all projects is not yet at the midway point, on average. GD3 projects and some GD2 ones are still to be contracted. The implications of this is that outputs, and perhaps more importantly for the SEP, outcomes are still to develop from these investments.

Investments by leadership theme and SEP aims

Currently, investment information on projects is held at a programme level. Projects are not specifically mapped onto SEP aims although leadership groups reflecting the SEP's three priorities of business, place and people are involved in developing the pipeline of projects coming forward and recommending prioritisation of these to the LEP's Strategic Investment Panel (SIP) (as has been briefly discussed in Appendix 1). However it is important to note that discussions suggest that the model has not worked quite as smoothly as this, with some frustration about the lack of influence of the leadership groups in investment decision making and in making other contributions to SEP activity.

For this review we have aligned projects with SEP aims and priorities. The following tables⁶ show our assessment of the total number of projects and allocations in relation to GD and GPF.

Creating the Conditions for Growth

Creating the conditions for growth		LGF allocation £m	GPF loans £m
PLACE	Infrastructure for Growth		
	30 projects	150.955	4.2
BUSINESS	Creating a favourable business environment		
	No projects		
PEOPLE	Creating a responsive environment where businesses and individuals can reach their potential		
	No projects		

⁶ The tables only contain aggregated figures for more than one project. Individual project figures are not given as not all projects are contracted.

Creating the Conditions for Growth has the largest number of projects and financial allocation, in large part a reflection of the make up of GD and GPF as capital programmes and with transport being a significant contributor to the Local Growth Fund. Of the 30 projects, 26 are transport projects, 3 are digital infrastructure (broadband/4G) and one is flood alleviation. Of the 26 transport projects, three are rail (related to station improvements) and the remainder are road related (and may include cycle and walking elements). Some of the road schemes are providing infrastructure which aims to enable subsequent housing and employment development by improving road capacity to accommodate growth or by reducing congestion and journey times in order to make an area more attractive for investment. In this sense they also contribute to the Maximising Productivity and Growth aim.

Maximising Productivity and Growth

Maximising productivity and growth			
		LGF allocation £m	GPF loans £m
PLACE	Infrastructure and facilities to create more and better employment		
	5 projects	3.75	8.8
BUSINESS	Achieving more sustainable and broadly-based business growth		
	1 project		
PEOPLE	Increasing employment, progression and workforce skills		
	1 project		

The five Place related projects include three workspace schemes. Interestingly, one of these is effectively an umbrella fund for unlocking smaller workspace schemes and will be supporting several schemes. It has potential for extending the reach of GD funding beyond the key strategic growth centres in the LEP area to other more rural market towns. At the time of writing four schemes have been conditionally approved, two of which are in market towns.

The remaining two Place schemes are private sector led, one opening up a site for housing and serviced employment land, and one developing commercial employment space including a hotel and restaurant.

Growth Hub is also one scheme, particularly important as a key tool for LEP engagement with businesses and supporting the SEP's aim of achieving more sustainable and broadly based business growth. The HoSW Growth Hub is being delivered by Serco.

Capitalising on Distinctive Assets

Capitalising on distinctive assets			
		LGF allocation £m	GPF loans £m
PLACE	Infrastructure and facilities needed to support higher value growth		
	15 projects	62.803	9.5
BUSINESS	Supporting higher value growth		
	1 project		
PEOPLE	Creating a world-class workforce to support higher value growth		
	1 project		

This aim picks up investments to support developing higher value growth, particularly in relation to smart specialisation themes which include low carbon/nuclear, marine, big data and photonics. The 15 projects supported are very much around capital investment to create appropriate workspace and training space to support these higher value sectors. 10 of the projects will create employment space and include one Innovation Centre, an Energy Park and several linked projects related to Exeter Science Park and the Met Office. The remainder are Further Education (FE) college skills development facilities, using the SFA FE capital budget that was part of the Local Growth Fund.

Appendix 2 lists projects by SEP Aim on which the review above is based⁷. What this analysis very clearly shows is the focus on capital investments in relation to the Place priority and its application across all three SEP aims but principally that of Creating the Conditions for Growth. Given the criteria of the funding streams and that key contributors to the Local Growth Fund was capital funding from Dept for Transport and SFA capital spend for FE skills development, this is not an unsurprising result.

One further point raised in consultations, albeit limited, related to innovation and the question of how innovative the investments are. The Local Authority management of accountable body and financial management functions is suggested as a possible brake on really innovative projects, perhaps because they are too risky. But equally government wants novel and eye catching projects and balancing these two factors can be a dilemma. Our review cannot directly evidence the validity of this point either way but it is valuable point to consider going forward as innovation and taking some risk is part of trying to develop new solutions to economic issues.

ESIF

European funding through the ESIF is a potential source of funding support for schemes in the HoSW. Unlike Growth Deal and GPF it has the potential to support revenue funding for both business support and skills development. Given the findings from the GD and GPF review we have also reviewed funding opportunities through ESIF to explore if this begins to fill gaps in other aspects of SEP aims and priorities or add value to the capital spend through GD and GPF⁸.

The notional allocation for the HoSW area is £108.83m for the period 2014 – 2020. A table on HoSW LEP's website indicates that of this total 20% is currently contracted (£21.83m) and a further 36% is under application and going through assessment (£39.54m). A further 16% of the allocation (£17.4m) is available through live calls, leaving the remaining 28% (c£30m) for future calls.

Our review of the HoSW 'calls' indicates they appear well aligned with the SEP's 'capitalising on our distinctive assets' and 'maximising productivity and employment' aims (see Appendix 3). They have the potential for a mix of capital and revenue grant support. ESIF applications have to make the connection with the SEP and indicate how they will deliver SEP aims. Leadership Groups have had a mixed involvement in discussions about ESIF and its use; for example the People Leadership Group has discussions on ESF in relation to skills development. However, business group representatives felt they had little influence in the ESIF context. The view was that they could add value in shaping calls and achieving better integration across themes.

What is not apparent from our review is the extent to which connections between GD/GPF investments and ESIF is being fully explored either in terms of supporting capital investments with revenue activities or plugging gaps in the delivery of the SEP that GD/GPF cannot meet. If these

⁷ Note that this is our assessment of fit.

⁸ Our brief did not include looking at EU funding specifically. However we felt it important to include at least an overview of this, especially as the ESIF Programme for HoSW and the SEP are so interlinked.

connections are being made then segmented reporting on GD/GPF only is not enabling a more rounded picture of SEP progress to be made.

Having said this however, we are very aware that the ESIF process has taken time to get going and has experienced delays, for reasons beyond the LEP's control. Whilst a number of calls are closed, the two stage application process also means that it is taking time to get to full approval and funding agreement. This could mean now is a good opportunity to explore how some of these connections can be better made with the remaining funds available.

Other investment

Figures for matched funding on Growth Deals 1 and 2⁹ suggest significant levels of public matched funding is being levered in. Other public sector includes FE/HE funding - with a significant element into one project. This is not unexpected given the high proportion of transport and FE capital projects in the mix.

Private sector funding is not as significant as other matched funding. Our consultations have also highlighted that the SEP is not perceived as having had any significant influence over private sector investment plans. Again this could be due to the nature of the funding which is capital infrastructure based and with little direct relationship with the many SMEs in the HoSW area.

One of the LEP's projects is funded from a completely different source. The Enterprise Advisor Network project, which is working in schools to develop awareness of future careers, is funded from Careers and Enterprise Co Ltd (65%) with matched funding from other sources.

In terms of wider influence on investment, consultations have not indicated any significant SEP influence on the investment strategies of stakeholder and partner organisations.

	Total Matched Funding Forecast	Percentage of matched funding
Local authority	£40,281,396	17%
Other public sector	£141,214,130	58%
Private sector	£55,273,217	23%
Third sector	£5,975,000	2%
Total	£242,743,743	100%

The LEP has also been involved with other investment programmes that help to deliver the SEP aims. These include:

Plymouth and Peninsula City Deal. This was signed in January 2014. The Deal covered Cornwall, Devon, Plymouth, Torbay and Somerset. It was particularly focused on the marine and advanced manufacturing and had three elements; the Marine Industries Production Campus with its focus at South Yard in Plymouth, the Growth Hub and the Youth Deal. The Deal covered some £34m of local and national funding, intended to lever in £262m of private sector funding over the longer term and create some 9,000 jobs.¹⁰ Oceansgate is now the name for South Yard, the focus of the Marine Industries Production Campus. It is a marine Enterprise Zone and development there has been in receipt of GD and GPF funding. The LEP is noted as a key partner in City Deal providing

⁹ Taken from March 2017 reporting. The figures are those for forecast spend to 2020/2021 but do need to be treated with some caution as not all projects have indicated their matched funding, especially those projects as yet uncontracted. These figures therefore represent a snapshot rather than a fully comprehensive picture.

¹⁰ <http://heartofswlep.co.uk/projects/plymouth-city-deal-south-yard/>

'financial advice, support and advocacy from Board members and an interface with government departments.

Rural Growth Network. HotSW was one of five pilot areas for a Defra funded initiative to support rural business growth between 2012 - 2015. It received £2.9m to develop rural enterprise hubs and provide rural business advice and guidance

Outputs

The following tables set out proposed outputs for projects¹¹ in line with CLG reporting requirements for GD and GPF. **These outputs are not profiled over time. Given that very few projects are yet fully complete, there is no significant level of actual outputs being reported against these aspirations as yet.** As discussions on project case studies have also indicated it may be a long time before some of these outputs are achieved, particularly where there is a reliance on third parties (e.g. housing developers) for their delivery. As yet monitoring and evaluation of outputs and impacts has also not begun in any comprehensive way, and this will be an important next step if progress on outputs and impacts is to be fully assessed.

Capitalising on distinctive assets						
		Jobs created /safeguarded	New dwellings	Develop-ment land unlocked	Businesses safeguarded	Commercial floorspace (sqm)
PLACE	Infrastructure for growth					
	25 projects (out of 30)	36,830	12,816	327.5	8,280	175,626
BUSINESS	Creating a favourable business environment					
	No projects					
PEOPLE	Creating a responsive environment where businesses and individuals can reach their potential					
	No projects					

Maximising growth and productivity					
		Jobs	Commercial building -new / refurb (sqm)	New homes	Skills training space (sqm)
PLACE	Infrastructure and facilities to create more and better employment				
	5 projects (out of 30)	2,141	86,811	126	1,400
BUSINESS	Achieving more sustainable and broadly-based growth				
	1 project				
PEOPLE	Increasing employment, progression and workforce skills				
	1 project				

¹¹ Again, the tables only contain aggregated output figures for more than one project. Individual project figures are not given as not all projects are contracted or outputs fully identified as yet.

Capitalising on distinctive assets						
		Apprenti- ships	Jobs created /safeguarded	GVA £m	Commercial building - new / refurb (sqm)	Increased learner numbers
PLACE	Infrastructure and facilities needed to support higher value growth					
	11 projects (out of 15)	3,556	1,829	14	40,578	24,794
BUSINESS	Supporting higher value growth					
	1 project					
PEOPLE	Creating a world-class workforce to support higher value growth					
	1 project					

What is also relevant to note is that, of the GD and GPF outputs to be reported on, none have a direct read across to the outcomes set out in the SEP. Two have a direct read across to the indicators for growth impact in the SEP (new jobs, new houses). The outputs from projects should clearly contribute to SEP outcomes e.g. new jobs created in the context of transformational investments in innovation centres should contribute to achieving higher value employment indicators. Given the very limited progress to date on achieving outputs (as few projects are complete and even where complete, outputs could be in the longer term, whilst monitoring and evaluation is still to begin on any comprehensive basis) drawing direct conclusions on how investments are delivering outcomes is difficult. This is discussed further in Section Five.

Conclusions

HoSW LEP has had direct management of the delivery of GD and GPF programmes, whilst also being involved in the ESIF programme. Whilst a number of projects have been supported through GD and GPF, only seven have completed their financial spend. There is still a significant element (c 64%) of the total funding from these programmes still to be spent up to 2021. This impacts on achievement of outputs and outcomes from projects, most of which are still to be delivered.

The following table summarises key achievements and challenges associated with investments made to support delivery of SEP aims and priorities.

Achievements	Issues
HoSW LEP and partners have secured some £245m of investment through GD and GPF supporting 56 strategic investment projects.	Investment through GD and GPF programmes is heavily dominated by capital funding in transport, FE training space and employment space developments as neither programme provides an opportunity for significant revenue funding support.
Seven projects have completed their spend; four supported through GPF and three through GD. There are committed Growth Deal allocations from Government to HoSW LEP for GD1, GD2 and GD3.	There is still some 64% of the overall GD and GPF allocations to be spent, including GD2 and GD3 projects which are still to be contracted. This means outputs and outcomes for projects are still largely to come, with indications that some of this will be beyond 2021. It is now very important that Monitoring and Evaluation of projects is put in place on a comprehensive and consistent basis so that outputs and outcomes can be captured

Achievements	Issues
<p>Projects supported through GD and GPF programmes appear broadly aligned with SEP aims and priorities – although some projects were approved before the SEP was written and the planning of a number of projects would have pre-dated the SEP. Projects supported through these two programmes principally contribute to the ‘Creating the Conditions for Growth’ and the ‘Capitalising on Distinctive Assets’ aims.</p>	<p>Project monitoring and reporting is not done on the basis of SEP aims and priorities, rather it is done by funding programme. This makes it hard to have a direct read across into SEP aims – although all projects do need to make connections with SEP aims as part of their application for funding. Generating more explicit links would be beneficial for the future.</p>
<p>ESIF provides the opportunity to draw in revenue (and capital) funding to complement GD and GPF investments. There is a notional allocation for the HoSW area of £108.8m.</p>	<p>The extent to which ESIF, GD and GPF investment activity is being fully integrated is not that apparent. ESIF can complement GD and GPF investments and plug gaps. Looking forward, the opportunity to get greater synergy needs to be taken.</p>
<p>Existing GD and GPF supported projects are drawing in significant levels of matched funding, currently estimated as c£242.7m.</p>	<p>Some 58% of the matched funding is currently identified as coming from public sector sources other than local authorities, and with local authorities contributing a further 17% (although it is important to note that one project accounts for a significant part of the other public sector matched funding). Private sector funding only accounts for 23% of matched funding. Beyond matched funding for projects, the SEP is having little influence on investment activity in either the public or private sector.</p>

Section 2: Contribution to SEP Aims and Priorities

The previous section outlined the investments that have been made so far in terms of the projects and their value. This section explores their overall contribution to the SEP's aims and priorities, largely drawing on the feedback gathered through the consultation, supported by a review of key documentation. It has been noted that the SEP itself is a fairly high-level document and the development of a clear action or delivery plan would have been beneficial in helping to more fully understand the contribution that has so far been made. This chapter should be read within that context.

Securing Funding and Selecting Projects

Our consultation process showed a clear perception that the LEP has done well in securing the level of funding it has received, particularly through the Growth Deals, in order to further the SEP's aims and priorities. Our analysis of HoSW's allocations in relation to other LEPs nationally shows a slightly more mixed picture. Taking all three Growth Deals together, the HoSW LEP was in the bottom half nationally. This is discussed further in Section 4 in relation to Strategic Added Value and securing investment.

It was largely felt that, within the constraints of the funding available, the LEP had developed a sensible set of projects when working up their Growth Deals, reflecting outcomes that the government would want to invest in, although a handful of comments suggested that some decisions had been made to 'keep certain areas happy' rather than for strategic reasons. As a result there is a sense that geographically some areas, particularly the districts, feel over-looked. Additionally, there was some question, particularly from the business representatives, about how far they have been able to reflect key business priorities. Further, as we discuss in the previous section, it was felt that there could have been more strategic linkage between the Growth Deal and ESIF investments, though this has undoubtedly been made more complicated by the delays in the ESIF process.

Notwithstanding the above, most stakeholders felt that there has been a clear line of sight between the SEP and the investment decisions that have been made, although some comments indicated that it could be a little opaque at times. Our review of a sample of Growth Deal and Growing Places Fund business cases shows a slightly mixed picture in terms of their direct link to SEP outcomes. All of the business cases that were reviewed indicate their contribution in one way or another but in some cases the evidence was stronger than in others.

It is recognised that in some instances this has been beyond the LEP's control, resulting from the negotiations with central government which have been complex and have to some extent shaped the nature of the projects selected. For example, the Somerset Flood Action Plan was added to GD3 at the request of the Cabinet Office following the 2013-14 floods. Whilst this project undoubtedly contributes to the 'infrastructure for growth' under the Place priority, the perception was that the business case had to be shoe-horned into an economic development framework without the time or evidence base in which to develop a logic chain that linked its activities to SEP outcomes.

What is also evident from project case studies is that the short timescales for bidding for funds, particularly for GD1, meant that projects coming forward were often 'oven ready'. For some projects such as road schemes, the planning lead in time is lengthy anyway e.g. one project had been in the planning for around five years. This means some projects were being developed prior to the LEP coming into existence and certainly before the SEP, whilst application processes for the

GPF projects also preceded the SEP. Nevertheless there is clearly synergy between the strategic development intentions of projects and SEP aims, although this may not be explicitly stated for some early projects.

It should also be borne in mind that there are other drivers for projects, notably the transport ones, where meeting Dept for Transport (DfT) criteria and requirements are key. Case study project discussions highlight the challenges of trying to balance SEP/LEP aspirations with those of DfT requirements, whilst the parallel Local Transport Board process for project approvals also challenges the integration process.

There was mixed evidence from the business cases that were reviewed in relation to the projects' contribution to the SEP's cross-cutting aims of environmental sustainability and social inclusion. Whilst some authors made compelling statements to describe how their project would deliver against the cross cutting themes, in other cases such statements were limited or non-existent. It is not clear that there has been explicit activity to deliver the two cross cutting aims of the SEP. We are aware that the Place Group set up a task and finish group in 2014, looking at environmental resilience issues, the delivery of green infrastructure as a component of growth and environmental impact mitigation. This followed from a Local Nature Partnership workshop utilising the local environment and economy toolkit methodology promoted by DEFRA. However it took two years to progress the work to the point of a report (the Environment as an Economic Driver) which was taken to the LEP Board in September 2016 where the Board supported further development of this report and its findings.

Making Progress

Given that many of the projects have long lead times and have not yet reported on their outputs and outcomes it is difficult to establish exactly how much has been achieved so far but most consultees felt that good progress is being made towards achieving the SEP's aims and priorities, especially around what was often described as the 'transformational projects' and smart specialisation work which, it is hoped, will lay the foundations for future growth. However, there was a sense from some stakeholders that some of the other economic drivers for the region such as tourism and hospitality should not be neglected as the LEP moves forward as they offer opportunities for innovation and growth¹². As can be seen from the previous chapter, the majority of funding has so far supported infrastructure projects in relation to the Place priority, principally under 'Creating the Conditions for Growth' and most people understood and accepted the reasons for this.

Moving forward, it was felt that there now needs to be more of a focus on the other themes to enable the area's ambitions to be truly achieved, particularly as the LEP moves towards its 'productivity and prosperity' agenda. In particular, stakeholders highlighted the need to deliver on:

- Labour market shortages
- Workforce development
- Rural issues
- Other business issues such as exporting/internationalisation and R&D, linking with the knowledge base
- Business aftercare
- Natural capital

¹² We are aware that there has been a tourism champion role assigned to a LEP Management Committee Officer although discussions have not specifically noted activities arising from this

These are seen as key investment gaps at present time. Some of the gaps may be filled through the ESIF calls which are now coming on stream. On rural issues, specifically, the recently announced Rural Productivity Commission is hoped to provide some intelligence on how best to move forward and is a welcome development. HoSW has also been one of Defra's Rural Growth Network pilot projects, bringing in £2.9 million from DEFRA to develop a network of rural enterprise hubs and business support activities to support micro and small businesses across rural Devon and Somerset.

However, it is expected that revenue funding will remain a challenge in this respect and it may be that more creative solutions need to be sought. The theme of 'sweating the assets' came through strongly within the consultations – i.e. the ability to achieve additional sustainable development outcomes from the investments to date. There have already been some specific studies commissioned by the LEP, for example, to consider how the area can achieve more employment and skills outcomes from construction projects. This work could be proactively used across the groups and it may be that this type of thinking could be broadened to other areas of work such as local supply chains, sustainable sourcing of materials etc.

POSTCARD

The Genesis Building is a development by the Millfields Trust, a Community Economic Development Trust in Plymouth and funded through the LEP using £2.1m of Growing Places Loan Funding. It was submitted to the LEP in 2012, predating the Strategic Economic Plan. With ERDF funding as a major matched funder for the project, and construction completed in 2015, the scheme is part of a wider regeneration masterplan in the Stonehouse area of Plymouth and the first stage of a development programme for the HQ site owned by the Trust. The Genesis building is built to BREEAM Excellent standards which includes a green 'living wall' which won 'Building of the Year 2015' from the Building Forum of Devon and Cornwall. It has 33 office spaces over four floors which range in size to provide for business start ups and larger businesses. It is at over 80% occupancy now, with some 25 businesses and around 100 people employed there, and some businesses occupying more than one unit.

MILLFIELDS TRUST GENESIS BUILDING

Developing a scheme balancing two external funding sources was a challenge for the Trust, in terms of the time taken to secure Growing Places funding approval which potentially jeopardised this balance. Nevertheless the Trust was successful in securing the funds which enabled it to proceed with a project which might otherwise not have happened otherwise. It has already opened up business development and employment opportunities for the Stonehouse area as well as contributed more widely to the streetscape and community. The challenge now is proceeding with the wider regeneration masterplan for the HQ site whilst also repaying on the Growing Places development loan.



Additionally, it is thought that more could be done in partnership with external organisations, including businesses, to address these gaps. The lack of integration between the LEP and external parties that deliver similar activities was mentioned by several stakeholders and better alignment with a variety of organisations from Employment and Skills Boards through to business representative groups could potentially help to provide valuable resources to support key ambitions.

Integrating Priorities

In relation to the above, it was also felt that more could potentially be delivered through better co-ordination internally. Whilst it was recognised that the Leadership Groups have done well in helping to prioritise investments, there have been suggestions that they have tended to operate in silos. Evidence indicates that the theme groups have largely made their recommendations in isolation from one another and it is felt that better integration could help deliver a more holistic programme. For example, the People and Business Leadership groups may be able to contribute to the decisions about the infrastructure projects and link them into wider areas of work that could add value to the overall package (and vice versa). This may be a key learning point for the future.

Discussions have also indicated that Leadership Groups have been involved in other work, for example, discussion and reporting on specific issues affecting their priority. The Environmental Resilience Task and Finish Group of the Place Leadership Group has already been mentioned, with the Place group also establishing another Task and Finish Group looking at barriers to developing housing which reported to the LEP Board. Likewise the Business Leadership Group has established a Future Economy sub-group, led by the area's HEIs to support to the LEP on topics concerned with the economy and labour market of the region.

It is not always clear how this work is being used within the LEP to inform activities - including the prioritisation of projects and linking across priorities. Yet this seems very valuable and useful work for Leadership Groups to be involved in, utilising their specialist knowledge. It should all contribute towards delivering SEP aims. A strong action plan to the SEP would be invaluable in ensuring the work is picked up across the LEP and makes a positive contribution.

Additionality

Stakeholders were asked about the extent to which the investments would have happened anyway, i.e. without the LEP's intervention. They could point to several examples of projects which would definitely not have taken place without the GD/GPF allocations such as Oceansgate in Plymouth. It was also suggested that some of the workspace projects would not have happened as they would have been too commercially risky for the private sector alone. However, the views on other projects were more mixed, particularly around the transport schemes which some people felt may have happened anyway through the old system of bidding directly into the Department of Transport. Notwithstanding that observation, several stakeholders commented that even if the projects would have happened anyway, the LEP had enabled them to come on stream much quicker than would otherwise been the case and in a more strategic (less parochial) manner which does indicate some additionality.

Conclusions

Although many projects have yet to deliver their outputs and outcomes, stakeholders are broadly comfortable with the progress that has been made against SEP aims and priorities to date, given the constraints within the funding that has been available.

The following table summarises key achievements and challenges.

Achievements	Issues
Early infrastructure projects are seen as helping to pave the way for future growth.	There will need to be more emphasis on other objectives, geographic areas and sectors in future, particularly as the LEP moves towards its productivity and prosperity agenda.
Investment is particularly seen as positive in supporting transformational opportunities through the 'capitalising on distinctive assets' aim.	There have been inherent challenges in securing revenue funding for investment activities (given the capital investment focus of GD and GPF). What is now needed for the future is a stronger focus on 'sweating the assets' of investments already made and a greater linking across investment programmes including those with revenue potential.
Some investments are contributing well to the SEP's cross cutting aims of environmental sustainability and inclusion.	It is not clear that, overall, there has been explicit activity to deliver the two cross cutting aims of the SEP.
The focus of the ASR has been to look at GD and GPF and its contribution to achieving SEP aims and priorities. However, it is apparent that other activities contribute to this as well, including ESIF investments and other work coming out of the Leadership Groups.	Limited integration across the three LEP Leadership Groups is particularly noted as an issue. Greater integration across programmes (e.g. ESIF) and between LEP groups would be beneficial in achieving a stronger linking of activities contributing to SEP delivery. However the key missing element in our view is a strong Action Plan for delivery of the SEP. Without this it is hard to make direct links between all investment activities and achievement of the SEP. It is possible that opportunities for making connections and plugging gaps are being missed. For the future, any revision of the SEP or similar strategic plan does need to have a robust action plan which can connect across partners and programmes and where the outcome of work from LEP partner groups can be clearly placed and used.

POSTCARD

EXETER SCIENCE PARK ENVIRONMENTAL FUTURES CAMPUS

£2.5mn support from Growth Deal 1, matched against Regional Growth Funding, was provided to fund infrastructure development on Phase 2 of Exeter Science Park. It aimed to prepare a parcel of land for a Global Environmental Futures campus, whilst also facilitating the adjoining Met Office £100mn supercomputer facility, acting as the campus's anchor occupier. There are also well advanced plans for additional innovation and grow-on buildings on an adjacent plot, developed jointly by Exeter Science Park Ltd in partnership with University of Exeter and the Met Office, and part funded through Growth Deal 2. The remaining land is available as development plots to the private sector.

The project had a clear link to the SEP as a 'transformational opportunity'. The Science Park is an illustration of partnership working, with Devon County, Exeter City and East Devon Councils, and the University being key partners. The Science Park felt that it is firmly supported by the HotSW in facilitating land for development, and helping to retain the Met Office supercomputer in the region. Growth Deal support was crucial in making the project happen.

The output targets for the project included 3,000sqm of Met Office space, and 6,000sqm of further private development. This private-sector led development would leverage in an estimated additional £15mn. Overall, it is estimated to deliver circa 370 gross jobs.

The project was completed in early 2016 – on time and on budget – and the Met Office supercomputer building was completed with some occupancy in late 2016. The collaboration building is also largely complete.

Section 3: Progress on Economic Performance and Key Outcome Measures

Economic performance and progress towards key SEP outcomes measures

The HoSW SEP contained a number of outcome targets to help monitor its progress against the aspirational objectives contained within the SEP. These outcome measures are broadly associated with how strongly the HoSW economy is growing (in terms of output and jobs), as well as capturing how its infrastructure (in terms of housing and transport) is developing to help facilitate that growth.

As part of the brief for this work, this review has included an extensive analysis of the available economic data to understand how well the HoSW is performing against the SEP outcome targets. This analysis is wholly detailed in 'Appendix 4 – HoSW progress against Outcomes'. The findings and considerations of this analysis is outlined in summary format in the main body of the report below. Appendix 4 should be reviewed to understand the full analysis.

Firstly, it is important to understand the macro-economic context in which our assessment of progress has taken place. The SEP detailed three growth scenarios (as shown in the table below) and four core 'growth measurements' associated with each scenario. The SEP itself clearly outlines an ambition for 'transformational growth. The core growth measures are targets relative to the performance of the wider UK economy. However, there has been a changing economic context since the SEP was formulated in 2014. Growth expectations have become more muted in recent years, exacerbated by increased uncertainty caused by BREXIT. The medium-term decline in productivity which has been seen in the UK and other developed economies since the recession, has placed some structural pressure on the growth potential of the economy as a whole.

Therefore, assessing whether the HoSW has met these growth targets needs to be within the context of muted conditions elsewhere. It could be argued that this will have the biggest influence on whether growth targets will be met.

Secondly, it is important to recognise that this analysis **does not provide any inference on the extent to which changes in performance can be attributed to LEP activities or investments.** Rather, as in the previous annual review, this analysis indicates whether the underlying picture has changed, and whether any changes indicate if the SEP's strategic vision is on-track to be achieved.

Table: HoSW SEP Growth Scenarios and Targets

	Baseline – continuing to fall behind UK average	Strong growth – keeping pace with UK average	Transformational – faster than UK average
1. Average growth rate	2.65%	2.8%-2.85%	3.06%
2. GVA by 2030 (2010 prices)	£45bn	£47bn-£47.5bn	£49bn
3. New jobs by 2030	82,000	112,000-120,000	163,000
4. New homes by 2030	104,421	135,000-144,000	179,000




With the above context in mind, the review of economic data leads to the overall conclusion that *the HoSW economy, at best, continues to track the 'baseline' growth scenario. That is, there is no firm evidence that it is achieving either 'strong' or 'transformational' growth as aspired to in the SEP.* It is our view that the HoSW 'productivity conundrum' remains, its relatively good quality 'inputs' (i.e. high employment rate, good skill levels etc.) not translating into better quality 'outputs' (i.e. improvements in relative productivity).

This conforms to the majority of views expressed through the consultations. Many of the stakeholders recognised that the long-standing structural issues that were originally highlighted in the SEP remain. In particular, the problem of closing the ‘productivity gap’ remains. However, most were realistic that these issues could not be solved in the short-term and require long-term structural changes.





Nevertheless, the remit of this work was to assess progress against the outcome targets. The analysis in this review focused on two broad elements:

1. As discussed above, this included a review of the ‘core growth’ SEP measurements to understand whether the HoSW economy was on target to achieve its broad aspirations
2. A review of progress against the outcomes associated with the three core SEP aims, with a particular focus on targets for 2020

Our assessment of progress against each of these targets is illustrated below using a ‘traffic lights’ system. For the four core growth measurements, our assessment is based on whether the HoSW is on track for its aspirational growth. Our assessment criteria is contained in the below table.

Assessment criteria – core ‘growth measurements’	Classification
No evidence that the HoSW economy exceeding above trend (‘strong’ or ‘transformational’) growth	
Limited evidence that HoSW economy exceeding above trend (‘strong’ or ‘transformational’) growth	
Evidence that HoSW economy exceeding above trend (‘strong’ or ‘transformational’) growth	




When set against the above criteria, the evidence indicates that the HoSW is, at best, only achieving baseline trend growth. The exception is new housing development, where the data suggests that housing development density (development rates against existing stock) is higher than national average. This is illustrated by Chart 14 in the appendix. As such, we feel there is limited evidence.

HoSW SEP ‘core growth’ measurements – progress against aspirational growth			
Average annual growth rate	GVA by 2030	New jobs by 2030	New homes by 2030
			











It is also worth highlighting that we have found evidence that the HoSW economy has actually grown faster than trend rate if you exclude London and the South East from the measurement (Chart 9 in the appendix). This is highlighted further when compared to the three ‘comparator LEPs’ that we have reviewed in the Process Review – the HoSW has performed relatively well. However, given the remit of this work is to assess performance against the measure contained in the SEP itself, we can only conclude that the HoSW economy is not growing faster than the *national* rate. This highlights the problem of having relative performance measurements (as discussed elsewhere), particularly in the context of the dominating factor of London within the wider UK economy.

It is recognised that the SEP primarily sets out a long-term (to 2030) vision for the HoSW, and that economic conditions are unlikely to have altered significantly since 2014. This is particularly in the context of the long-term structural imbalances it was designed to address. However, the SEP did also include targets for 2020 and the brief for this work included the requirement to assess progress against these outcome measures. Given that 2020 is not too long in the future, as such it is reasonable to expect that some progress against these 2020 targets could have been made at this stage (2017). This review provides a reasonable juncture for the LEP and its partners to understand the 'headwinds' it may face in meeting the aspirational elements within the SEP.

Again, we assess progress using a 'traffic lights' system. The criteria is set out in the table below. Principally, for these 2020 targets associated with the three SEP core aims, given that they are a mixture of relative and absolute measures, the assessment is our view of progress based on available evidence. In some cases, the target has required a qualitative assessment (in particular, the assessment of whether transport infrastructure is more resilient), with no available evidence to make that judgement.

Assessment criteria – '2020 SEP outcome targets'	Classification
No evidence that the 2020 target will be met	
Limited (or mixed) evidence that the 2020 target will be met	
Evidence that the 2020 target will be met	

Our assessment is contained in the table below. This shows that on only one measure – 95% superfast broadband availability – do we consider that the 2020 target is on track to be met. For other measurements where we have classified progress as 'amber', this is largely due to those measurements representing a range of indicators, some of which the HoSW performs relatively well and for some not.

Maximising productivity & employment opportunities	
Middle third of LEPs for competitiveness, exporting and enterprise indicators	
Top 15 LEPs for youth unemployment	
Start to close the gap with UK average wages	
Creating the conditions for growth	
Transport infrastructure more resilient	
Achieve partial dualling of A303/A30 corridor	
Rail journey times <2 hours, 45 minutes	
95% superfast broadband	
10,000 new homes per year	
Capitalising on our distinctive assets	
Middle third of LEPs for innovation and knowledge economy indicators	
Middle third for higher value employment indicators	

Monitoring and Evaluation

As detailed in Section 3 the projects that have been supported through both Growth Deal and Growing Places Fund have a range of output targets associated with those investments. This includes a substantial number of jobs that are projected to be associated¹³ with the (principally Growth Deal) investments. In total, projects are expected to bring forward circa 41,000 jobs. Clearly, this scale of job creation could potentially be a significant contributor to one of the core SEP 'growth measures' relating to job creation.

Therefore, it is clearly important that the outputs and outcomes from the project investments are monitored to understand how they are contributing to SEP aims. As part of this work, through better understanding the processes in place as well as interviews with a sample of supported projects, we have reviewed the monitoring and evaluation (M&E) arrangements¹⁴.

All supported projects have a requirement to put in place a monitoring & evaluation plan, as well as a requirement to report against output performance as part of their quarterly monitoring process. Previously, projects were contacted separately in the quarterly monitoring process for financial claims (by Somerset CC as the financial accountable body) and output reporting (by Devon CC as the programme office). The two processes are in the process of being amalgamated to a single quarterly process, and this is to be welcomed, particularly from a project's perspective. To date, output monitoring has been on a project-by-project basis and not necessarily consistently.

In terms of outputs that have been delivered to date, it is important to understand that, **to date, very few outputs have been delivered by the projects**. This is primarily a reflection of two factors:

1. That many projects have yet to be completed (mostly relating to the capital element), and the operational phase has yet to start
2. For many of the supported projects, job creation is expected to be as an indirect consequence of the investment itself. For example, some transport projects are expected to open up sites where subsequent job creation will take place. Equally, housing development is expected to take place through the same mechanism

The principal finding from this review is that evidence from the projects indicates that **output delivery (and delivery of outcomes and economic impact) is likely to be a slow and long term process**. For those projects that are expected to deliver new jobs, it is possible that the subsequent development required to support jobs i.e. commercial space, will not take place for a number of years. Therefore, it is our view there is a real prospect that the majority of job output delivery could take place beyond 2020-21.

This creates a problem in a monitoring and evaluation context. The LEP only has a requirement to report back Growth Deal programme outputs until 2020/21. As a consequence, funded projects only have a requirement (as defined in the Funding Agreements) to report their own outputs until this period. Given that monitoring & evaluation is a relatively resource-intensive process, there is an expectation that at both a programme and project level there will be limited resources (and perhaps inclination) to undertake monitoring and evaluation beyond 2021.

Given that it is our expectation that many outputs will only be delivered beyond this period, **there is a danger that the full impact of supported projects will not be fully captured**. This is particularly

¹³ This could mean that the jobs could be directly or indirectly created as a consequence of the project. When reviewing the projects that have been supported through the funding programmes, it is our view that the majority of these relate to the indirect creation of jobs that are not directly in the control of the project itself i.e. job creation facilitated by infrastructure improvements

¹⁴ We know the LEP has an M&E Framework which recognises the importance of a feedback loop, but this is high level and does not set out the detail of how output and outcome reporting in the longer term will be coordinated.

the case for jobs and housing developed. This is relevant given that these are the two outputs that can be directly linked to one of the core SEP 'growth measures', therefore allowing a link between the SEP aims and the impact of the investments made to support those aims.

Whilst understanding the considerable resource constraints that all organisations are under, consideration should be given to resourcing M&E activity beyond 2021 to fully understand the long-term impact of the Growth Deal programme.

The other difficulty that faces the LEP in terms of meeting output targets such as job creation, new homes and commercial space development is that the activity required to deliver these outputs is reliant on third parties. It is largely dependent on private sector investment and the viability of the associated sites. Several of our project consultations have indicated that this may not occur within the next few years. **The LEP and its partners do not hold any real delivery levers to ensure that outputs (and outcomes and impacts) will be delivered as envisaged in the business cases.**

For other output targets, such as learning opportunities and apprenticeships the above issue is less relevant. Consultations with the projects that are expected to support learning opportunities, such as investments in FE infrastructure, have shown that **there is a good probability that these learning opportunities will be delivered over the next few years.** Hence, these will be captured through the M&E process.

POSTCARD

Torquay Gateway transport scheme received £3.74m from Growth Deal I funding for a transport scheme comprising improvements to four pinch points at the southern end of the South Devon Link Road, together with development of a new cycle route link. The scheme has been delivered by Torbay Council as Transport Authority. Collectively the scheme opens up sites for existing and planned employment, and housing, adding to the benefits of the South Devon Link Road in terms of reduced journey times and greater journey time reliability. Sites include the existing Torbay Hospital, and the proposed Eginswell Growth Area which proposes housing and employment development with associated infrastructure such as schools. Three of the five phases of the transport scheme, including the cycle route, are now complete. The final two phases have been combined and delayed until 2018.

This transport scheme had been in the planning for some time (five years or more) before Growth Deal funding provided the opportunity to secure their delivery, with some elements particularly prompted by the opportunity of the South Devon

TORQUAY GATEWAY

Link Road. Growth Deal funding meant that components were delivered that would otherwise not have happened or may have taken much longer and been achieved on a smaller scale, reducing the attractiveness of sites for development.

The scheme opens up significant sites for future housing and employment which are part of Torbay's strategic development plans and which have adopted supplementary planning documents. However actual delivery of the housing and employment development is in the hands of developers and is long term. Even by 2021, some of these developments may only be in early stages. Long term monitoring of these wider impacts is therefore important if Growth Deal longer term benefits are to be documented.



Finally, at present, there is no embedded mechanism for monitoring and evaluation information to be reported back to the Strategic Investment Panel (or Local Transport Board for transport projects). It is not clear how the main decision-making groups are kept informed of progress against those investments they had prior approved. There is a lack of a feedback loop into the decision-making structure. As such, we feel there is a missed opportunity for the LEP to understand 'what is working well, and what is not'. Whilst we understand there are plans for a SIP regular agenda item, this is overdue. We would recommend this to be implemented as soon as practical, helping to establish a structured feedback mechanism. Our consultations with members of the SIP suggest they would welcome this.

Conclusions

Our analysis has shown that the HoSW is facing considerable 'headwinds' in terms of being able to meet the targets as defined in the SEP. Whilst the performance of the HoSW economy has been reasonable in absolute terms, the fact that the SEP targets were expressed as *relative* measurements, means it is likely that many of them will not be met.

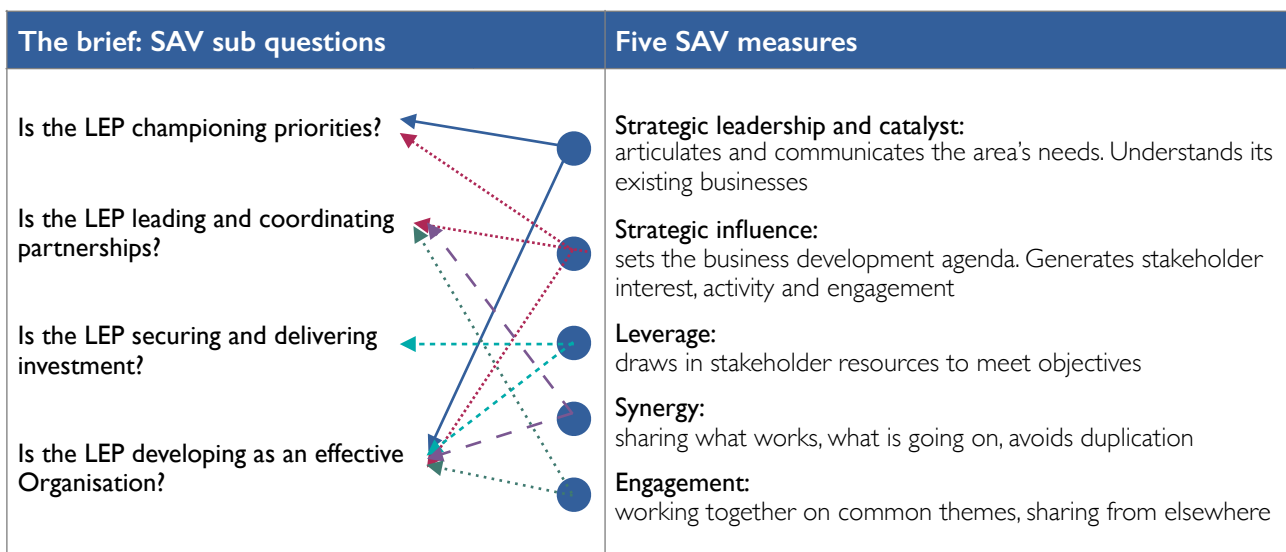
Achievements	Issues
<p>The HoSW is achieving growth broadly consistent with the 'baseline' growth scenario in the SEP. The exception is new housing development, where housing development density (development rates against existing stock) is higher than national average. There is also evidence that the HoSW economy has actually grown faster than trend rate if London and the South East are excluded from the analysis, particularly when set against some other comparable rural areas.</p>	<p>It is not currently achieving either 'strong' or 'transformational' growth. As such, it is not achieving its growth targets. The changing context of muted economic growth nationally has not helped in this regard. For the future careful thought should be given as to whether having relative performance measures (relative to other places, particularly London and the South East) is the best indicator to have.</p>
<p>Investments in GD and GPF projects are expected to bring forward circa 41,000 jobs. This scale of job creation would be a significant contributor to one of the core SEP 'growth measures' relating to job creation. However, it needs to be recognised that not all of these could be considered 'additional'.</p>	<p>Very few outputs have been delivered by projects to date. The true impact of those projects supported by the LEP and its partners has yet to fully work through. Given that many are infrastructure projects - often reliant on third parties to deliver the subsequent economic activity - impact is expected to be over the longer-term and beyond 2021. There is a danger that the true impact of projects will never be fully captured given constraints on resources available for M&E activity. For the future there needs to be an embedded mechanism for monitoring and evaluation information to be reported back to the Strategic Investment Panel, aid the LEP to learn from investments and to do better on 'sweating the assets'.</p>
<p>On one 2020 outcome measure – 95% superfast broadband availability –the 2020 target is on track to be met. Housing development has performed relatively well but is still not achieving the 2020 target.</p>	<p>Overall, assessing performance against the short-term 2020 outcome measures as defined in the SEP indicates mixed progress. It is our view that several targets are unlikely to be met by 2020. Again, one of the explanatory factors is that many are relative targets and therefore performance against the measurement is outside of the HoSW LEP's control i.e. other areas are also improving.</p>

Section 4: Achieving Strategic Added Value

This section explores the qualitative question of whether the LEP is achieving Strategic Added Value (SAV). We have reviewed this in relation to the four evaluation sub-questions as set out in the brief:

- Is the LEP championing priorities? For example does it provide strategic leadership and act as a catalyst: does it articulate and communicate the area's needs effectively
- Is the LEP leading and coordinating partnerships? For example is it helping to set the business development agenda; or generate stakeholder interest, activity and engagement
- Is the LEP securing and delivering investment? Is it creating leverage to draw in stakeholder resources to meet objectives
- Is the LEP developing as an effective organisation? In part this question is the analysis of the combination of all three previous questions. There are other relevant elements to SAV which are also considered here – whether there is synergy in terms of sharing what works, what is happening to avoid duplication; and whether there is strong engagement in terms of working together on common themes, sharing from elsewhere.

It is recognised that the assessment of SAV is a largely qualitative process. However, it is important to assess it in as structured manner as possible. We have reviewed the sub-questions and related them back to the five SAV measures that are commonly used in evaluation work. The relationship is set out in the diagram below.



We recognise that there is some overlap between some of the issues covered by these evaluation questions and earlier analysis. The aim here is therefore to focus on additional information, whilst referencing earlier analysis where appropriate.

Championing Priorities

Articulating the Area's Needs

It was generally felt by those stakeholders consulted through the evaluation process that the HoSW's SEP continued to *articulate the area's needs relatively well* despite changing economic and political circumstances. It was felt that the LEP led the process well and the SEP was based on a comprehensive evidence base. It was recognised by many that the challenges highlighted in the SEP, such as relatively low productivity and poor connectivity, were still in place and these were longer-term structural issues that needed continued attention.

Some felt that the refresh – in the form of the emerging Productivity Plan – was also timely to refocus on these key structural issues. There was an interesting debate in several of the consultations (as highlighted elsewhere) between whether the emerging Productivity Plan should continue to have a focus on transformational opportunities, and/or should now focus on improving inclusivity across all sectors.

In terms of the existing SEP, the main issues that were raised by some stakeholders are highlighted below. However, it is also important to note that most recognised that any Strategy has to have an element of prioritisation to effectively focus on the key issues:

1. The focus on 'transformational opportunities' has an implicit urban focus and, as such, the subsequent investment focus and much of LEP activity has also been predominantly urban focused. Several stakeholders felt that rural areas have been 'overlooked' by LEP investments and much of this was due to this original identification of urban-based transformational opportunities. One Growth Deal project that addresses this in part is the Unlocking Growth Fund workspace project where two of four schemes currently going through approval confirmation are market town based. However, given the strategic growth focus of Growth Deal in particular, and that spatial planning focuses strategic growth into the main urban centres, the urban focus of investments is perhaps inevitable.
2. Whilst the SEP has reference to social inclusion and inclusivity, some stakeholders felt that this hadn't necessarily translated to subsequent focus in terms of activity. The inter-relationship between infrastructure and skills was an area that was cited as an example of where an opportunity to improve inclusivity had been missed.
3. The lack of a strong action plan accompanying the SEP was cited by several stakeholders as a deficiency. As a consequence, it was not clear what organisations were responsible for delivering the different elements of the SEP. The development of an action plan was cited as a requirement of the emerging Productivity Plan (see other comments elsewhere). Whilst this Review has focused on the Growth Deal and Growing Places Fund in terms of the funding programmes within the direct management of the LEP, there is clearly other activity taking place in the HoSW area, in which the LEP is involved and which contributes to SEP aims, as noted in earlier sections. The lack of an action plan means these links are not necessarily clear to all.

Communicating the Area's Needs

It was felt that the SEP, and subsequent LEP activity, has been relatively successful in communicating the needs of the area in the context of securing Growth Deal funding. Most stakeholders felt that these needs were outlined relatively clearly and succinctly in the SEP, and that the LEP has maintained a focus on the core messages relatively well. It is perceived that the HoSW LEP management has 'walked the corridors of Whitehall' relatively successfully. Discussions indicate that LEP staff have the knowledge and experience of working at this political level which has supported this approach. However, Board members could be more active in supporting the LEP's ambitions through their channels into Whitehall. Some felt that the most productive approach was to bring ideas and solutions rather than problems and complaints.

The political make-up of the HoSW area has helped in this respect, and there are examples of the HoSW LEP coordinating political influence to lobby on priorities for the area. One example has been the establishment of a multi-site Enterprise Zone, in Bridgwater and Exeter / East Devon¹⁵, where the LEP playing a key role in lobbying for its inclusion. The LEP's role in lobbying on the Further Education Area Reviews was also noted in discussions.

¹⁵ A further Enterprise Zone is located at South Yard, in Plymouth

Leading and coordinating partnerships

Generating HoSW stakeholder interest and engagement

The responsibility for sharing good practice and information within the HoSW area largely falls to the LEP's Partnership Manager. This role has a responsibility for ensuring that partners are kept informed of important development, as well as facilitating to the LEP itself. There is also responsibility on some of the Board representatives to 'cascade information' out to partners who are not represented i.e. district authorities. Overall, *there were mixed views whether the LEP is wholly effective on this measure*. Whilst many recognised that improvements had been made – particularly after the establishment of the Partnership Manager role – it was not clear through this review process that key parts of the wider community still felt they were fully involved in the LEP partnership, most notably the business community and rural areas. It is not clear whether the system of cascading information from the LEP Board is working effectively.

Given limited resources available to the core LEP, it is recognised that it is difficult to improve matters. We also recognise that the targeted audience needs to be responsive to LEP contact. For example, the HoSW LEP Chief Executive already devotes considerable time to engaging with the business community, and the extent of this engagement is necessarily limited to the time available. The establishment of the Growth Hub, as a key Growth Deal project, was also intended to be a tool for directly working with businesses. Although many businesses will approach the Growth Hub directly, some consultees, particularly from the private sector, felt that it does not necessarily meet their needs. The perception expressed by some is that it has been designed more as a public sector intervention without due consideration of what businesses actually require – described by one individual as 'Business Link lite.' It does not appear to use intelligence from the Business Leadership Group to inform its work. Equally, it is also not clear from our review work how information from the Growth Hub feeds back into the LEP as this would clearly be valuable information for helping to shape future activities that can respond to business needs.

It may be appropriate for the LEP to consider other methods of communicating to 'difficult to reach' groups (which could include businesses) in order improve the perception of how successfully it engages with those groups. We understand that the LEP has already begun to think about how it can develop its approach to help it broadcast more broadly and clearly to help people better understand future intentions. Using different tools, promoting successes and addressing the question of how investments directly help groups e.g. businesses (the 'what has it done for me' question) would all be valuable.

It was generally felt that the *LEP – particularly its core staff – have been effective in working with partners on shared important issues*. Given limited resources available to the LEP core itself, activity has been concentrated on bringing partners together to 'corral' resources and effort on these key issues. This ranges from using back office support from the local authority partners (see later comment), through to mobilising political lobbying influence. The LEP has been an important player in activities such as the establishment of the Peninsula Rail Task Force Group, Nuclear South West, and the inclusion of strategic improvements to the A303 in the Government's Road Investment Strategy.

Many stakeholders – particularly local authority partners – felt that *the LEP partnership structure has delivered tangible benefits in terms of facilitating cross local authority boundary working*. Our review would also agree that the LEP structure, particularly the leadership theme group activity, has led to greater joint local authority work. It is doubtful whether this would (or could) have been at the same level without LEP involvement. However, it could be argued that this has predominantly been on a local authority officer basis, with more mixed evidence of support at a political level.

Working beyond the HoSW area

In March 2017 the HoSW, Dorset and Cornwall & Isles of Scilly LEP's established a short-term post focusing on the 'Greater South West Partnership'. This built on previous cross-LEP initiatives such as Nuclear South West and the Marine Cluster, which had tended to be established on an issue-by-issue basis and have been successful in creating a wider than local presence and investments with a broad reach, for example the Somerset Energy Innovation Centre. The establishment of this more formal role is recognition that business leaders wanted the LEPs to take forward important issues on a more coherent basis to better organise the region's 'ask' of Government. Part of the role is to create a coherent narrative for the region.



POSTCARD

The low carbon energy sector, including nuclear, is a key priority for Somerset County Council (SCC) and part of the SEP's transformational opportunities for the Heart of the South West area. Phase I of the Somerset Energy Innovation Centre (SEIC I) was part-funded by SCC, the European Regional Development Fund and £1.34m from the Growth Deal I funding.

SEIC I was delivered in two phases. Stage one delivered 2,400m² of flexible office, meeting and café/informal collaboration space. Stage two delivered an additional 600m² to support the local supply chain to maximise opportunities from the construction of the Hinkley Point C power station and other low carbon energy initiatives in the region. It was completed on time and to budget.

SCC commissioned an Operator to manage SEIC I. It was formally opened in February 2016 and is currently 90% occupied. Growth Deal I enabled the Operator to secure the EDF Energy Induction Centre within the SEIC. Personnel of all tiers of suppliers to EDF Energy (across the UK) have to attend the induction centre before being allowed on any of EDF

SOMERSET ENERGY INNOVATION CENTRE

Energy's sites, including Hinkley Point C. This represents a great opportunity for local businesses and the HoSW area that could not have been achieved without the investment of Growth Deal I. The Operator of SEIC I also plays a key role in the delivery of the cross-LEP nuclear business support and inward investment project.

Delivery of the project included the construction contractor working with local schools and colleges. The Greater Crested Newt was found on the site and schools visited the site to learn about its ecology. The contractor also worked with Bridgwater College to provide "work experience" for students attending the Construction Skills College. SCC has plans to develop a further two phases of the SEIC with additional support from Growth Deal funding and ERDF.

The creation of closer relationships with other South West LEPs is also as a direct response to the emphasis upon the 'Northern Powerhouse' and 'Midlands Engine'. There is recognition that the South West needs to punch above its weight and there is a significant danger that it does not hold sufficient political influence in Government circles. Therefore, closer relationships across South West LEPs are to be welcomed.

The feedback from our consultations is that the *HoSW LEP has been instrumental in encouraging other LEPs to think about the wider geography on key strategic issues*. We understand that the HoSW has tried to engage the West of England (WoE), Gloucestershire First and Wiltshire and Swindon in the Greater South West Partnership but they have yet to formally engage. Certainly, it is our view that the inclusion of WoE in particular within this partnership is crucial in forming sufficient mass to counter the significant influence being formed in the north of England.

Securing and delivering investment

Securing GD and GPF funding

The HoSW LEP has been instrumental in securing over £210m in Government funding through the three Growth Deals¹⁶ as well as some £22.5m of Growing Places Fund. Set alongside the matched funding and leveraged investment this represents significant investment into the HoSW economy. The view amongst the majority of stakeholders is that the LEP – led by the core staff – has been successful in securing a ‘good share’ of the funding that was available.

As with all LEPs, the amount of funding available through the Local Growth Fund has not been at the level as envisaged when the original policy announcement was made (see timeline). The competitive nature of the Local Growth Fund has meant that the success of bids has been reliant on the quality of those submissions, and particularly that the LEP demonstrates the importance of submitted projects to the growth agenda. Some of the stakeholders commented on how the HoSW was able to play a good ‘tactical game’.

The perception of the outcome, in terms of Growth Deal allocations, is that the HoSW has been in the ‘top ten’ of LEPs. As part of this review we have analysed Growth Deal allocations for each of the three rounds for all LEPs on a per head basis to understand what the evidence shows.

Overall, when assessed on a per head basis¹⁷, the HoSW has actually received one of the lower allocations across the LEP network. This was principally due to relatively low allocations in Growth Deal 1 and 3. It performed very well in Growth Deal 2, receiving the highest allocation on an absolute cash basis and the 2nd highest allocation on a per capita basis. Each of the allocations are set out in the tables below. We have highlighted the three comparator LEPs that we have assessed in the Process Review - The Marches, New Anglia and York, North Yorkshire and East Riding.

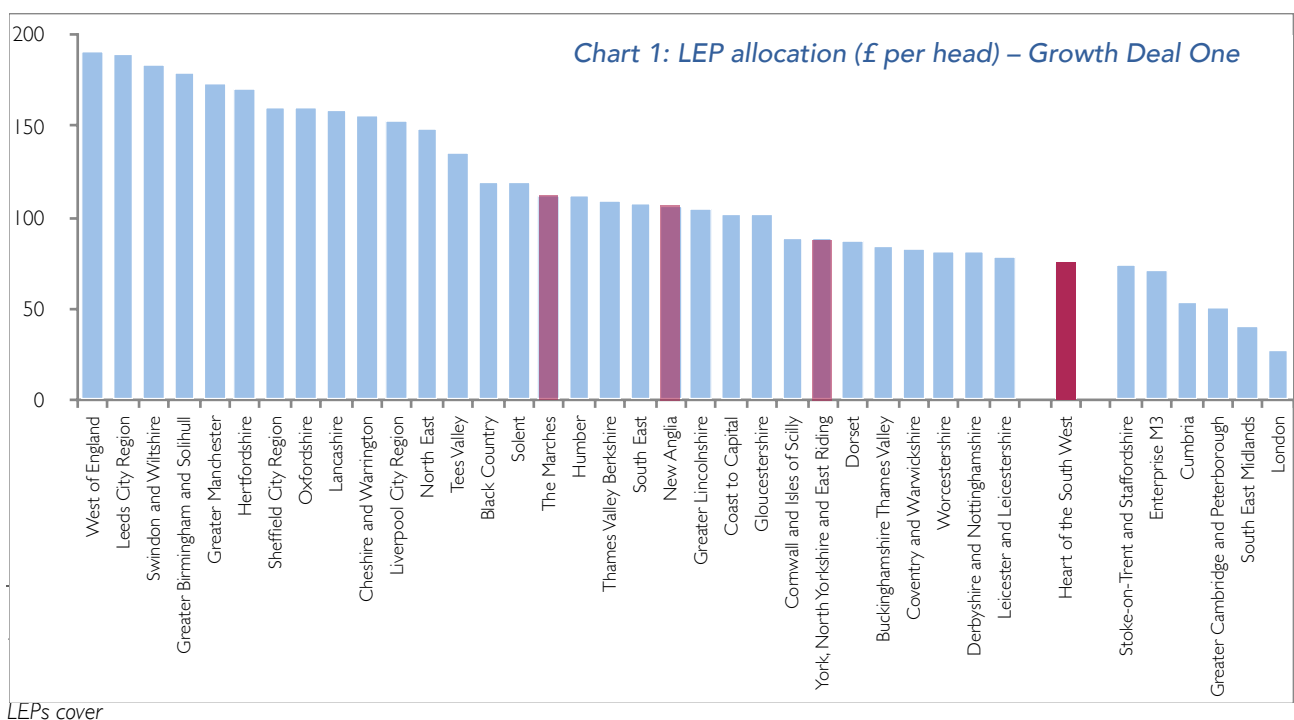


Chart 2: LEP allocation (£ per head) – Growth Deal Two

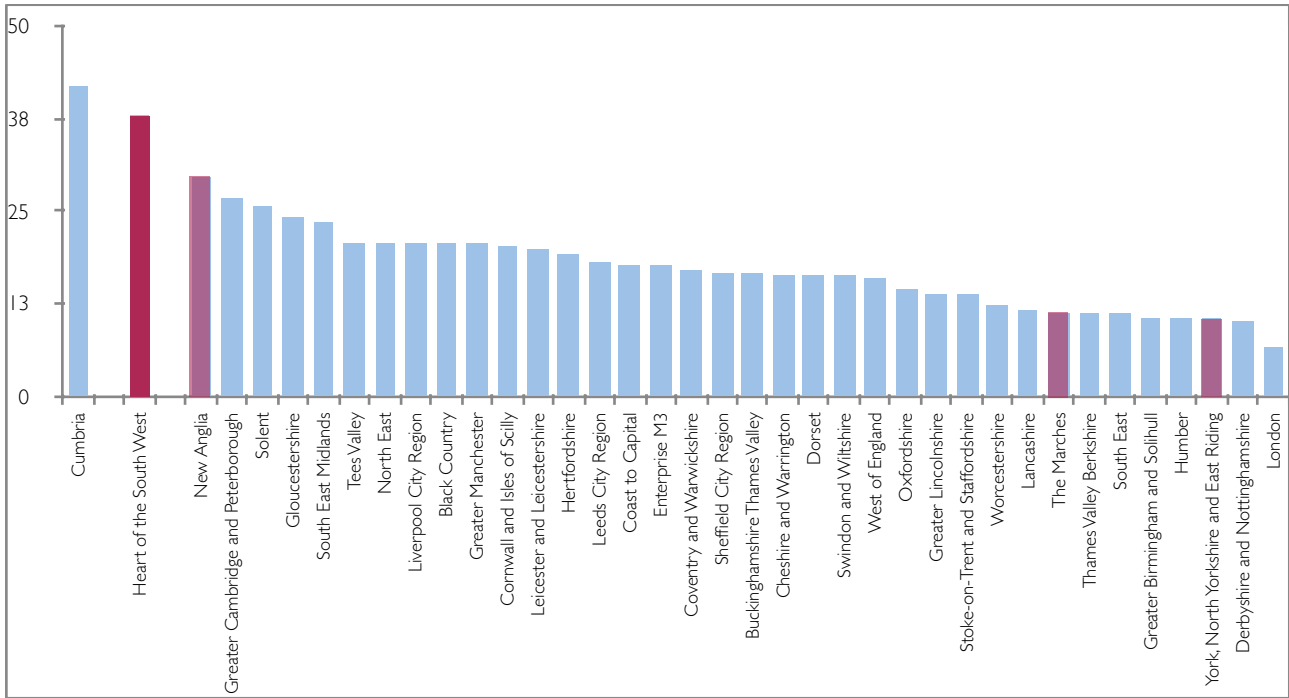
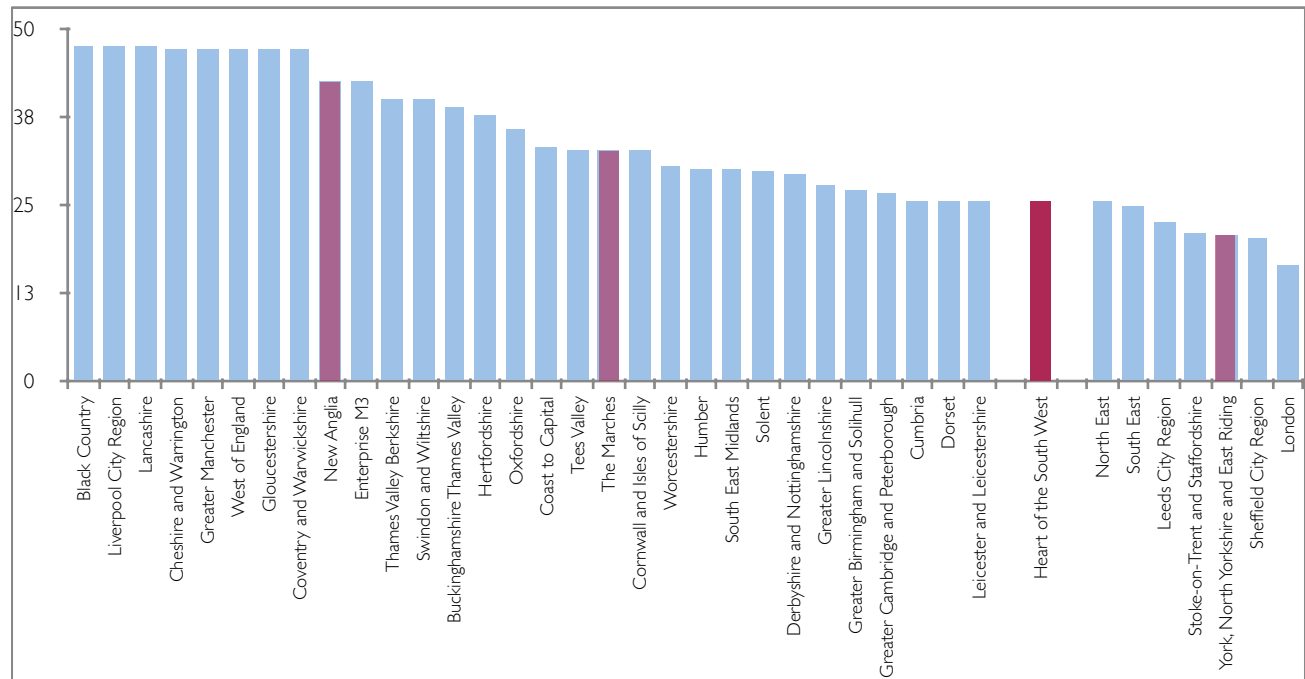


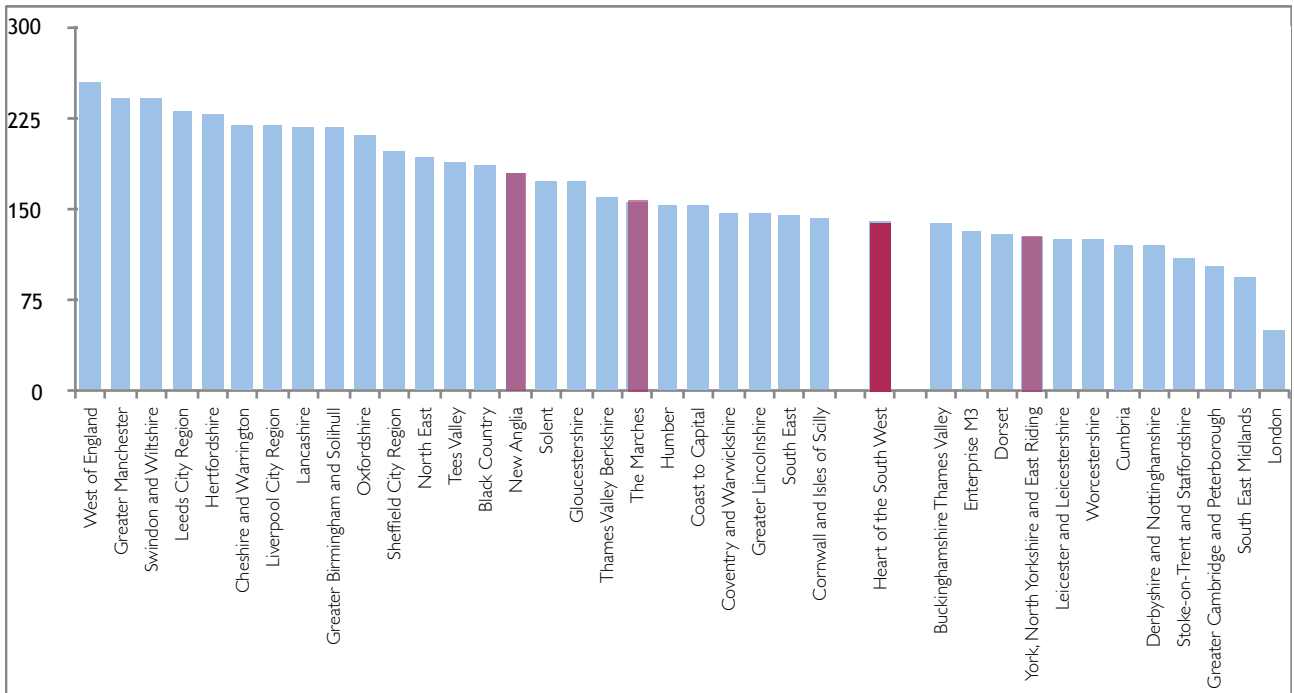
Chart 3: LEP allocation (£ per head) – Growth Deal Three



As the above charts show, the overall funding available in Growth Deal 1 was significantly higher than in the subsequent rounds (mostly reflecting the significant transport funding that was included in the initial Local Growth Fund). The charts also show that the perception of the HoSW performing relatively well in securing Growth Deal allocations was probably most closely associated with its success in Growth Deal 2.

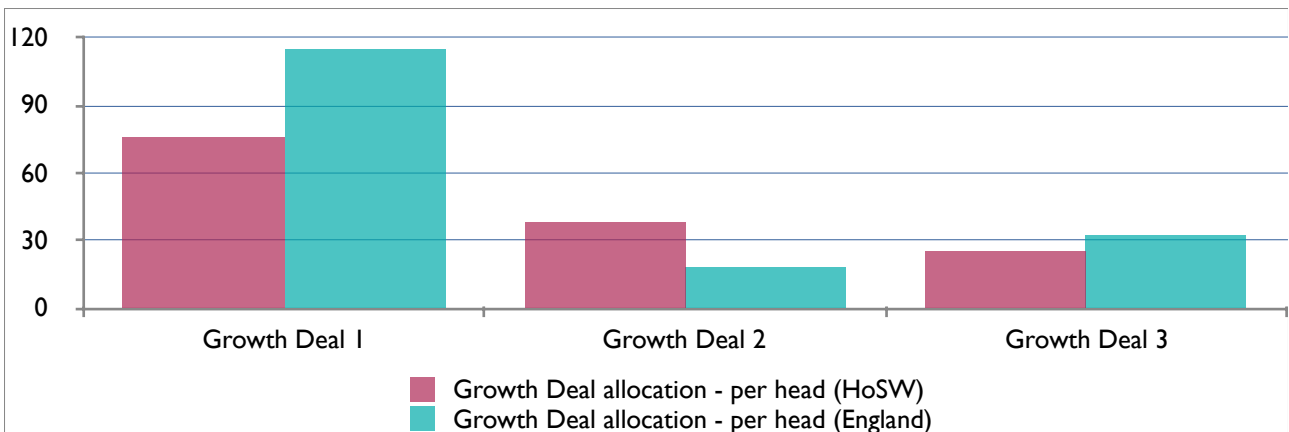
The overall allocations across the three combined Growth Deal rounds are shown in the chart below. The chart shows the relatively higher concentration of investment in the northern LEPs, as well as the West of England and Swindon and Wiltshire in the wider South West.

Chart 4: LEP allocation (£ per head) – Overall Growth Deal allocation (GD1, GD2, GD3)



Finally, presenting the data a different way, the below chart shows the HoSW allocation for each of the three rounds against the average allocation. Again, this illustrates that the HoSW did relatively well in Growth Deal 2, but less well in prior and subsequent rounds.

Chart 5: LEP allocation (£ per head) – Overall Growth Deals



In terms of delivering the secured investment, the view from the consultations have been that the LEP partnership has been successful in prioritising (see analysis elsewhere) and delivering the secured investment against broad spend targets. The HoSW LEP has been, and is projected to be, successful in spending the allocation received through each Growth Deal. This is to be commended given the relatively stringent rules that exist regarding in-year spend.

The issues that have been highlighted in in this review relate to the geographical allocation of the investment i.e. the question of whether an urban-focused programme has resulted in few benefits flowing to the rural parts of the HoSW, and some issues regarding spend on a project-by-project basis when set against original investment profiles as set out in business cases i.e. investment slippage.

It is our view that some of these issues are unavoidable when managing a large and complex investment programme. Given the criteria set out by Government that Growth Deals needed to be clearly linked to the growth agenda in each of the LEP areas, we feel it understandable that subsequent investments necessarily had an urban-focus. As detailed elsewhere, a key question for any funding programmes available in the future will be to consider how benefits are better dispersed across the whole area. Equally, given that most of the projects were capital infrastructure projects it is also likely that spend did not meet original expectations on occasion. This is despite many projects, particularly those following Department for Transport guidance, having to consider optimism bias in their appraisals.

We understand that the LEP, particularly through the focus of the Strategic Investment Panel, have recently sought to tighten procedures to more closely monitor project's spend profile against original expectations. This is to be welcomed. One other possible outcome could be the strengthening of the appraisal process to more thoroughly question the delivery expectations of project applicants. It is not clear whether this has been done consistently in the past by each of the leadership themes, and whilst never being able to totally account for unforeseen circumstances it may lead to a more realistic delivery timetable for the investment programmes as a whole.

Acting as a catalyst to influence investments of stakeholders

There is not significant evidence that shows that the SEP has influenced the investment agenda of other partner organisations. Whilst many of the projects had been successful in matching Growth Deal funding with local authority and other public sector funding contribution, this tends to be on a project-by-project basis rather than as a consequence of 'strategic alignment'. In fact, there was more evidence that local authorities sought to ensure that the SEP aligned to their emerging economic development strategies, rather than the SEP influencing local priorities. *There is no significant evidence that the SEP has influenced the investment activity of private sector. In fact, the level of private sector match investment through Growth Deal projects has been lower than originally envisaged (expressed in business cases).*

Developing as an effective partnership

The LEP Partnership

The HoSW LEP spends a considerable amount of its time in developing partnerships to address a range of important issues. The majority of stakeholders consulted recognised that it has done relatively well in linking activity and creating networks. Much of this has been driven by the Chief Executive and helped by the Partnership Manager role. Although there is activity happening in this regard, what appears less apparent is an effective mechanism for drawing this information together to present a wide view of progress on SEP aims and priorities. In our view this comes back to the lack of a strong Action Plan for the SEP which can demonstrate how and where activities contribute to the overall SEP aims.

There have been specific examples of where the LEP has been crucial in bringing together local authorities to work more coherently on strategic matters. The LEPs role in helping to facilitate the Local Transport Board is one such example. Generally, it is recognised that the ability of the LEP to represent a stronger partnership view has been of benefit to local partners. The additional 'weight' the partnership has provided has developed over time.

Cross-boundary working through a partnership structure has worked well because it has fitted with the political desire for the LEP itself to be 'lean'. Therefore, partnership working has become necessary given the limited resources available to the LEP core itself.

There were a number of views expressed that the right 'balance' between business and local authorities within the wider partnership has not been found. The general view among the private sector representatives was that much of the influence was held by the local authority partners. This is also discussed in the Process Review.

Sharing information, working together on common themes and learning from elsewhere

The LEP has sought to share information, for example through its monthly newsletter circulated to approximately 2,000 people. For example the December 2016 newsletter included the following in its list of achievements in the previous 12 months:

- *We have increasingly worked more closely with our neighbouring LEPs on shared issues/opportunities to achieve strategic impact, forming alliances in relation to opportunities in nuclear, aerospace, marine and transport.*
- *We are now managing a £500m investment portfolio which covers projects which all help strengthen the foundations for economic growth, and we're expecting a further injection into this funding early next year.*
- *We've secured our ESIF confirmation of €137,184,144 (£107,405,266), and established a series of events to help applicants make successful bids. More about this below.*
- *We've established our Growth Hub, which since starting up in March has helped 1368 businesses start up, develop or grow, and all 78,000 businesses across the area can now access free, impartial business advice and signposting to relevant business support services.*

Although the LEP is seeking to publicise its activities and achievements e.g. with the newsletter and through the website, discussions with partners suggest that greater PR and visibility of the LEP would be beneficial. This point was particularly made with reference to businesses awareness of LEP activities, with a lack of knowledge if not directly impacted. One approach to communications could therefore be in the context 'what has the LEP done for me'.

The LEP has its structure of three leadership groups, each focused on one of the SEP's priorities – of people, place and business. These groups have a primary role to advise on their priority in the SEP with a particular focus on aspects of the priority in relation to SEP aims. It is clear from discussions that these groups have provided a useful function in networking organisations to work on common themes as a result. In turn leadership groups have established task and finish groups to look at specific issues (for example the barriers to housing group under the auspices of the Place Leadership Group). This attention to specific issues is to be welcomed. What is however less apparent from consultations and has been flagged up as an issue in some discussions, is how this focus of activity by the leadership groups is feeding back into the LEP and influencing LEP (and partner) activities in order to deliver SEP aims. Whilst this is in part a process issue and not for this Annual Strategic Review, our view is again that a strong Action Plan for the SEP, would help to link this undoubtedly valuable activity within the LEP Partnership, to SEP delivery.

We have already commented on the participation of HoSW LEP in wider LEP networks in the region, both on sector specific and a more general LEP activity basis. This is to be welcomed and helps to spread knowledge from elsewhere.

Conclusion

The LEP has delivered significant amounts of Strategic Added Value in terms of leading on key issues for the region, putting in place a partnership structure that has facilitated much greater cross-boundary working, and battling to increase the political influence of the area. The consultations undertaken as part of this work identified a lot of good activity undertaken by the LEP, particularly in the context very limited resources for the LEP core itself.

Achievements	Issues
The general view was that the LEP has done a good job at championing priorities.	The focus on 'transformational opportunities' has an implicit urban focus.
The LEP core team was generally seen as experienced and relatively skilled in bringing partnerships together and 'walking the corridors of Whitehall' on behalf of the area.	Board members could be more active in supporting the LEP's ambitions through their channels into Whitehall, bringing forward ideas and solutions into this dialogue.
There was a general consensus that the issues facing the area were well understood and this had been well articulated in the SEP and subsequent documents.	What was less clear however, was how LEP activities were then addressing the core aims in the SEP. As noted elsewhere, an Action Plan could make this more transparent and should be considered for the future.
Establishment of the Partnership Manager role has been valuable in developing stakeholder engagement and interest.	Cascading information from the LEP Board to wider stakeholders is not felt to be working as effectively as it could or should do.
The LEP and its core staff have been effective in working with partners on shared important issues; whilst the partnership structure has supported more cross local authority boundary working and the LEP is also working beyond its boundaries with other LEPs.	There is still a general lack of awareness of the role and purpose of the LEP beyond the partnership itself, particularly in the business community. For the future, the LEP's communication policy would benefit from review to try to address this continuing problem.
The LEP has done relatively well in securing Growth Deal funding into the region, particularly in the 2nd round when the political environment was particularly favourable.	As with all LEPs, it has become increasingly difficult to draw in the level of Government support that matches aspirations given the decreasing scale of the overall Local Growth Fund.
The LEP has been, and is projected to be, successful in spending the allocation of received through each Growth Deal.	There was limited evidence that there was strategic alignment in investment priorities across partners. Partners have seen Growth Deal funding as an 'opportunity' to progress local projects, rather than aligning it with their overall economic development strategies. Project consultations have also shown that there has been relatively limited private sector leverage, and what has been envisaged may take some years to come to fruition.
The LEP's leadership groups have provided a useful function in networking organisations and working on common themes as a result.	It is unclear how this activity by the leadership groups is feeding back and influencing LEP (and partner) activities in order to deliver SEP aims.

Chapter 4: Conclusions and recommendations

This Annual Strategic Review has identified a lot of positive activity that is being driven and influenced by the HoSW LEP. Many stakeholders recognise that it has achieved a great deal given the limited resources available, and is well led. The partnerships that have been created around a range of common issues have led to greater cross-boundary working and closer working relationships, particularly amongst local authorities. There is a large amount of goodwill in place across a range of partners, and it is our view that the LEP has put in place a partnership structure that has facilitated this.

It is also recognised that the LEP has been an important part of creating a narrative for the area, identifying the key economic issues that need to be addressed and promoting that narrative within Government circles. The SEP largely remains an important framing statement. Progress has been made in this respect, particularly in an environment where the political focus of Whitehall is, perhaps, not concentrated on the far South West.

This work has also identified that the economic context has changed since the SEP was formulated in 2014. There is a greater degree of economic and political uncertainty. One impact of this is that it is unlikely that the objectives in the SEP regarding economic growth will be met. The HoSW will not be alone in this, many of the growth expectations in different parts of the country (certainly outside the Greater South East) will not be met, certainly in the short-term.

As would be expected in any review process, this work has also identified activities where the LEP could improve. Some of these are procedural – and outlined in more detail in the accompanying Process Review – whilst others relate to wider strategic issues.

This work involved an extensive consultation process across a wide range of partner organisations, with the aim of identifying issues that were raised on a number of occasions. The areas where stakeholders felt that the LEP was working effectively included:

- **Both the core team, and the teams working within the local authorities to support LEP processes, were praised for their professionalism and commitment to furthering the wider objectives of the partnership.** Most of the supported projects that we spoke to commented on the openness and knowledge of officers in helping them develop their projects. Certainly, at an officer level there is a commitment to the LEP and working across boundaries to achieve the best outcome for the HoSW as a whole.
- **The partnerships that have been put in place by the LEP were seen as positively trying to address the key issues within the area.** Some of these. Generally these partnerships are working well. It is also recognised that the HoSW is actively involved in widening partnerships beyond the immediate area where there is a necessity to do so. It was felt that it was an 'open' LEP in this respect and, perhaps, less parochial than other examples.
- **In general, stakeholders felt that the LEP was well-led.** The core team achieve a lot with very limited resources. They were particularly praised in terms of working at a political level, trying to help the HoSW 'punch above its weight' in Government circles.
- **It was felt that, broadly, a consistent narrative had been created across the HoSW area.** Stakeholders within the partnership had a broadly consistent view of what structural issues the HoSW faced. What was less clear was how well understood this message was outside of the LEP.

- In terms of investment, it was felt that **many of the infrastructure projects supported were seen as helping to pave the way for future growth, particularly in urban areas.** The majority of stakeholders consulted were also aware that the beneficial impact from these infrastructure projects may take some time to fully develop.

As noted, this review process also identified a number of areas where stakeholders felt that improvements could be made. We feel that these lead onto a number of recommendations for possible improvements, which are highlighted below:

- It was felt that **the lack of an Action Plan that clearly articulated what SEP objectives were for the LEP to address, and how it was going to do it, had inhibited the ability for everyone to fully understand its focus.** Without this Action Plan it has been difficult to make the direct connection investment activities and achievement of SEP outcomes. Equally, the opportunities for making connections and 'plugging gaps' are being missed.
- It was felt that **there now needed to be a greater focus on 'sweating the assets' of those infrastructure investments, and better linkages across investment programmes including those with revenue potential.** There is a danger that without further support, the full economic benefit of investments made to date may not be fully realised. This will also help with the aim of better spreading the economic benefits of those investments beyond the urban areas. We recognise that no future funding programmes that may be managed by the LEPs has yet been identified by Government. Therefore the ability of the LEP to address this issue may be constrained by the criteria set by Government (as in Growth Deal)
- **There could be improvements made to how the Leadership Groups work more closely together.** Whilst each of the Groups were generally felt to be working reasonably well within their existing remit (although having a clear set of deliverables would help), there is a lack of integration across the three Groups which could mean that opportunities to achieve stronger linkages of activities contributing to SEP delivery may be being missed. As a consequence, a view expressed by some was that the SEP was being delivered in a 'piecemeal' fashion. Some members of the Leadership Groups felt that their remit was not clear enough and that they did not have sufficient influence over either investment or policy decisions.
- It was generally felt that **communication beyond the LEP partnership had been patchy** and that LEP activities continued to be poorly understood, particularly by the business community. In terms of investment activity, it was felt that there was a lack of transparency in some of the decisions made by the LEP. The rationale for investment decisions what not clear from our review of the published meeting minutes.
- **There is clearly some tension in the LEP partnership between the private and public sector partners.** Feedback from private sector stakeholders suggest that they feel the LEP's agenda is influenced too much by the agenda of local authorities, whilst the public sector feels that this is countered somewhat by limited commitment (principally in terms of financial resources) from the private sector.
- Whilst we recognise that the Growth Deal programme had a necessary urban focus (given the growth point criteria set by Government), there some views (not necessarily shared by all) that **rural areas had benefitted less from the investment programmes to date.** The benefit of the LEPs investment activity was seen to concentrate along the M5-A38 corridor.
- **The SEP outcome measures and objectives in the current economic environment do not currently look achievable, certainly in the short-term.** Some of this is outside of the LEP

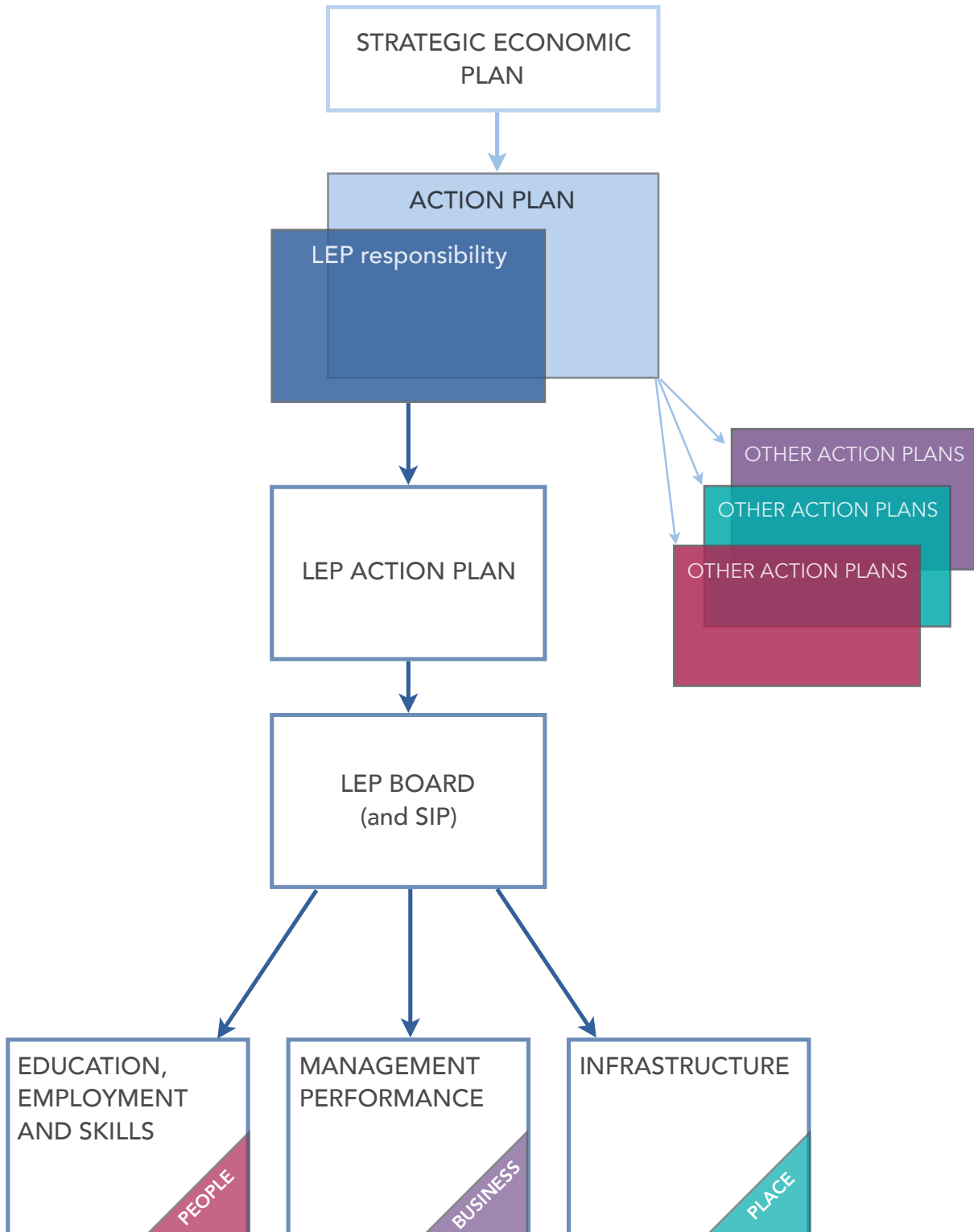
partnership's control (with more muted conditions nationally). However, the fact that many of the SEP outcome measures are expressed in relative terms does mean that even if significant absolute improvements have been made to the HoSW economy, they may still never meet their outcome measures given that other areas will grow more quickly, notably London and South East. It is our view that some of the outcome targets, particularly those associated with the 'transformational' target, now look rather unachievable.

- There is currently a heavy concentration of information and knowledge in very few key personnel within the LEP. It was commented that the LEP Chief Executive was the only person who would fully understand all activity. This presents a risk in terms of organisational knowledge capacity. This issue has been further accentuated by recent large-scale changes at a Board level. We also feel that it is inter-connected to the issue previously highlighted regarding a general lack of knowledge of the range of activities the LEP are involved in.
- We feel there is an inherent risk that the true impact of supported investments will not be captured by the current monitoring & evaluation arrangements. Many projects have indicated that the subsequent development expected to follow the original infrastructure investments may take some years to complete. Current M&E arrangements (at both a project and programme level) are in place until 2020/21. It is our expectation that many of the economic benefits will be delivered beyond that time period and, therefore, not captured. This presents an institutional risk to the LEP because, if politically challenged in the future, it may not have sufficient evidence to demonstrate impact.
- Currently, there is no 'feedback loop' back to the Strategic Investment Panel to develop its understanding of 'what has worked well, and what not' with investments made. Whilst we recognise that many projects are still at an early stage of development, we feel this is a missed opportunity. A better understanding of how investments have developed would lead to better long-term decision-making.

Recommendations

Recommendation 1

Any future revision of the SEP (or emerging Productivity Plan) does need to have a robust Action Plan which can connect across partners and programmes, and where LEP contribution to the overall objectives can be clearly identified. The overall responsibility for delivering the LEP Action Plan should be with the LEP Board, with a commissioning approach potentially acting as the tool for delivery.



Recommendation 2

For any future funding programme, there should not necessarily be a focus on investing in 'new things'. Instead, we feel there is further scope to support investments already made to achieve a better economic outcome, particularly with a revenue focus.

Recommendation 3

Better integration and coordination of the three Leadership Groups to be created, possibly through regular meeting of Group Leads.

Recommendation 4

LEP communications policy and approach to be reviewed, with a reinvigorated focus on the business community and organisations outside of the LEP partnership.

Recommendation 5

The LEP to consider whether investment decisions to be communicated more clearly and transparently.

Recommendation 6

Following on from the 'sweating the assets' issue, in the future the LEP should consider how investments can better disseminated across surrounding rural areas.

Recommendation 7

The outcome measures for any future SEP revision (such as the emerging Productivity Plan) should have a better focus on absolute rather than relative targets. If relative targets are to remain, then there should be consideration regarding the exclusion of London and South East from any measure. There should also be a better balance between 'realistic' and " for targets to be a better measure.

Recommendation 8

The LEP should consider how it can spread knowledge of LEP activities and linkages around the partnership (including core team). It needs to be minimise the risk presented if key team members are unavailable.

Recommendation 9

The LEP should find the resources for a more effective Monitoring and Evaluation process and to extend it beyond 2020/21, if possible.

Recommendation 10

An ongoing item should be placed on the SIP agenda that allows project feedback to be relayed to members.

Annex C: LEP Preparation

LEP: Heart of the South West

Please answer each question by providing appropriate detail and using examples where possible to demonstrate where things have gone well and where they could have been improved. Unless otherwise stated keep answers to **500 words**.

GOVERNANCE

1. How effectively have the accountability and decision-making arrangements in your LEP's Local Assurance Framework operated over the last 12 months, including engagement with the Section 151/73 officer?

Set out here:

- Is the Local Assurance Framework consistent with the National Assurance Framework and the changes made via the Mary Ney review and best practice guidance?
- How effective have the arrangements worked and how were any significant issues and risks dealt with (give examples)?
- What steps have been taken to ensure changes made at the start and during the year were communicated and understood by staff and board members?
- The arrangements for publication of Minutes and Board Papers
- The arrangements for publication of conflicts of interest policies and updating arrangements
- The nature of engagement of the S151/73 officer in LEP processes
- Whether there is active debate/discussion at the board and sub groups when decisions are made? How is this evidenced?

The Local Assurance and Accountability Framework (AAF) is consistent with the National Assurance Framework (2016) and additional work has been undertaken to comply with the Mary Ney Review and best practice guidance. All of this will be combined into a refreshed AAF when the revised national guidance has been issued. The upper tier S151 offers will provide initial approval of a revised AAF followed by endorsement by the F&R Group, SIP and LEP Board for implementation from 1 April 2019.

Arrangements work well. The accountable body are involved in the SIP and F&R meetings and provide advice and guidance where appropriate. The accountable body has power of veto on funding decisions if they do not comply with the AAF. This has not needed to be used thus far as the accountable body are consulted in respect of any decisions. Individual project risks are assessed as part of the business case technical appraisals and considered at SIP when decisions are made; any subsequent risks identified during funding agreement preparation or during project delivery are referred back to SIP for appropriate decisions. Strategic LEP risks are included within a risk register and considered at the monthly F&R meetings.

When implementing additional AAF related guidance, communications regarding the changes have been circulated to LEP Board and other relevant stakeholders to outline actions required. Further advice and guidance has been offered as required.

The LEP is committed to publishing minutes, agenda and papers for full board meetings and any sub-committees which involve decisions about public money:

LEP Board, Strategic Investment Panel (SIP) and Finance and Resources Committee (F&R). In order to comply with the Mary Ney Review the LEP publishes meeting agendas and papers 5 clear working days before the meeting takes place; and minutes of the Board and two sub-committees are published within 10 clear working days of the meeting taking place.

The conflicts of interest policy has been updated in accordance with the Mary Ney Review and Best Practice Guidelines. All COI registers are published on the LEP website for Board Members and LEP core staff.

The accountable body (Somerset County Council) and the S151 officer lead on the development and implementation of the AAF and any subsequent guidance, such as the Mary Ney Review best practice guidelines.

There is active discussion at the decision making meetings ahead of decisions being taken. The most recent example is around the proposed 4G programme. It was discussed and agreed that the current proposals no longer meet need as significant investment had already been made and do not offer value for money; a review of the proposals will take place and be presented back for decision. The key points of discussion and the decision taken are captured within the minutes of the meetings.

Scrutiny arrangements have been put in place - see more details in attachment Q G1 180710 Somerset CC LEP Scrutiny.doc. Membership of the Joint Scrutiny Committee is as below and the scrutiny committee meets in March, July and November. A work programme is currently being drafted:

Devon County Council	4 Members
Plymouth City Council	2 Members
Torbay Council	2 Members
Somerset County Council	4 Members
Devon Districts	3 Members
Somerset Districts	2 Members

2. What are the strengths and weaknesses of the LEP's governance structure?

Set out here:

- What are the strengths and opportunities for development of the current LEP governance structure?
- What roles and responsibilities do private sector members undertake within the Board and Sub Board structure? How effective is this and how might it be strengthened?
- Do members of the Board attend regularly and stay for the duration of the meetings?
- Whether the engagement from Board members is positive?
- What, if any, changes to the governance arrangements are currently being considered and over what period?
- Succession planning processes and evidence of these working in practice and what changes in board membership are anticipated within the next 12 months? If the chair is changing, how you intend to consult with the business community?
- Whether the LEP feels it needs to change the representation on the board, and if so how it intends to go about this? (I.e. in terms of diversity, knowledge and skills, gender, sectors)
- If scrutiny and reviews take place, what is the purpose, how are these done and what actions take place?
- What is the LEP's approach to continuous improvement?

The LEP enjoys very positive contribution from its Board members in Board meetings and the different sub-committees. The (private sector) Chair of F&R and

SIP devotes considerable time to LEP matters and is supported by other Board members in this. For example Board members on F&R requested that reporting of the LEP's operational budget was strengthened. The core team worked with F&R Board members to revise the reporting suite with the result that Board members have given very positive feedback over the new format. Similarly, as noted above, Board engagement in SIP decisions remains very active and enables the LEP to make difficult decisions around projects as needed, e.g. 4G. Individual Board members also willingly contribute to other ad hoc support for the core team, for example, private sector input to developing the communications proposition behind the LEP's inward investment work.

The LEP Board currently consists of 19 active members and in line with the LEP Review one more private sector member will be recruited in 2019 to bring the total to 20. As detailed in the LEP Review response, the Board will be considering a policy of rolling replacement for private sector members to alleviate the large loss of private sector experience the LEP went through in 2017. Alongside this, Board recruitment will more actively focus on gender balance and those with protected characteristics; the LEP currently meets the short-term gender balance recommendation in the LEP Review with the 50/50 target being worked to through the rolling replacement. Detail of this policy and recruitment of the final private sector Board member will be developed once the Board has a settled view on the LEP's legal personality.

With the new CEX and the LEP Review, the LEP is looking at its target operating model and through Jan-March 2019 will be developing this to ensure the LEP can best meet the expectations of the Review. Workshops with Board members are being held in January and Ernst & Young have been appointed to facilitate this. Whilst it's too early to comment on this work in detail, broadly SIP and F&R are working well so will probably not change significantly. It is possible that the role of the LEP's Leadership Groups could be revised to focus more strongly on delivery and, in the case of People, to reflect the development of a Skills Advisory Panel.

As recommended in the last Annual Conversation the LEP has established a dedicated scrutiny function with local authority partners, with the first meeting on 2nd November.

In mid-2017 the LEP commissioned a review of its processes with a view to examining how these could be improved – shared at the 2017 Conversation and copy attached again (G2). Some of the report's findings have been reflected in the LEP Review and the report will be fed into the target operating model work.

3. What can Government do to better support your governance?

The Cities and Local Growth Unit wants to support your LEP to improve its governance and transparency arrangements. Please use this section to explain whether there is more we or wider Government can be doing to help facilitate this.

- i) Support to progress the Board's deliberations on legal personality and local authority independence; clear guidance from Government on what is expected here would be helpful
- ii) Support to implement the work from the target operating model would be valuable, though it is too early to give details of what this may require.
- iii) Clarifying the tension within the current draft of the National Assurance Framework which contains contradictions between acting in independent business-like manner yet still requiring adherence with local government policy and processes.

DELIVERY

1. What in your investment programme has gone well?

Set out here:

- Current performance in meeting the LEP's investment profile
- Anticipated year end position
- If investment is not on track, set out the action you are taking to get back on track
- For Local Growth Fund, to what extent are you meeting/exceeding planned outputs for 2018/19? Are you on track to deliver overall programme outcomes? If so, please demonstrate. If not, set out the action you are taking to get back on track
- For other programmes (Enterprise Zones, City Deal, Growing Places Fund, Devolution Deals, Growth Hubs as appropriate) set out the extent to which you are meeting planned spending/output targets. Set out any good practice or issues in delivery and what you are doing to tackle them
- What have been some of the main achievements in your local growth programmes in the period 2018? Please also provide a view of overall investment programme delivery to date

Also see Dec SIP investment report (D1 attached)

Growth Deal

- All GD1 and GD2 business cases approved/ partially approved. 8 of the 11 GD3 projects have business case approval.
- 45 funding agreements signed, 23 projects completed. Once started, projects generally deliver to revised plans – though see Marsh Barton Station below
- Spend forecasts: 18/19 40.88m; cumulative £121.96m, 62% of programme funding. Slippage vs LEP's original profile but fits better with Government's profile: now more expenditure in 20/21 and likely no need for recipients to fund a shortfall in 19/20.
- Outputs: delivery is behind original forecasts, partly due to project slippage, partly to do with reporting but on track to deliver overall
 - as previously explained some outputs are beyond LEP control, e.g. GD infrastructure unlocks sites but no influence on pace of subsequent housebuilding. Uncertainty, especially Brexit, causing a slowdown in the overall economy, including the housing & commercial markets
 - GD funding agreements set up to report annually, so in-year output reporting is generally low (Q2 reflects Q1 figures) until the Q4 figures.

Growing Places

- 7 projects: 5 complete or nearing completion/ in repayment period, 1 loan repaid, 1 in delivery.
- Two projects joint GD/GPF funded. Still a desire to consider further integration of GD/GPF
- Some delays with GPF projects coming forward, partly due to wider project issues, e.g. the need to spend other funding first (broadband and South Yard). Not significant and repayments have no significant delays. Further GPF rounds potentially 2019

Enterprise Zones

Oceansgate, Plymouth

Phase 1 complete March 2018, 15 of 26 units let/ being let. Seventeen jobs created, increasing through 2019. Tenants exclusively marine or marine supply chain/technology related.

Phase 2 starts May 19 (£2.2m ERDF bid submitted), completion summer 2020, creating up to 160 jobs. £15m Phase 3 funding gap remains; strategic business case shared with BEIS in October - feedback awaited

Exeter and East Devon

Occupiers on 3 of the 4 sites (Cranbrook, Science Park and Skypark) and new buildings developed or in the pipeline. East Devon DC approved borrowing of up to £8m against future business rate receipts to enable development; includes:

- Airport Instrument Landing System
- Park & Change – supports travel within the EZ and the Greater Exeter area.
- Enhanced bus service – improved transport service for those working on the various EZ sites and enhanced access to the airport.

Further schemes include an open innovation building and enhancement of Long Lane, creating access to the Airport Business Park & development of Cranbrook town centre office space.

Huntspill – renamed Gravity

GD business case approved for road to unlock site, delivery expected 19/20. CPO for the road has been made and case transferred to PINs; awaiting the timescale and next steps. Vision and brand developed for the site with hard launch Spring 2019. Site remediation progressing, first tenants expected 2020.

Growth Hub:

Expenditure on forecast. GH engaged with 6,606 businesses, delivering “light touch” triage, information and signposting, 2,288 received deeper “medium intensity” information, diagnostic and brokerage, and 259 “high intensity” support (at least 12 hours/equivalent).

One-year contract extension triggered and the LEP is reviewing the GH business support offer for 2019, including procuring a pilot scale-up programme.

2. What has not gone well and what problems have arisen in the last 12 months?

Set out here:

- Where issues have been encountered, what has not gone as well as expected in the previous year (e.g. projects not coming to fruition or major programmes hit by delays etc.) and what has created the problems?

Delays experienced with some schemes, but less pronounced than the last report, with no failed projects and most projects coming forward as expected and able to stick to plans once on site.

SIP’s “amber project review” process has unblocked delivery of schemes with risks and issues with a strong push in early 2018/19. For example, the LEP, County and District Councils have worked together with Exeter Science Park identifying risks and mitigating actions on the Open Innovation Building, a complex project and partnership; business case now approved and the funding gap looking to be resolved in January 2019 and onsite later in 2019. Project moved from “red” to “green” rating.

Other issues encountered include:

- Stations – as reported in 17/18 – suffered from significant cost escalation, delays and challenges with Network Rail. Following an unsuccessful attempt to secure funding from Network Rail’s industry risk fund (a relatively small amount of compensation has been provided) is currently in a process of value-engineering before coming to the LTB/LEP with a revised proposal in March/April 2019.

- 4G Mobile – delayed due to significant market changes and state aid, meaning the original plans have been superseded by events – particularly with coverage targets to deliver by Dec 2017.
Significant market engagement carried out during 2018 and a revised business case was taken to November SIP to address the ongoing not spots. However, SIP felt this was not necessarily the best use of GD funding at this stage with a LEP Digital Strategy due to be produced and GD3 funding allocated to a broadband/mobile package, with the market thus addressing many issues originally identified. It was recognised many of the not spots do not even have 2G coverage and there has been regular scrutiny of the programme through Devon and Somerset County Councils. Final decision at the January 2019 Board.
- Connecting Devon and Somerset has had delays in spending GD2 funding and bringing forward the GD3 business case. GD funding is part of a much larger project which a) needs to spend DCMS monies first and b) faces slippage due to a number of factors with Gigaclear, the new provider, including Carillion being a subcontractor. The LEP has closely monitored developments and requested a SIP update from the Project Director and a revised expenditure profile for the GD2 element is expected at January SIP. On GD3, a digital strategy is being produced, as mentioned above, encompassing the business case for the GD3 broadband/mobile funding plus the significant match funding already existing. The LEP will seek assurances that GD3 funding can be spent by end March 2021, otherwise would need to discuss options with DCMS and MHCLG.

Managing Underspends

Several steps to this

- GD rounds are managed flexibly, e.g. reallocation of GD1 funding to GD3 pipeline project.
- Board agreed that GD underspend will be allocated to the Unlocking Growth Fund sub-programme, enabling a quick decision should reallocation be needed. UGF makes smaller workspace investments (£5m across 8 projects in GD2) enabling the LEP to run an application round for schemes able to spend by end March 2021.
- The Board has also reallocated funding between transport schemes on a case by case basis.

3. How effective have the LEP's performance management processes, as set out in the Local Assurance Framework, been?

Set out here:

- How have you worked with projects to ensure that spend and output performance do not pose risks, whether any mitigating factors and actions have been taken to get performance back on track?
 - What risks/problems have been identified in the last 12 months and might arise in the future?
 - Whether you foresaw the problems that you experienced? How have you managed risks and what remedial/mitigating actions have you taken?
 - Have there been situations where the performance management processes have been particularly successful? Please give examples
 - Add mitigating factors and actions taken to get back on track
- We are continuing with quarterly SIP reviews of expenditure profile – using the claims process for live projects and conversations with project sponsors and theme leads for other forecasts.
 - We have continued the Amber projects list review at each SIP meeting, identifying risks and mitigations to enable support for unlocking delivery issues.
 - Individual project review meetings when needed, involving LEP Directors, CEX and PMO, for example with Exeter Science Park Open Innovation Building project

(above), the DC Hotels Bridgwater Hotel project, to enable resolution of issues and provide LEP expertise on finance and governance. Any special conditions identified flow through the appraisal process into the funding agreement.

- On transport schemes, ITA and project sponsors work towards business case approvals and resolution of issues
- Successful examples include the now complete Tiverton EUE project. There was no GD2 funding allocated to this scheme originally. The LEP supported through identified potential underspend on another project, so carrying out temporary over-programming, also underwritten by GPF.
- We are addressing slippages in overall programme expenditure by offering to fund temporarily at higher intervention rates. Slippage in some major schemes is due to external factors beyond our control – for example ERDF funding, housing developers/CIL negotiations.
- Risks now include the GD allocation being smaller in 19/20 with a significant award in the last year of the programme. Mitigation approaches include the use of LA's to cashflow their own schemes until GD is available. However some project delays now mean this may not be necessary. The programme management of the overall GD3 programme will enable delivery to link in with the funding profile.
- We have only had 1 failed project. This was in 17/18 with funding reallocated by LEP Board in the same financial year to the North Devon Enterprise Centre (next on the GD3 pipeline), ensuring progress. Funding for Tiverton EUE to unlock housing outputs indicates willingness to be flexible to address funding gaps in the programme.

4. How effective has the LEP been in assessing value for money and strategic fit in business cases and in developing a high-quality project pipeline?

Set out here:

- Any issues that have arisen in assessing value for money or ensuring that projects supported are of the greatest strategic value to your place
- To what extent has the project pipeline been used to address any gaps in the programme or slippage by projects?
- Have you developed any good practice in relation to assessing value for money and developing project pipelines (please give examples)?

- Other than the 4G mobile project above there have not been major issues in ensuring projects are of the greatest strategic value to our place.
- Soon after the previous Annual Review the GD3 pipeline was used to allocate funding to the next project on the list, the North Devon Enterprise Centre, following the cancellation of the Edginswell Station project. The LEP Board agreed after this that the GD3 pipeline had effectively expired. Currently the LEP is not maintaining a project pipeline for Growth Deal or GPF, other than for the Unlocking Growth Fund. However, we do keep a record of any project ideas that come forward.
- The Unlocking Growth Fund mechanism has been approved by LEP Board to be used to reallocate any underspend (see above).
- We are using the same BCR/vfm calculations as per the previous year's report to assess projects at business case approval stage. This updates the BCR figures submitted with the GD bids with more accurate information at business case, particularly in the case of transport projects seeking final approval in a 2-stage process, following procurement and provision of accurate costs.
- The evidence base being used for the development of the Productivity Strategy, delivery plan and LIS will be useful in the future in assessing the strategic fit and value for money for projects coming forward into a pipeline.

5. How effective has the LEP been in promoting its work and ensuring LGF branding guidance is followed:

Set out here:

- How the LEP explains its decisions and investments to the wider business community and public?
- How the LEP implements the branding guidance in relation to growth deal projects. (Please provide 2 examples)

The LEP implements the PR requirements set out by MHCLG by including the requirements in the funding agreements and highlighting the importance of adherence to these protocols with the Growth Deal theme leads, the project sponsor's operational lead and PR lead.

At key milestones on project delivery, press releases and/or PR events invite quotes and/or attendance by a minister, through the contacts provided in the protocols.

The relevant logos are used on signage and plaques, and the required hashtags are used on social media.

Following feedback from some Growth Deal funding recipients on the interpretation of the protocols, the LEP has defined the protocols into a simple checklist to enable the 67 project leads and their PR leads to follow the requirements more easily, which has led to the successful implementation. Two examples are:

[Electronics and Photonics Centre](#), Torbay

[Advanced Engineering Centre](#), Exeter College

6. What can Government do to better support your delivery?

The Cities and Local Growth Unit wants to support your local growth programmes to deliver. Please use this section to explain whether there is more we or wider Government can be doing to help facilitate this.

- i) Support for strategic business case to close Oceansgate Phase 3 funding gap
- ii) Support renewal of LEP/ local authority/ Government Enterprise Zone MOUs which will be required in 2019, to ensure the EZs play a full role in contributing to growth within HotSW
- iii) More assistance in working with the rail sector and Network Rail in particular would be helpful. Also for DfT to increase the pot for rail funding in future. Historically the small size of the New Stations Fund pot has led to only a handful of projects being funded and there has been little rail funding available.
- iv) Work with the LEP to assist housebuilders in moving forward on sites where growth deal has provided infrastructure but other factors are impacting on development proceeding, e.g. developer contributions, affordable housing, CIL processes, Brexit...

STRATEGY

1. What is the vision for your place to 2030? How is the LEP going to get there? What are your key short-term objectives and priorities?

Set out here:

- Does your SEP closely guide the plans, activities?
- When was it last refreshed and in what ways has it been kept it under active review during the last 12 months?
- What the LEP is doing to develop its evidence base and other preparation for the development of its Local Industrial Strategy, so that it is long-term, based on clear evidence and aligned to the national Industrial Strategy?
- To what extent do you engage with partners to maintain your understanding on the local economy? Do you engage with partners outside the area to inform and improve strategic thinking?

The LEP has worked with local authorities and the National Parks to produce the HotSW Productivity Strategy which was approved by the LEP Board and Joint Committee in March 2018 after a development phase which included two rounds of consultation in early and late 2017. The Strategy focusses specifically on the area's longstanding productivity challenges and has the ambitious goal of doubling the HotSW economy by 2038 though raising productivity and ensuring prosperity for all. A delivery plan has been developed which sets out specific actions which will form the basis of the LEP's activity in 2019-20 and the whole process has laid a strong foundation from which to build the Local Industrial Strategy (LIS).

The strategies are linked and complimentary: the SEP is targeted at broad growth and employment outcomes, both of which have been strong in the LEP area since 2014. The Productivity Strategy is also a broad approach, building on the SEP with an emphasis on productivity. The Local Industrial Strategy is then one important channel through which the strategy's productivity ambition can be realised; others will also be required, e.g. the complimentary work on the sub-national transport body, so the LEP and partners will work across these channels in 2019-20 and beyond.

The Productivity Strategy is available on the LEP's website [here](#) and is underpinned by a substantial evidence base available at <https://heartofswlep.co.uk/evidence-base-local-industrial-strategy/>

The evidence base has strengthened the LEP's understanding of the local economy with the economic analysts in the four upper tier/ unitary authorities providing direct support in understanding of the LEP area's economy. In 2018 this included the joint purchasing of a shared economic model so the LEP and upper tier/unitary local authorities are all working from the same basis. In 2019-20 the LEP aims to better institutionalise this knowledge through establishing an Observatory for the area in conjunction with local partners.

The LEP develops its strategic thinking with partners from outside the area in several ways, e.g. development of the marine (CloS, HotSW, Dorset & Solent) and nuclear opportunities (WoE, Cumbria, New Anglia) or the Innovate UK MOU (IUK, CloS, Dorset, HotSW).

HotSW would welcome further engagement with the West of England on developing complimentary approaches in areas of shared interest.

2. How successful has the LEP been at engaging local partners and the wider community in delivering local growth? How successfully have you worked with different political entities in your area?

Set out here:

- How have you engaged local stakeholders about your strategy and ambitions for the LEP?

- How do you work with different political entities (such as MPs, Mayoral Combined Authority, Local Authorities), and do you actively work together on projects or strategies? Are there any examples of good practice?

Extensive consultation was undertaken in developing the Productivity Strategy (see reports on the evidence base link above) and local authority, National Park and university partners played an active role in drafting the Strategy and its delivery plan.

The HotSW Joint Committee brings together local authority and National Park Leaders and CEX to jointly oversee delivery of the Productivity Strategy alongside the LEP Board. The LEP participates in Joint Committee meetings and is part of the PMO for the Joint Committee. Six of the LEP's Board members are from local authorities.

MPs' engagement has been strengthened over the year with a new agency appointed to build on this further. The new CEX has met with all MPs 1-1 since summer, complimenting regular LEP Chair and CEX meetings to brief them on areas where they can support the LEP. The recent Living Better prospectus was sent to all MPs (drawn from the Productivity Strategy delivery plan: see <https://heartofswlep.co.uk/wp-content/uploads/2018/11/HotSWProspectus18ReadonWeb.pdf>) highlighting the potential in the area and where they can support these opportunities. Feedback from MPs on the LEP's more active approach has been complimentary. The LEP will build on this through 2019-20 through the appointment of a new specialist agency – JPB – who are developing a bespoke programme of engagement with the LEP.

3. How successful have you been in collaborating with other LEPs, Universities, communities and industry bodies etc? And what have you achieved as a result?

Set out here:

- Where you have worked across different functional geographies and whether you actively work together with other areas or bodies on different themes or projects? Please state any involvement you have had in engaging with the development and implementation of initiatives such as the Northern Powerhouse and Midlands Engine
- Good practice and key achievements as a result of this collaboration and ideas for the future

Cross-LEP area working has been, and will continue to be, extensive. This has included:

- Nuclear: continued cooperation with WoE & Wales to deliver supply chain programme, Cumbria and New Anglia on implementing the sector deal. HotSW playing leadership role amongst the LEPs through a cluster resource funded by HotSW
- Aerospace: working with partners in HotSW and WoE to support the iAero partnership and for the partnership to act as a space for industry primes to meet with LEPs, HEI's, Catapults et al to support the delivery of AGP priorities within the locality
- South coast marine cluster (CloS, Dorset, Solent local authorities, research & business partners): strengthened cluster now has dedicated resource jointly funded by CloS, HotSW and Dorset LEPs along with Solent local authorities. Cluster has developed a core proposition around offshore renewables, marine autonomy and high value engineering. Business engagement strengthened and Strength in Places bid submitted, increased influence with Govt via BEIS, DIT & DfT, increased influence in emerging marine sector deal (marine autonomy, a

key part of the SCMC proposition, is now a core part of the sector deal). This has also opened up the opportunity for HotSW to influence the emerging defence sector deal which also now has a land sea and air autonomy proposition

- Great South West and its rural workstream: governance established. On rural, covering CloS, HotSW, Dorset, S&W LEPs, business cases shared with officials for Digital, Tourism and Farming, Food & Fishing. Support from James Brokenshire to continue this. HotSW jointly funding resource
- Innovation: MOU signed with IUK, CloS and Dorset. Research commissioned into barriers for SMEs accessing IUK support which, amongst other things, will feed into spec for revised Growth Hub service

This is not without its challenges as it is resource-intensive and managing the dynamics of multiple partnerships can be challenging, particularly where partners feel they must see direct benefit for their efforts, when timescales to measure that benefit can be over several years.

4. How can Government support you in the next 12 months?

The Cities and Local Growth Unit wants to support you to realise the potential of your place. Please use this section to explain whether there is more we or wider Government can be doing to help facilitate this.

- i) Ensure design of the Shared Prosperity Fund ensures benefit for areas, such as HotSW, which fall outside the traditional priority areas for EU funding, e.g. north of England, Cornwall & Isles of Scilly. Government has stated “the UKSPF will tackle inequalities between communities by raising productivity, especially in those parts of our country whose economies are furthest behind” (Local Growth: Written statement - HCWS927). This means the EU-formula for allocation must be replaced by one considering productivity and a purely competitive fund will not be adequate.
- ii) LEP private sector Board members want to be part of an organisation which is making a difference to their place; without this their engagement will fall away and LEPs key unique selling point will be significantly diminished. Project funding flowing through LEPs, as per the Growth Deal model, is therefore an essential part of this, also giving LEPs influence with partners over other parts of the local growth picture. The recent move to more department-based funding, especially in transport, means it is even more important that future funding sources such as Shared Prosperity Fund are channelled through LEPs. HotSW would also question whether, without a European Commission-driven audit regime, a large central team is the best use of resources or whether local teams, as in LGF, offer better value for money in delivery.
- iii) Encourage stronger engagement from the West of England to pursue areas of common interest e.g. strategic transport links, nuclear, exploring joint calls on unused ERDF monies
- iv) Recognition that cross-border partner working often requires Govt support to ensure continued cooperation and engagement, e.g. Govt actively support the retention of Dorset within the South Coast Marine Cluster; their presence gives Dorset scale and adds to the impact of the cluster and its influence with Government and Maritime UK
- v) Support the LEP in ensuring that a component of the supply chain support available through the nuclear sector deal is available for regional (place) based supply chain delivery



DRAFT

Annex D: Section 151/73 Assurance Statement

The Section 151/73 Officer should here provide a report to the Annual Performance Review on their work for the LEP over the last twelve months and their opinion with a specific requirement to identify any issues of concern on governance and transparency. In particular, you should focus on any particular issued raised in Annex A. **(max 500 words)**

There are no financial or governance concerns that I need to raise regarding the operation of the Heart of the South West LEP.

To the best of my knowledge, the LEP continues to operate within its exemplar local Assurance and Accountability Framework, previously agreed by all upper tier authorities. SCC has an experienced, qualified corporate accountant as a voting member on the Finance and Resources Committee and attending the Strategic Investment Panel, ensuring compliance with the Framework. We have seen evidence of robust challenges and informed decision-making on individual projects, the setting of gateways to the Marsh Barton project with the possibility of reallocating funding; rescoping the 4G project around Value For Money against reputation, and finding funding solutions for Exeter Science Park for the first two years.

Key controls remain in place. As Accountable Body, we retain the final decision on whether projects go forward and can veto individual business cases. Neither of these powers have needed to be exercised.

During 2018, we have:-

- Considered the LEP budget for 2018/2019 and the challenges presented with its limited revenue resources.
- Responded to the CIPFA consultation on the role of the s151 officer following the Ney review.
- Responded to Grant Thornton (SCC's external auditor) on transactions related to LEP activity contained within the SCC Accounts.
- Seen the smooth transition with the new CEO, and the change of emphasis making budget-holders more accountable rather than a LEP-wide approach, with budget reporting aligning against key priorities and outcomes.
- Signed off the quarterly dashboard returns and used these opportunities to question staff supporting the LEP on progress and any issues.
- Reviewed final business cases as they arose and approved for legal completion.
- Responded formally and provided assurance to the LEP's concerns about SCC's financial position and the LEP funds should Somerset issue a s114 notice.
- Instigated project audits from the independent South West Audit Partnership (SWAP), reviewing a sample of project claims in considerable detail.

- Provided advice to the LEP on allowable spend (e.g. capitalisable).

Regarding Annex A, whilst not directly s151 matters, I note several positives re governance and transparency, not least the emphasis that the LEP places on such matters. We have previously reported the positive response to the SWAP Governance audit, and there has been strong engagement with SCC's Monitoring Officer and Governance team. Specifics include the publishing of agenda and minutes of meetings, published conflicts of interests and a comprehensive risk register in place and maintained. The HotSW Joint Committee moved from shadow to full existence in 2018. A Joint Scrutiny hosted by Devon County Council is in place with agreed Terms of Reference.

Looking forwards, key issues that will need s151 involvement include the financial position when future operations grants are confirmed; providing financial advice on structural changes being considered by the LEP in response to Strengthened Local Enterprise Partnerships and reviewing the necessary supporting arrangements to the LEP about a single accountable body. I would also want to include conversations with the LEP about future audit plans.

Signed:

Name: Martin Gerrish

Position: Strategic Manager, Deputy Section 151 Officer, Somerset County Council

Date:

Annex E: Governance Assurance Statement

The LEP Chair and Chief Executive should here provide a brief formal assurance statement on the status of governance and transparency. In particular, they should focus on any issues raised in Annex A. This statement should also be published on the LEP's website following conclusion of the Annual Performance Review process (in April 2018). You should cover any overview and scrutiny function undertaken by the Accountable Body. **(max 500 words)**

The Heart of the South West LEP and our accountable bodies (Somerset County Council and Devon County Council), have responsibility for ensuring that funding decisions are made in accordance with our local Assurance Framework. The framework is periodically updated to meet requirements - the latest version is published on the LEP's website – and is being updated in response to the Strengthened Local Enterprise Partnerships report, expected completion early 2019.

Accountability and decision making has worked well with close, active and constructive working with our 151 officer and accountable bodies. Accountable body representatives attend our Board, Strategic Investment Panel and Finance and Resources meetings where decisions on investments and funds are taken.

The LEP has worked with local authority partners to establish a dedicated scrutiny function and the first of these was held in November and three-times yearly going forward.

The annual conference and AGM were held in November of this year and attracted over 300 attendees. The AGM remains open to any attendees and any are able to ask questions.

There have been no failures identified in our assurance processes during the year by our accountable body or its auditors. We continue to ensure that all of our funding is held by our accountable bodies and we do not maintain any separate bank accounts, petty cash or accounting systems. The detailed analysis of business cases (independently produced from sponsors) by the SIP and Board has worked well – with investment pipelines managed in accordance with the framework.

We welcome our Local Authority partners establishing closer working arrangements and have been pleased to participate in the Joint Committee meetings, with the LEP and Joint Committee overseeing the newly agreed HotSW Productivity Strategy.

Signed:
Name:
Position: [Chair]
Date:

Signed:
Name:
Position: [Chief Exec]
Date:



HotSW LEP Scrutiny Committee

Social Inclusion

Report theme: Social Inclusion Framework

Author: David Ralph

Purpose of report

To update the Committee on the development of the HotSW Social Inclusion Framework to be delivered as part of the Productivity Plan – to double the size of the economy over the next 20 years whilst providing opportunities for all within the emerging Local Industrial Strategy (LIS).

Recommendation

1. Background

Heart of the SW (LEP and joint committee) agreed its Productivity Strategy – Stepping Up to the Challenge - in May 2018 and a plan for its delivery in October 2018. Integral in the objective is “to deliver opportunities for all and the evidence base is attached and can be referenced at – <https://heartofswlep.co.uk/evidence-base-local-industrial-strategy/>

and the inclusive growth framework here -

<https://heartofswlep.co.uk/wp-content/uploads/2018/11/171106-HotSW-Inclusive-Growth-Framework-Final-Report.pdf>

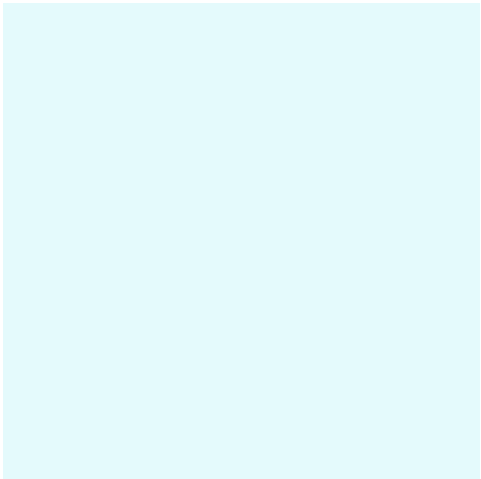
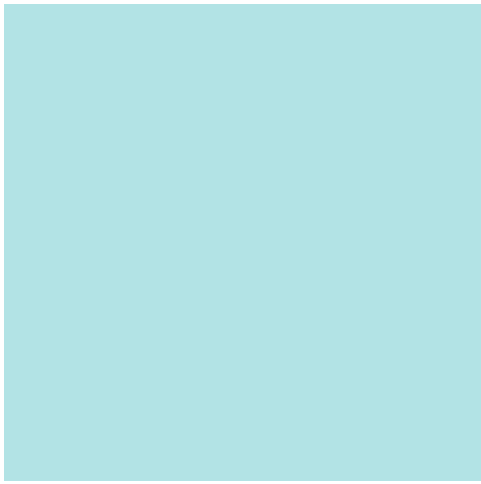
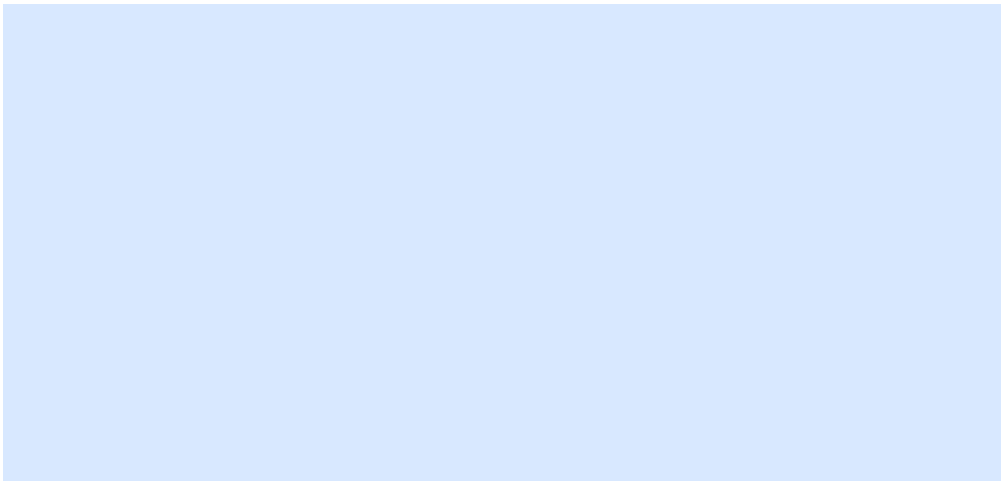
2. Next Steps

As part of the delivery plan, inclusive growth indicators based on this are also in the monitoring/dashboard for the Strategy and the LEP recognises that further work is required on exactly how/what the inclusive growth part would be in the different interventions. The LEP has proposed a Board Champion and resources to complete this task and the meeting will set out how this might be achieved.

As part of this, It would be helpful to discuss with Scrutiny the key components on how this might be taken forward and then report back on what has been put in place at alter date.

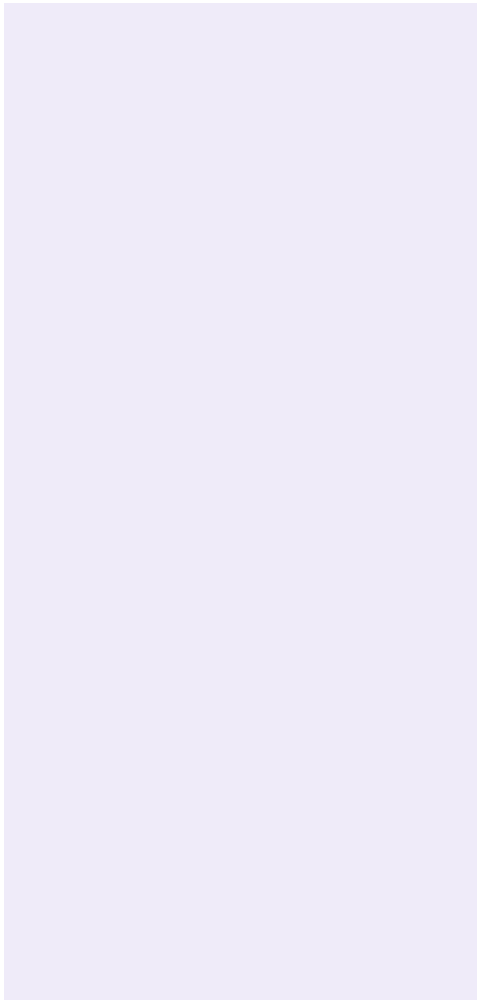
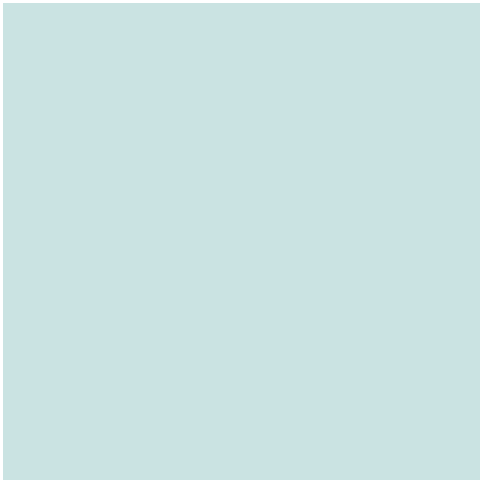
David Ralph

Chief Executive, HotSW LEP



S O C I A L
I N C L U S I O N

I N C L U S I V E
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F R A M E W O R K



HEART OF THE
SOUTH WEST
PARTNERSHIP

Final report

November 2017



1. Introduction/Exec Summary

This research has been commissioned by the HotSW partnership to accompany the emerging HotSW Productivity Plan. Inclusive growth has been highlighted by partners as a key ambition for the Productivity Plan. Objectives of this research are to define what is meant by inclusive growth, help the partnership better understand how it can achieve inclusive growth ('quality growth'), and to establish a framework to capture performance over time.

Recent history in the developed world, including the UK, has shown that economic growth does not necessarily result in greater levels of inclusion across the population. The benefits of growth have been unequally distributed in both geographic terms, and across different groups. This has been accentuated by recent economic experience during the economic recovery, with an increasing focus on the 'poor growth' that has occurred. As shown in the emerging Productivity Plan, economic growth has been principally driven by employment growth and not by a recovery in productivity levels. Many people are trapped in low value-low pay activities and, as a consequence, it has also been argued that the relationship between (un)employment and poverty has broken down.

The important policy implication of recent analysis of the relationship between growth (prosperity) and inclusivity is that it has been shown that there is a positive association between prosperity and inclusion. A core argument in this paper is that achieving economic growth remains the most effective (but certainly not the only) method of improving well-being in an area, improving both prosperity and social inclusion. However, it would not be correct to simply assume that the benefits of growth would necessarily 'trickle down', nor that the benefits of growth are evenly distributed. In fact, spatial imbalances may be reinforced by growth. For those areas that are classified as 'lagging' in terms of growth and productivity (of which the HotSW is one), growth may need to be accompanied by a more proactive strategy to tackle spatial imbalances across, and within, the HotSW.

In terms of modelling the impact of the projected growth contained in the Productivity Plan, the relationship between economic growth and greater inclusivity will be dependent upon the 'shape' of that growth. There are a number of variables which inter-play to determine how effectively economic growth can lead to inclusive growth. Given the differing socioeconomic characteristics of different parts of the HotSW it is entirely likely that the relationship between growth and inclusivity will play out differently across the area.

This may have implications for the activities delivered by the HotSW partnership over the coming years. Both productivity and inclusivity can be improved by:

- Increasing the number and proportion of higher-value and better paid jobs in the HotSW economy, as well as widening the connectivity to those jobs
- Improving access to employment for those who are currently excluded from the job market. This may mean job creation per se, with a 'lighter' focus on high-value opportunities

Given the differing economic characteristics in parts of the HotSW it is entirely plausible that these different approaches/solutions should be 'spatially tailored' i.e. in better performing areas the focus will be on moving job opportunities up the value chain (and improving connectivity to those jobs), whilst in lagging areas the focus will be on job creation per se.

The proposed definition of HotSW inclusive growth included in this paper is largely based on version recently developed by the Inclusive Growth Commission. The reasoning is that it importantly focuses on widening the opportunity for individuals to both *contribute* and *benefit*

from economic growth within the HotSW. The widening of the focus beyond simply thinking in terms of the benefits of growth is an important and relevant consideration in the context of the Productivity Plan, with its clear focus on generating more value from the resources already in place within the HotSW.

Finally, this paper sets out a proposed framework to capture HotSW on promoting inclusive growth. This is largely based on recent best practice, but amended to meet HotSW requirements, particularly around a further element monitoring intra-regional spatial imbalances.

Further to feedback from the HotSW Productivity Plan consultation, two further high-level ‘inclusive growth’ indicators have also been included (shown below). These high-level indicators may form part of the wider monitoring of the Productivity Plan and broadly cover in-work (earnings) and out-of-work disparities (economic inactivity). This is a recommendation only in this paper and will be decided by the HotSW partnership. However, it is important to stress that for a more comprehensive understanding of whether the HotSW is achieving better inclusive growth the full framework contained in this paper should be used.

Earnings – gap between low and high earners	Gross weekly pay at the 20th percentile as a proportion of pay at 80 th percentile
Economic inactivity	% of working-age population who are economically inactive but who want a job

2. The need to better understand inclusive growth

The emerging Heart of the South West (HotSW) Productivity Plan has a clear emphasis upon delivering strong economic growth for the area over the next decade. Improving absolute and relative productivity is seen as a key component of that growth, with an emphasis upon 'closing the gap'¹. However, at the same time, it is recognised that that growth should have the potential to benefit all individuals and areas. The emerging Productivity Plan also emphasises the need for 'growth and prosperity for all', and has an implicit objective of 'inclusive growth'.

The need for a greater emphasis on inclusive growth, and better ways of understanding whether it is being achieved, is three-fold:

1. Increasing concern across the developed world that the 'trickle down' effect of benefits flowing from economic growth, simply does not function effectively. Economic growth has not been to the benefit of all.
 2. Traditional measures of economic growth do not necessarily reflect the experiences of individuals; growth has not necessarily meant improvements in well-being.
 3. The traditional measures of economic growth do not allow for an understanding of the distributional impact of growth.
1. Sitting alongside the development of the Productivity Plan is increasing concern that economic growth in the developed world has not necessarily been to the benefit of all. Certainly, not all individuals and/or disadvantaged groups necessarily benefit; the 'trickle down' effect does not reach those most in need, particularly those experiencing poverty or social exclusion. This has led to calls to better understand the link between economic growth and poverty to help promote more inclusive forms of growth.
 2. At the same time, there is also an argument that traditional measures of economic growth, such as Gross Domestic Product (GDP) at the national level, or Gross Value Added (GVA) at the regional or sub-regional level, do not necessarily reflect the experiences of individuals. It has been argued² that aggregate economic indicators now fail to reflect many people's experiences of economic growth – the macro data showing improvement is hard to reconcile with general feeling that households and communities have seen little change to their circumstances.

This has been accentuated by the recent economic experience. As has been discussed widely³, traditionally employment falls in tandem with output when the economy goes into recession. However, after the global financial crisis the rise in unemployment was much smaller than expected. The relatively job-rich recovery prevented many thousands of households from the shock of unemployment, but nationally it translated into even weaker productivity growth and a record 5 consecutive years of falling real wages. The UK is one of only six OECD countries where earnings are still below their 2007 level; wage growth has effectively 'decoupled' from GDP growth since 2008. Wage growth remains fragile, and it is possible that real wage growth returns to negative territory, particularly if post-BREXIT price inflation continues⁴.

The result is that many people and places across the UK are trapped in low value added economic activities, with low wages and low productivity. This is partly why, as the Joseph

¹ The emerging economic modelling shows that productivity improvements may need to provide 70%-80% of overall economic growth

² Such as by the Bank of England's Chief Economist Andrew G Haldane - <http://www.bankofengland.co.uk/publications/Pages/speeches/2016/916.aspx>

³ Including in the evidence Green Paper that supported the development of the HotSW Productivity Plan

⁴ 'Interim report of the Commission on Economic Justice', IPPR - 2017

Rowntree Foundation has shown, the majority (55%) of households in poverty now have someone that is in work⁵. Real (median) average household incomes are in fact only 5% higher than they were in 2007⁶.

As an example of a demographic group which has been hit particularly hard, younger people have seen very little income growth in recent years, especially after housing costs and compared to previous generations.

As the recently established Inclusive Growth Commission, established in 2016 by the RSA⁷, heard in its consultation, “The problem is usually not finding a job. It’s having two or three.” This is seen as the cost of ‘poor growth’⁸. By targeting economic growth per se without due attention to its quality, it is argued that a whole host of negative externalities have been created such as rising inequality and labour market insecurity.

At a HotSW level, economic growth in recent years may not necessarily have resulted in greater levels of inclusivity and reduced inequality. The historical performance of Local Enterprise Partnership areas in driving prosperity and improving inclusivity has been analysed by the Inclusive Growth Analysis Unit (IGAU)⁹. The IGAU intends to monitor LEP performance annually over the next few years. This is based on the Inclusive Growth Monitor which is discussed in Section 5. We also set out a summary of the HotSW LEP area’s historical performance in a Section 7.

Analysis of the historical performance of the HotSW in supporting inclusive growth is important in helping the partnership understand whether the economic growth targeted in the emerging Productivity Plan will *necessarily* lead to greater levels of inclusion. This will form part of a wider discussion about what policies/initiatives may need to be put in place to support inclusive growth, promoting a changing model.

The requirement of a changing model of encouraging inclusive growth has been the core focus within the Inclusive Growth Commission work. It argues that a shift in emphasis is required from an economic model based on ‘grow now, redistribute later’ to one where promoting growth and tackling inequality are inter-linked (as illustrated by the diagram below).



Source: Inclusive Growth Commission

⁵ <https://www.jrf.org.uk/press/work-poverty-hits-record-high-housing-crisis-fuels-insecurity>

⁶ 'Interim report of the Commission on Economic Justice', IPPR - 2017

⁷ Royal Society for the encouragement of Arts, Manufactures and Commerce - <https://www.thersa.org/>

⁸ 'Making our economy work for everyone' – Inclusive Growth Commission

⁹ The Inclusive Growth Analysis Unit is a small team jointly established by the Joseph Rowntree Foundation and University of Manchester

The traditional measure of labour market engagement has been through unemployment levels. Unemployment was also used as a proxy for understanding inclusive growth. However, that relationship has started to break down. The UK's (and the HotSW's) high employment rate has been accompanied by an increasingly insecure and 'casualised' labour market.

This issue is also one of the core principles underpinning the emerging HotSW Productivity Plan; the need to shift many people from low wage-low productivity activities into higher value added jobs, benefiting them as individuals as well as businesses and the wider economy through improved productivity and competitiveness. The emphasis on quality jobs or 'inclusive productivity' is appropriate if the HotSW is to see a real shift in the extent to which local people are able to contribute to and benefit from growth.

3. These existing measures of economic growth fail to reflect the nature and distribution of the benefits of growth. The distribution of growth can have a demographic perspective (i.e. disadvantaged groups or individuals not benefiting from growth), or a spatial element (i.e. certain geographical areas not benefiting as much as elsewhere). The economy is experienced differently by different social or demographic groups, and the effects vary across and within regions. The disparities within areas such as the HotSW, and between different neighbourhoods can be significant. Regional, or sub-regional, aggregate measurements of inequalities are only partial and do not tell the whole story. There is currently a lack of distributional, place-based statistics.

Again, the need for mechanisms that will allow a greater geographic distribution of the benefits of economic growth within HotSW is also an important emphasis in the emerging Productivity Plan. Whilst growth has been strong in recent years in certain parts of the HotSW many rural areas and/or disadvantaged individuals have not experienced the benefits of that growth.

As a consequence, it becomes important that places and partnerships should, first, define and agree what is meant by inclusive growth and, second, develop a set of metrics to understand whether it is being achieved. This is the core objective of this research and is addressed in the following sections.

However, it is fundamental to recognise an important caveat. *The emerging HotSW Productivity Plan certainly cannot by itself address all of the problems of inequality and inclusivity.* Its principle focus is, rightly, on encouraging economic growth within the area. There are a range of other factors – mostly national policy – that are significant influencing factors. *National policies and fiscal, monetary and economic decision-making has a large bearing on the growth and inclusiveness of local economies. Policies such as deficit reduction, welfare reforms, tax and spending decisions, housing policy, and public service reform impact significantly upon living standards, and it could be argued that in some cases act against local efforts to promote economic inclusion.*

This has implications about the form and content of any inclusive HotSW growth framework that is created. It is important that indicators are chosen that more closely reflect the factors that may be in the 'sphere of influence' of the emerging Productivity Plan.

3. Definition of inclusive growth

So what is meant by inclusive growth within the HotSW? The Inclusive Growth Commission provides a definition that provides a good basis for describing what is effectively a two-way relationship; focusing on inclusivity in terms of enabling as many people as possible to both *contribute* and *benefit* from economic growth. This recognises that there is a circular opportunity in improving inclusivity, shifting the focus away from only concentrating on the benefits of growth.

This is an important point to make in the context of the emerging Productivity Plan. As the associated economic modelling shows, economic growth over the coming decade is needed to be driven more by improvements in productivity than further job creation per se¹⁰. The HotSW needs to generate more output out of the resources it has, including those people already in work. Therefore shifting people out from low-wage, low-productivity activities and into higher value jobs will provide *benefits* to the individuals themselves, as well as *contributing* to economic growth through higher value activity. To achieve the emerging targets in the Productivity Plan, this focus on improving the opportunities to contribute to economic growth is an important nuance. The benefits to those businesses and individuals through enhanced profits, higher wages etc. should follow.

The other benefit of the definition provided by the Inclusive Growth Commission is that it provides a focus on inclusivity in terms of both social and spatial elements. This basis of this definition has been subsequently adopted by several local authorities across the UK¹¹ and a slightly modified version seems suitable as a working definition for the HotSW Productivity Plan.

Definition of Inclusive Growth within HotSW (based on Inclusive Growth Commission definition)

Enabling as many people as possible to contribute and benefit from economic growth within the HotSW

Socially

Benefitting people across the labour market spectrum, including groups and individuals that face particularly high barriers to high quality employment

Place

Addressing inequalities in opportunities between different parts of the HotSW, including those areas which suffer from poor connectivity

¹⁰ Although we recognise there will still be an emphasis upon job creation, particularly focusing on those hard-to-reach groups and individuals who are currently excluded from the labour market

¹¹ 'Making our economy work for everyone' – Inclusive Growth Commission

4. Conceptual issues – the ‘shape’ of economic growth

Before moving onto the development of a HotSW inclusive growth framework it is useful to discuss some further conceptual issues, many with particular relevance to the emerging Productivity Plan.

In its broadest terms, economic growth can occur through either enabling the existing workers in an economy to become more productive (increasing output per worker), or by increasing employment (increasing the number of people generating output), or a combination of the two.

It is important to recognise that these different potential routes to growth have varying implications in terms of the ability to promote inclusive growth. In one scenario, there may be a virtuous circle where productivity increases and firms reinvest improved profits in creating new jobs. Some of this additional demand for employment may benefit individuals/households that were previously excluded from the labour market. Equally though, these jobs could be inaccessible to those individuals/households because of a lack of appropriate skills or experience.

Alternatively, the new jobs created may offer insufficient pay and hours to lift individuals/households above low-income conditions. In some senses, this has been the paradox over the past few years where employment growth has tended to concentrate in low-paid sectors; hence those ‘in-work’ remain relatively disadvantaged and suffering from low income. Additional jobs generated through growth are not necessarily a guarantee of positive outcomes around promoting inclusive growth.

An alternative scenario, and one that is critical in the context of the emerging Productivity Plan, is one where growth occurs without creating significant numbers of jobs. When growth is driven by increases in productivity, say by new technologies applied in high-skilled sectors, this may not necessarily generate additional employment, especially if profits are taken as dividends rather than invested in labour. There may be some longer-term benefits provided by the additional spending by more highly paid workers which may support additional employment, but this ‘productivity-led’ scenario may not be accompanied by significant new jobs.

Despite, the recent findings of the JRF (as referenced previously) that many households in poverty are ‘in-work’ households, inter-connected to the concept of ‘poor growth’ in recent years, it remains a widely held view (as exhibited by the Government’s policy emphasis) that getting someone into a job remains the most effective way of improving their economic circumstances.

Therefore, given the modelling underpinning the Productivity Plan forecasts that the majority of economic growth will need to be provided by productivity improvements, rather than a major upward shift in employment, there may be limited scope in creating large numbers of ‘new jobs’. This will particularly be the case in those areas where the employment rate is already high. **This could potentially present some tension between achieving the economic growth targeted in the Productivity Plan and achieving greater levels of inclusivity. This tension may need to be carefully managed.**

However, having outlined this potential tension, the HotSW Productivity Plan (and this associated inclusive growth framework developed in this report) does remain largely based on the premise that *achieving economic growth (in whichever form) remains the most effective (but not necessarily the only) method of improving well-being in an area, improving both prosperity and social inclusion*¹².

¹² We acknowledge the possibility that reducing inequality and improving social inclusion can also drive growth, especially if it acts as a ‘drag’ on growth because it reduces spending power in the local economy

The relationship between economic growth and inclusivity is nuanced according to the demographic and structural characteristics of certain areas. There have been a number of studies which look at how social inclusion and economic growth are related in terms of the types of growth most strongly associated improving inclusivity and the factors which mediate that relationship.

Again, this will be important to the policies aiming to determine the 'shape' of HotSW growth. Key findings include:

- a) Growth tends to be more positively associated with greater levels of inclusivity in areas where it is driven by employment. Employment growth has a particularly strong effect in locations with weak economies, where new employment has a larger impact on poverty reduction¹³
- b) Growth can raise wages but also increase living costs such as those associated with housing with potentially significant negative impacts for low-income households. This may offset the financial benefits of increased earnings for those towards the bottom of the earnings distribution in high growth cities¹⁴. This outcome is, perhaps, most marked in London but also occurs in other growth 'hot spots' around the UK
- c) Growth in high-skilled, high-paid jobs may not have immediate impacts for households in poverty unable to access employment. However, it may have lagged multiplier effects in terms of generating 'knock-on' employment in associated business and personal services sectors (e.g. office or retail work), although some of this may be lower value.

A simple summary of the above analysis is that the relationship between economic growth and greater inclusivity will be dependent upon the 'shape' of that growth. There are a number of key variables which inter-play to determine how effectively economic growth can lead to inclusive growth. Given the differing socioeconomic characteristics of different parts of the HotSW it is entirely likely that the relationship between growth and inclusivity will play out differently across the area. This is an important point to recognise.

To illustrate the point, we outline three illustrative examples:

- a) For example, job growth may continue to be an important driver of inclusive growth in areas such as Torridge and West Somerset, but be less effective in areas such as Exeter where labour market engagement is already high.
- b) Conversely, without the appropriate infrastructure – such as sufficient new housing– put in place to accompany strong growth (Scenario b)) in areas such as Exeter, then low-income households may actually face higher costs. Such areas may see greater polarisation as a consequence of its economic success. In other more rural areas, there may be less infrastructure pressure as a consequence of growth and the 'dis-benefits' that less significant.
- c) The creation of high value jobs in Plymouth, based around initiatives such as the marine cluster, may not necessarily help individuals currently distanced from the labour market. Those individuals may not hold the necessary skills required by businesses in that sector. However, if sufficient momentum is built in the local economy, with greater wealth flows over time, then there may be longer-term benefits to the wider community. One of the keys here is to capture as much wealth in the local area, rather than it flowing out through commuting, wealth transfers etc.

Each of these theoretical scenarios reflects how the 'shape' of economic growth could differ between areas within the HotSW, and crucially, will affect how successfully those areas will achieve

¹³ 'Cities, growth and poverty: a review of the evidence' – Lee et al (2014)

¹⁴ Op Cit - Lee et al (2014)

inclusive growth. *The complexity of these inter-relationships means that it is difficult to model accurately, particularly when based on economic projections which are, in themselves, uncertain.*

In terms of policy solutions that need to be put in place to promote inclusive growth, 'One size will not fit all'. However, we recognise that the emerging Productivity Plan does not have the scope to deliver bespoke solutions to a number of different areas. Instead, there is an emphasis on improving connectivity between areas with high growth potential and more peripheral rural areas. Any subsequent delivery plan may also need to focus on what type of 'universal basic offer' may be developed across the HotSW area to improve opportunities for hard-to-reach groups.

5. Creation of an inclusive growth framework

Whichever form of economic growth materialises within the HotSW over the next decade, and whatever role the Productivity Plan (or productivity per se) plays in that growth, it will be important to understand whether it has led to greater levels of inclusion. An inclusive growth framework can be a useful tool to measure whether 'quality economic growth' (rather than 'poor economic growth') is being achieved.

The best approach to measuring whether there has been 'quality economic growth', capturing whether inclusive growth has been achieved, would require indicators which reflect both productivity growth and its distributional impacts. However, at present, measurements of productivity such as GVA per hour, at a local level do not exist in a robust manner. Similarly, as discussed previously, distributional measurements also tend to be ad hoc. Therefore, the development of a framework using a range of existing available data is required.

The value of developing a framework to monitor whether the HotSW is delivering 'inclusive growth' is associated with providing the HotSW partners with:

- a strategic framework to shape the inclusive growth agenda by identifying strengths and weaknesses across policy areas and, potentially, inform future activities (potentially through any subsequent delivery plan)
- a means of monitoring performance against inclusive growth objectives and potentially benchmarking outcomes against other areas
- a tool that is flexible, easily understood and accessible, and can be owned by the partnership moving forward

As discussed previously, an inclusive growth monitor needs to be rooted in an understanding of what is meant by social inclusion and growth, and how they might be related. This provides a basis for selecting indicators to represent that relationship.

An inclusive growth framework does not need to be bespoke to the HotSW. The Joseph Rowntree Foundation (JRF) has recently sponsored the development of an inclusive growth monitor¹⁵ that looks at the issue nationally and, usefully, monitors performance across the 39 LEP areas within England. As stated previously, the IGAU intends to monitor the performance of LEP areas in achieving inclusive growth over the next few years. It will be important for the HotSW LEP to understand the outcome of the IGAU analysis, particularly relevant for understanding its relative performance on this agenda.

Our review of the JRF inclusive growth monitor has found that it provides a good basis for the development of a specific HotSW framework which can be owned by the HotSW partners. There is no point in 'reinventing the wheel'. However, there is a requirement to amend the JRF inclusive growth monitor to suit the specific needs of the HotSW. Most notable, is the additional requirement to include indicators that capture *intra-regional* spatial considerations i.e. helping to understand whether inequality between areas within the HotSW can be narrowed as a result of economic growth. The JRF monitor only considers relative performance on an *inter-regional* basis. Reducing the gap in economic performance between different areas of the HotSW is a key concern amongst the wider partnership and a framework that includes indicators capturing some elements of intra-regional performance would be useful.

¹⁵ Directly delivered by the IGAU team at University of Manchester

The JRF model also does not contain any gender considerations. As a consequence, we have included an indicator that look at gender earnings inequality. We feel this is an important consideration.

As a consequence of the introduction of this spatial element, the number of indicators has been reduced in other 'domains' to ensure that the overall framework does not become unwieldy. The JRF monitor includes 18 indicators and, in our view, adding significantly to this would lead to a large and overly complex framework.

Overall though, the broad JRF model of focusing on both inclusion and prosperity remains in the HotSW framework. However, a key difference between the JRF monitor (the results of which should continue to be monitored by the HotSW LEP partnership to understand relative performance) and the HotSW inclusive growth framework is that *there is greater emphasis on the inclusion element*, with more indicators in that overall theme.

A set of key principles underpins the HotSW inclusive growth framework, in the same manner as the JRF monitor. They reflect the need for it to be robust, intuitive and capable of meeting the needs of primary users within the HotSW partnership. The key principles are that the framework is:

- flexible and comprehensive so that it encapsulates a wide-range of social, demographic and economic factors
- replicable in only using publicly available data
- relatively straightforward to update in terms of the skills and time required
- simple to understand including by non-specialist audiences
- that it includes a spatial element to test whether differences in geographical performance across the HotSW has changed

The choice of 20 indicators reflects the need to incorporate 'domains' that each represent different aspects of prosperity and inclusion and, importantly, including an intra-regional spatial element (see below comment). Selecting multiple indicators in each dimension helps to provide depth and rigour. The decision to construct domains around 20 indicators is based on methodological and pragmatic reasons. A single indicator is deemed insufficient to represent each domain. No indicator in isolation can provide the full context.

Using a basket of indicators per domain also ensures that movement in any single indicator does not have a disproportionate impact. It helps to balance out the contribution of any one indicator to the overall picture and, in doing so, to remove the need for weightings to be introduced.

The choice of 20 indicators is also guided by the availability and quality of data. A further practical reason is that limiting the number of indicators increases the ease of updating them on a regular basis to track trends over time.

An initial long list of indicators was presented in a working draft version of this report for wider comment, including through the LEP's Productivity Plan consultation process. As a consequence of feedback, the initial long list has been refined to the framework in this final version.

The framework is also linked to the definition of inclusive growth detailed in this paper. In some instances, the indicators will monitor how well people are *contributing* to economic growth i.e. GVA per capita – capturing typical productivity improvements. In other cases, the indicators will indicate how well people are *benefitting* from growth i.e. reducing the proportion of households in poverty¹⁶.

¹⁶ As per the definition

There may be nuanced changes in what the indicators reflect over time. For example, over the past few years the employment rate could have primarily seen as ‘contributor’ indicator – as demonstrated, economic growth (not productivity) was principally driven by higher labour market engagement. However, with the change in emphasis on growth being driven principally by productivity improvements means that employment rate could increasingly be viewed as ‘benefit’ indicator. In reality, most indicators reflect both aspects of our definition – capturing both the ‘contributor’ and ‘benefit’ aspects.

As previously stated, it is clearly important for a HotSW inclusive growth framework to have a spatial element, given inequalities within the overall area. By just including HotSW-level indicators, without any capacity to reflect spatial imbalances would have represented a relatively constrained view. Therefore, the HotSW inclusive growth framework includes 7 indicators that attempt to test whether spatial inequalities are reducing. However, it is important to recognise that data quality reduces at lower geographies, and a number of datasets such as the Annual Population Survey (APS) and Business Register and Employment Survey (BRES), and the Annual Survey of Hours and Earnings (ASHE) are associated with widening confidence intervals at lower geographies. There is an unreliability of survey-based estimates when using data at lower spatial scales.

However, the majority of indicators within the inclusive growth framework remain focused on data at a HotSW level. This is reflective of the LEPs remaining a key vehicle for delivering local economic development in the area and, importantly, reflecting the overall spatial focus within the emerging Productivity Plan. Another useful point is that the HotSW, like other LEP areas, were explicitly intended to represent functional economic areas when created. Therefore, they should represent a spatial level at which labour markets operate¹⁷. This may be a simplistic view. Labour markets do tend to form at lower spatial areas and, importantly for consideration in this framework this has implications for the spatial relationship between social inclusion and growth.

A further key consideration for any framework is whether there should be a focus on *relative* or *absolute* performance. There are advantages and disadvantages for both measures. The JRF monitor is an assessment of relative performance of LEPs against the other LEP areas; it sets performance for each indicator against the regional and national average and attaches a score accordingly.

However, the drawback of creating a framework that only assesses relative performance is that because the HotSW is not in the best economically performing regions i.e. London and the Greater South East (GSE), it may actually perform well on some measures but will always struggle to grow as quickly as those in the GSE. This has been seen in recent experience with the current HotSW Strategic Economic Plan, where performance against relative targets has been difficult to achieve. This may not be quite the same issue in a framework which assesses both inclusion and economic growth (given evidence that – detailed in Section 7 – which suggests that GSE does less well on promoting inclusion).

The disadvantage of only assessing performance in absolute terms is that it effectively removes the *context*. It is plausible that the HotSW could improve all measures in absolute terms, and therefore appear that it is performing well. However, the improvement in those measures may not be as strong as elsewhere. Therefore any assessment may be misleading.

¹⁷ We recognise that this may be a simplistic view. Labour markets do tend to form at lower spatial areas and this may have implications for the relationship between growth and inclusivity. For example, jobs created in a city experiencing growth may well be filled by individuals living outside the city. Therefore the benefits of job growth may not necessarily lead to inequality reducing within the city.

As a consequence of the advantage and disadvantages of both relative and absolute measures, we recommend that the HotSW inclusive growth framework should include an assessment of both relative and absolute performance. This will allow a more rounded view of HotSW performance over time.

The final decision regarding the design of the framework is how the assessment of performance should be illustrated, or quantified. Again referencing the JRF monitor, it 'scores' each LEP according to its relative performance on each indicator and then calculates a composite score for each of the inclusion and prosperity themes.

Given the JRF monitor is going to be a tool in place for the HotSW to understand relative performance, we do not propose to replicate it. It may be appropriate for a simpler illustration of performance is adopted and we recommend a 'traffic lights' system for each indicator to be adopted. An example of how this could be applied is shown in Section 6.

6. The proposed HotSW inclusive growth framework

Theme	Domain	Broad Indicator	Definition
Inclusion	Income Support & poverty	Out-of-work benefits	% of working-age population receiving out-of-work benefits (claimant count)
		In-work tax credits	% in-work households with and without children receiving Child and/or working Tax Credits
	Earnings	Earnings – gap between low and high earners	Gross weekly pay at the 20th percentile as a proportion of pay at 80th percentile
		Earnings – gender	% gap between average earnings for male and female workers (full-time)
		Earnings – distribution	% gap between the median and mean average earnings (full-time)
	Labour market exclusion	Unemployment	% of working-age population not in employment but actively seeking work
		Economic inactivity	% of working-age population who are economically inactive but who want a job
		Workless households	% of working-age households with no-one in work
	Prosperity	Output & Business Growth	Output
Private sector businesses			Number of private sector workplaces per 1,000 resident population (business density)
Gross Disposable Household Income			Gross Disposable household Income per head
Employment		Workplace jobs	Employee jobs by working-age population (jobs density)
		People in employment	% of working-age population in employment (employment rate)
HotSW Spatial	Household Income	Households in poverty	Difference (percentage point) between top and bottom HotSW local authority - % of households in poverty (60% below median income)
		Gross Disposable Household Income	Difference between top and bottom HotSW local authority – GDHI per head

	Earnings	Low Earnings	Difference between top and bottom HotSW local authority - earnings at the 20 th percentile
		Earnings	Difference between top and bottom HotSW local authority – median average
	Labour market exclusion	Economic inactivity	Difference (percentage point) between top and bottom of HotSW local authority - % of working-age population who are economically inactive but who want a job
	Output	Output (GVA)	Difference between top and bottom HotSW local authority – GVA per head
	Deprivation	Most deprived areas	% of Lower Super Output Areas within the most 10% deprived LSOAs in England

Indicators that are directly derived from the JRF Inclusive Growth Monitor

As part of the consultation process for the HotSW Productivity Plan, and the feedback on the initial draft of this report, it was advocated that two high-level indicators should be pulled forward from the framework to form part of the monitoring of the wider HotSW Productivity Plan, focusing on inclusive growth. As a consequence, and broadly consistent with approaches adopted elsewhere in the region¹⁸, the two indicators that could form part of the high-level monitoring are shown below.

Earnings – gap between low and high earners	Gross weekly pay at the 20 th percentile as a proportion of pay at 80 th percentile
Economic inactivity	% of working-age population who are economically inactive but who want a job

As discussed in Section 5, our recommendation is that the HotSW performance against these indicators should be captured in both relative and absolute terms and that a traffic lights system should be adopted. This will visually demonstrate to the HotSW partnership how well the area is doing in achieving a better form of inclusive growth.

The traffic lights system will also effectively act as a ‘heat map’ for the partnership to understand in which domains it is ‘under’ or ‘over’ performing. This may act as a useful

¹⁸ For example by the Plymouth Growth Board

future policy tool. An example of how this could be displayed is illustrated below; the relative performance is set against the national average¹⁹. The baseline data will also be displayed alongside each measurement. Baseline data will be included in the final framework when the indicators have been agreed by the HotSW partnership.

Theoretical example of traffic lights system

Domain	Broad Indicator	Definition	Baseline	Absolute performance	Relative performance
Earnings	Earnings - low earners	Gross weekly pay at the 20th percentile	tbc		
	Earnings – gender	% gap between average earnings for male and female workers (full-time)	tbc		
	Earnings – distribution	% gap between the median and mean average earnings (full-time)	tbc		

¹⁹ This may be England or the United Kingdom according to which dataset is used.

7. Historical performance of HotSW in supporting inclusive growth

As previously stated, analysis of the historical performance of the HotSW in supporting inclusive growth is important in helping the partnership understand whether the economic growth targeted in the emerging Productivity Plan will *necessarily* lead to greater levels of inclusion.

Whilst economic growth has not necessarily been strong in recent years, the economy has been growing. The work by JRF through the inclusive growth monitor has looked at the historical performance by LEP area to understand what type of relationship exists between inclusion and prosperity across the LEP network. The work has provided a number of interesting findings.

In overall terms, *the data shows there is a clear positive association between prosperity and inclusion levels*^{20,21}. There is a very broad linear relationship. LEP areas with higher levels of prosperity tend to have higher levels of inclusion, and vice versa. This is most concentrated in south and east of England; those with the lowest levels are largely found in the north and Midlands.

However, there are exceptions to the broad rule. London was an outlier from this pattern, performing less well than surrounding areas in the South East on the economic inclusion measure, whilst obviously performing well for prosperity. This finding reflects the increasing polarisation within London. The fact that the relationship between inclusion and prosperity is not exactly linear does mean that the assumptions that prosperity and inclusion are automatically correlated can be challenged to a degree. Some LEP areas have seen less change in prosperity levels between 2010 and 2015, but experienced more positive change in inclusion levels, and vice versa.

Because the relationship between inclusion and prosperity is not linear then one implication from the JRF analysis is that areas that are less buoyant economically (as measured by prosperity indicators) still have some capacity to make valuable inroads into poverty and related forms of disadvantage (as measured by inclusion indicators).

Importantly, for the purposes of this overall analysis and for the consideration of the HotSW partnership, whilst the analysis does show some positive relationship between prosperity and inclusion, it would not be correct to simply assume that the benefits of growth would necessarily 'trickle down'. For those areas that are classified as 'lagging' in terms of growth and productivity (of which the HotSW is one), growth may need to be accompanied by a more proactive strategy to tackle spatial imbalances across, and within, the HotSW which would help to further strengthen the already positive relationship between inclusion and (limited) growth in prosperity in areas such as the HotSW. This is a core conclusion.

In terms of the relative performance of the HotSW within the inclusive growth monitor, it was classified as one of four areas that scored below the average on the economic inclusion theme but above average on the prosperity theme, suggesting a degree of polarisation between levels of prosperity and economic inclusion in the areas. Again, based on this framework, this suggests that *over the past 5 years the area has been relatively slightly (it is near the 'average' on both measures) less successful than other LEP areas in turning its historical growth into levels of inclusion.*

The 2017 inclusive growth monitor included a number of traffic light diagrams that provide further insight into the underlying nature of the performance and specific issues faced by different areas,

²⁰ Based on 2010-2015 data

²¹ The correlation between the two variables is shown by an $R^2 = 0.5572$

based on the underlying domain/dimension. Each traffic light show whether the HotSW scored within the bottom quartile (lowest 25% - red), middle two quartiles (25-75% - amber) or top quartile (top 25% - green) for a given dimension. The below tables show its relative performance in terms of both levels and change over time (2010-2015).

In terms of inclusion, the table shows that its marginally less successful performance on inclusion was largely driven by an increase in living (housing) costs relative to earnings. Parts of the HotSW are recognised as having particularly high house price: earnings ratios. However, performance based on this measurement hasn't necessarily worsened over time. The area has been relatively successful on the labour market measurements, with it being in the top quartile for improvement in conditions over the last 5 years.

In terms of prosperity, whilst it is within the middle two quartiles in terms of levels, it has been within the bottom quartile for output growth. Of course, this recent historical performance is one of the underpinning reasons why the HotSW partnership has placed such an emphasis on improving relative productivity. Again, given the domains are related, it has performed relatively well in terms of employment.

The below table shows HotSW performance based on broad domains/dimensions. The 2017 inclusive growth report also includes assessments at an individual indicator level. However, these are relatively detailed and not been included in this paper. They can be accessed directly from the 2017 report²².

	Domain			
	Labour Market exclusion	Living Costs	Income Support & Poverty	Total
Inclusion dimensions (levels) dashboard, 2015 (HotSW)	Amber	Red	Amber	Amber
Inclusion dimensions (change) dashboard, 2010-2015 (HotSW)	Green	Amber	Amber	Amber

	Domain			
	Output & Business Growth	Employment	Human Capital	Total
Prosperity dimensions (levels) dashboard, 2015 (HotSW)	Amber	Amber	Amber	Amber
Prosperity dimensions (change) dashboard, 2015 (HotSW)	Red	Green	Amber	Amber

Source: JRF Inclusive Growth Monitor, 2017

²² <http://www.mui.manchester.ac.uk/igau/research/inclusive-growth-indicators/>

Appendix A – Inclusive Growth Framework – baseline data

Definition	Baseline data - HotSW	Baseline data - UK	Comments
HotSW Level			
% of working-age population receiving out-of-work benefits (claimant count)	1.4%	1.9%	Sept 17 - Under Universal Credit a broader span of claimants are required to look for work than under JSA. As Universal Credit Full Service is rolled out in particular areas, the number of people recorded as being on the Claimant Count is therefore likely to rise. Average across four upper-tier authorities.
% in-work households with and without children receiving Child and/or working Tax Credits	19.2%	17.3%	2015-16 – Total number of in-work families receiving tax credits set (DWP data) against total working or mixed households (Annual Population Survey). Average across four upper-tier authorities.
Gross weekly pay at the 20th percentile as a proportion of pay at 80 th percentile	47.4%	44.0%	2016 Annual Survey of Hours and Earnings (residents).
% gap between average (median) gross weekly pay for male and female workers (full-time)	23.4%	20.2%	2016 Annual Survey of Hours and Earnings (residents).
% gap between the median and mean average gross weekly earnings (full-time)	17.7%	19.5%	2016 Annual Survey of Hours and Earnings (residents).
% of working-age population not in employment but actively seeking work	4.2%	4.7%	Jul 16-Jun 17 – Annual Population Survey. Average across four upper-tier authorities.

% of working-age population who are economically inactive but who want a job	6.8%	5.2%	Jul 16-Jun 17 – Annual Population Survey. Measurement specific to those who want a job. Average across four upper-tier authorities.
% of working-age households with no-one in work	15.3%	15.3%	Jan 16-Dec 16 – Annual Population Survey. Average across four upper-tier authorities.
Gross Value Added (GVA) per capita (in £ at current prices)	£19,988	£25,593	2015 – Regional Gross Value Added (ONS)
Number of private sector workplaces per 1,000 resident population (business density)	48.9	47.7	2017 – UK Business Counts (ONS) set against working-age population (2016 mid-year estimates)
Gross Disposable household Income per head	£18,494	£19,106	2015 – Regional Gross Disposable Household Income (ONS)
Employee jobs by working-age population (jobs density)	0.85	0.83	2015 – Jobs Density (ONS)
% of working-age population in employment (employment rate)	76.3%	74.4%	Jul 16-Jun 17 – Annual Population Survey
Intra HotSW (spatial)			
Difference (percentage point) between top and bottom HotSW local authority - % of households in poverty (60% below median income)	4.8	N/A	2013/14 – Small area-base statistics on household poverty. For each HotSW local authority the average across all of its Middle Super Output Areas (MSOAs) has been taken to represent the LA average.
Difference between top and bottom HotSW local authority – GDHI per head	£9,627	N/A	2015 – Regional Gross Disposable Household Income (ONS)

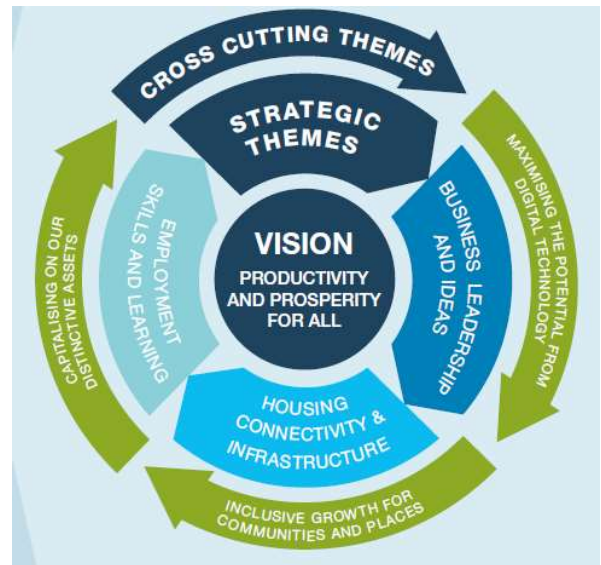
Difference between top and bottom HotSW local authority - earnings at the 20 th percentile	£81.10	N/A	2016 Annual Survey of Hours and Earnings (residents).
Difference between top and bottom HotSW local authority – median average	£94.20	N/A	2016 Annual Survey of Hours and Earnings (residents).
Difference (percentage point) between top and bottom of HotSW local authority - % of working-age population who are economically inactive but who want a job	7.8	N/A	Jul 16-Jun 17 – Annual Population Survey. Measurement specific to those who want a job.
Difference between top and bottom HotSW local authority – GVA per head	£16,725	N/A	2015 – Regional Gross Value Added (ONS)
% of Lower Super Output Areas within 10% most deprived in England	5.2%	N/A	2015 Index of Multiple Deprivation

SUMMARY OF THE
EVIDENCE
UNDERPINNING THE
HEART OF THE
SOUTH WEST
LOCAL INDUSTRIAL
STRATEGY

Introduction

The Heart of the South West's Productivity Strategy has a simple ambition to double the size of the economy over 20 years. The vision is for all parts of the area to become more prosperous and for people to have a better quality of life with higher living standards.

Improving productivity is key to achieving that goal and the Strategy was developed on the basis of a robust underpinning evidence base to guide our collective actions for accelerating growth. The evidence base draws on a variety of sources including technical papers, the work of our Leadership Groups, feedback from extensive partner consultation to help us understand what matters to local stakeholders and commissioned studies.



Each of these sources of data and information was important in shaping the Productivity Strategy, and more latterly the Local Industrial Strategy ensuring that it builds on the area's distinctive strengths and responds to our opportunities and challenges.

This index provides a chronological overview of the evidence base and is divided into two sections: the first section covers the documents that have been prepared by the LEP and its partners; and the second section covers the external and commissioned reports that have fed into the Strategy. In each case the index sets out the nature of the supporting document including:

- The title;
- Unique reference;
- The type of document;
- Who it was prepared by;
- Date of publication; and,
- A brief summary of the contents.

INDEX OF EVIDENCE BASE DOCUMENTS

Title	Reference	Type of Document	Prepared by	Date	Brief Summary
Documents Prepared by the LEP and Partners					
Driving Productivity in the Heart of the South West	001	Green Paper (consultation document)	University of Exeter	Jan 2017	The report draws on a variety of published statistics to set out the productivity challenges facing the Heart of the SW, compared to other areas as well as the assets within the area. It posed a series of questions and invited feedback from partners through a consultation process
Driving Productivity in the Heart of the South West Consultation Engagement	002	Consultation response	Torbay Council	Jan – Feb 2017	The document summarises responses received by 44 organisations to an online consultation on the green paper which ran between January and February 2017
Creativity and Productivity in the Heart of the South West	003	Technical Paper	University of Exeter	Jan - Mar 2017	The paper examines the relationship between creativity and productivity. It specifically focuses on: the growth of the creative industries and the spill-over benefits for the local economy; the correlation between engagement with arts and culture and health and wellbeing (and its correlation with productivity); opportunities for creative clusters; the role the creative industries in driving regeneration and growth; the importance of arts education to the skills agenda; and, cross-sectoral links
Productivity Growth in the Heart of the South West	004	Technical Paper	University of Exeter	Jan -Mar 2017	The paper provides an understanding of the trends and drivers of economic growth compared to other LEPS; and, seeks to determine the extent to which economic growth can be attributed to rising employment levels or gains in productivity

Title	Reference	Type of Document	Prepared by	Date	Brief Summary
Driving Productivity in the Heart of the South West; Lessons from Other Regions	005	Technical Paper	University of Exeter	Jan -Mar 2017	The paper looks at a number of approaches adopted to boost productivity and growth in other UK and European regions through a series of case studies
Skills and Productivity in the Heart of the South West	006	Technical Paper	University of Exeter	Jan -Mar 2017	The paper examines the relationship between skills and productivity and explores the performance of the Heart of the South West area across a wide range of skills-related measures including: the skills pipeline; skills of the existing workforce (including employer propensity to train and the and the quality of leadership and management); attracting and retaining talent; the types of jobs that are likely to be in demand in future; the extent and nature of unemployment in the area; and, demographic issues
Productivity-Led Growth: Evidence on Leadership & Knowledge (Business) Theme	007	Supporting document, prepared to inform the Productivity Strategy	Business Leadership Group	Summer 2017	The document feeds into the Productivity Strategy and provides local intelligence and ideas from the LEP's Business Leadership Group around driving productivity in businesses
Productivity-Led Growth: Evidence from People Theme	008	Supporting document, prepared to inform the Productivity Strategy	People Leadership Group	Summer 2017	The document feeds into the Productivity Strategy and provides an analysis of the Heart of the South West's strengths, weaknesses, opportunities and threats in relation to people based factors
Productivity-Led Growth: Evidence from the Place Theme	009	Supporting document, prepared to inform the Productivity Strategy	Place Leadership Group	Summer 2017	The document feeds into the Productivity Strategy and considers the nature and geography of the following issues: digital connectivity and resilience; business infrastructure; natural capital; and, energy transmission and distribution

Title	Reference	Type of Document	Prepared by	Date	Brief Summary
Economic Modelling	010	Technical report	Strategic Economics	Sept 2017	The report sets out a framework to support the setting of realistic macro targets and the monitoring of future micro interventions for productivity growth
Heart of the South West Productivity Strategy Consultation Results	011	Consultation response	Torbay Council	Dec 2017	The document summarises findings from the South West Draft Productivity Strategy consultation period which ran between 10 October and 14 December 2017. It includes feedback from 58 individual responses to an online survey in addition to 34 written representations and feedback gathered from two 'LEP conversations' (business events)
External and Commissioned Reports					
The South Coast Marine Cluster: Marine Inward Investment Evidence Study	012	Commissioned report	Wavehill Ltd	June 2017	The report set out to map, quantify, and contextualise the contribution of the South Coast Marine Cluster (SCMC) to both the Marine and Maritime sectors (MMS) UK-wide, and also to the overall UK economy
Microelectronics and Photonics in the Heart of the South West Region	013	Commissioned report	Harlin Ltd	Aug 2017	The report was commissioned to identify what makes the area's electronics and photonics sector unique; how it is distinguished from other regions in the UK (and Europe) and where it is similar
Going for Growth: Scale-Ups Research	014	Commissioned report (on behalf of 4 SW LEPs)	Ash Futures and SW Growth Service	Oct 2017	The report details the findings of research commissioned to understand the main barriers facing high-growth potential businesses in the region, and to gain insight into what support would be most beneficial to help them achieve their growth aspirations

Title	Reference	Type of Document	Prepared by	Date	Brief Summary
The South West Rural Productivity Commission – Key Findings and Recommendations	015	Independent inquiry	Cornwall and the Isles of Scilly, Dorset, Heart of the South West and Swindon & Wiltshire LEPs	Oct 2017	The inquiry was set up by four LEPs in the South West to gather evidence from stakeholders and to explore the issues around rural productivity and growth. Evidence was gathered from written submissions and at a specific evidence session in each county
The South West Rural Productivity Commission – Evidence Report	016	Summary of evidence	Cornwall and the Isles of Scilly, Dorset, Heart of the South West and Swindon & Wiltshire LEPs	Oct 2017	The report provides a more detailed account of the commission's research, highlighting key items of evidence that support the commission's recommendations
Heart of the SW Inclusive Growth Framework	017	Commissioned report	Ash Futures	Nov 2017	The report helps to define what is meant by inclusive growth within the context of the Productivity Strategy and establishes a framework to capture performance over time
How Firms across HotSW are Preparing for Brexit	018	Commissioned report	SQW	May 2018	The report examines how businesses across the HotSW LEP geography are responding to the process of BREXIT, drawing on telephone consultations with 29 businesses
Nuclear Sector Capability of the South West of England	019	Commissioned report	Frazer Nash	May 2018	The report was developed for Nuclear SW to understand what actions are necessary to maximise the economic value of nuclear to the area. It also focuses on the supply chain to aid an understanding of the opportunities and support mechanisms that are in place to help companies win work in the nuclear industry
Europe's Aerospace Powerhouse	020	Promotional literature	Invest Bristol & Bath Heart of the SWP LEP	2015	Summarises the key south west aerospace proposition

			Dorset LEP		
The Importance of Aerospace Research, High-Value Design and Manufacturing to the Somerset Economy	021	Commissioned report	Somerset County Council and South Somerset District Council	March 2017	Deep dive analysis of the aerospace and high value design and manufacturing opportunity within Somerset
South West England and South East Wales Science and Innovation Audit	022	Commissioned Report	Consortium of GW4 Alliance, University of the West of England, Plymouth University, key businesses and Local Enterprise Partnerships across SW England and SE Wales	Nov 2016	In 2016 a consortium of partners responded to Government's invitation to participate in the first wave of the Department for Business, Energy and Industrial Strategy Science and Innovation Audits. The Audit found that the region can lead the UK and compete with the world in advanced engineering and digital innovation. The summary report is included in this evidence base and the full report can be found at http://gw4.ac.uk/sww-sia/

