

Response to CSR 2020 from Heart of the South West LEP

Thank you for the opportunity to respond directly to the CSR. HotSW LEP wanted to highlight some particular concerns and opportunities directly relevant to our local area and economy.

Whilst the overall number of cases of Covid-19 in Heart of the South West is one of the lowest in the country, the economic impact is amongst the most severe of all places. Evidence indicates that the impact is focused disproportionately on coastal and rural areas where there is a greater reliance on the hardest hit sectors. For example, Heart of the SW area has:

- 7 of the 25 local authority areas in England and Wales with the most jobs at risk (source: RSA)
- 8 local authority areas expected to experience a loss in output greater than the national average of 35% (source: Centre for Progressive Policy).

In addition, the mix of businesses in our area mean that the impact is expected to be deeper and longer here, with potentially catastrophic consequences for jobs and livelihood; amongst tourism businesses, turnover is down 56% and a substantial proportion of businesses are operating below capacity and this is before the latest measures announced on 22nd September (source: SW DMOs' business survey). Many of our places already have some of the poorest social mobility in the UK partly as a result of rural dispersal but also areas of high social deprivation in our cities and market towns which are therefore directly relevant to the Government's levelling up priorities.

Against this our area has some truly transformational opportunities; unlocking these is a key part of mitigating the impact of the pandemic and laying foundations for future growth.

HotSW is broadly supportive of the priorities identified in the CSR which closely align with our objective **to deliver increased prosperity and productivity through the delivery of clean and inclusive growth.**

You will be aware that the South West Rural Productivity Commission and Evidence Base <https://heartofswlep.co.uk/wp-content/uploads/2017/10/HotSW-14332-A4-Overview-report-digital-doc-FINAL.pdf> was published in October 2017; the HotSW Productivity Plan – Stepping Up to the Challenge <https://heartofswlep.co.uk/wp-content/uploads/2018/04/HeartoftheSouthWestProductivityStrategy.pdf> in October 2019; our Local Industrial Strategy was forwarded to Government last Autumn. We published our Covid-19 Route Map to Recovery in June this year <https://heartofswlep.co.uk/wp-content/uploads/2020/06/Heart-of-the-SW-C-19-Route-Map-to-Recovery-June-2020.pdf>.

We will use these to underpin our full recovery plan later in the year working closely with local partners and stakeholders within our area and pan-LEP area, particularly with Cornwall and Dorset as part of the Great South West.

Our response essentially looks to the CSR 2020 to reassert the delivery of sustainable growth through place-led leadership, clarifying the role of LEPs to develop and implement economic recovery plans through partnerships of local public and private sector stakeholders. Recovery plans should set out how they will contribute to a green recovery, deliver progress towards carbon net zero and how they will contribute to levelling-up the economy through inclusive growth and locally led delivery.

Specifically, CSR2020 should assist this by:

- **Local decision-making on innovation and growth:** putting local areas at the centre of setting out how places will reach the UK 2.4% R&D target including extending Enterprise Zone benefits to 2030 and if appropriate support a freeports programme
- **Support business growth:** specifically targeting SMEs, scale-up, start-up and Covid-19 support for business by extending and increasing Growth Hub Funding for the duration of Parliament - to £30m nationally
- **Enable areas to develop local talent:** a further commitment to Skills Advisory Panels, retraining and further devolution of skills funding. This should also include further support for careers hubs, Digital Skills Partnerships and

specifically ensuring funds for adult training and re-training can be deployed flexibly as needed by the local area

- **Support levelling-up:** powering locally led delivery through meeting the manifesto commitment to develop a UKSPF programme to support local and regional recovery, re-committing to a devolved locally led single pot of both capital and revenue funding which as a minimum comprises the following:
 - replacement for EU Structural Funds
 - replacement for historic Local Growth Fund and Regional Growth Fund programmes
 - devolving ESFA funding to the local level to provide skills programmes tailored to local needs and opportunities
- **Recognising some of the particular local dimensions to EU exit:** including supporting food and farming, our ports infrastructure and our ability to trade internationally.
- **Support the hardest hit sectors:** specifically for tourism and hospitality businesses. This would include extending the business rates holiday and bounce back loan repayment terms; maintaining the 5% VAT reduction rate to at least Easter 2021; build on the success of Eat Out to Help Out by ensuring outdoor dining can be maintained through the winter perhaps through a form of 'stay out, seat out' support for businesses for heaters, shelters etc; extend the furlough scheme or similar throughout the winter to retain key staff; review the structure and funding of all DMO's nationally for the long term and in conjunction with Tourism Sector Deal ambitions.

We are also particularly concerned that the issue of potential bad debt from CBILs, CLBils and other Covid-19 loan support programmes likely to accrue in early 2021 is directly addressed in CSR 2020. The support at the moment protects bank balance sheets through Government guarantees but fails to protect businesses whose revenues may still be weak in the context of the economic impact of the pandemic. We believe this issue needs to be addressed head-on with support targeted at the businesses drawing down the loans and not just the banks making them. Some of this could potentially be delivered through a regional bank model.

Background

Self-evidently the Covid-19 crisis has delivered an enormous shock to the economy but this has to be seen in the context of significant changes that were already happening, many of which are now accelerating or becoming more acute;

- The way we transact business and the Future of Work
- The need to develop the skills of the future and retain our best talent
- The productivity challenge and lack of resilience and diversity of the UK economy not least through poor transport and digital infrastructure
- The Climate Emergency
- EU exit and the need to increase trade with other parts of the world
- The need to develop more knowledge economy jobs including commercialising key R&D assets more successfully by creating opportunities

Route Map to Recovery

Local Enterprise Partnerships (LEPs) have had an important role in limiting the economic damage of the pandemic. Growth Hubs have been at the front line of supporting businesses and increasingly issuing grants as well as advice and guidance.

Business led local economic development is an important principle and means that our wealth creators are at the forefront of strategic decision making in terms of restarting, revitalising and growing our economy and that Government priorities are fine-tuned to effectively reflect the diversity of different places. A solution that supports an urban conurbation is unlikely to be wholly similar in a rurally dispersed area. Place-led approaches, for example supporting our beleaguered visitor economy, will give rise to better targeted support at the appropriate size and scale.

Through its Getting Building Fund, Government helped kickstart the recovery with locally generated 'shovel ready' projects and many LEPs have been at the forefront of working with local partners and Local Resilience Forums and planning for economic recovery throughout the disruption.

Whilst far from perfect, LEPs have delivered with minimal overhead compared to their predecessors. Where local leadership has been dispersed, LEPs have often provided coordination across both economic geographies and sectors. While there

remain some LEPs whose boundaries seem to create conflict between political variables and economic functionality, some improvements have been made but should be concluded with, in our view, no overlaps. Partnership working between LEPs – of which many have a good record – should be increased in the context of pan-regional powerhouses throughout the nation where they can deliver clear added value.

However, the powerhouses' proposition and those of LEPs need to be aligned but differentiated. For example strategic transport planning e.g. Midlands Connect, delivering net zero carbon regions, strong Science Powerhouses, Trade and Investment Hubs may be best delivered pan-regionally whilst skills improvements including retraining, local growth programmes, business support, inclusive growth plans and locally led development are better delivered and targeted locally

Through MHCLG annual performance reviews, pretty much all LEPs are confirmed on Governance, Strategy and Delivery as Good or Excellent. There is broad cross-party support confirming their future (alongside MCAs) but LEPs need a clear framework on their future role where the benefits they bring to the table, namely the powerful combination of private sector influence with public sector partnership, are maximised.

Research shows that LEPs are broadly popular, with 60% of local government stakeholders across the UK rating their local LEP to be either good or very good. Many people indicated that some LEPs, mostly those in areas of historical collaboration between public and private sector, had been very successful in establishing an entrepreneurial vision; be it through offering strategic guidance on industrial policy or directing infrastructure funding where it is most needed by the local economy.

The 38 LEPs have developed into substantial operators – some £18.5bn of public money has already been allocated for their input (not always control) – but many think LEPs are only halfway to a success story, as they have yet to fully reflect the localist and devolved rhetoric upon which they were formed.

Research indicates that LEPs have been constrained as:

- Much of the funding allocated to LEPs so far has been determined by central priority and is overly ringfenced, is almost entirely capital but has been delivered, with significantly lower transaction costs than previously
- LEPs are often perceived to be sub-optimal and under resourced (although it must be noted that there is little appetite to revert back to previous structures)
- Although some improvements have been made, LEP boards still do not reflect their local business community – women, BME communities, small business representation needs to be increased
- Some LEPs are more equal than others – in terms of funding and performance, LEPs covering areas where there is a precedent of collaboration and political alignment tend to be more advanced than those which arguably do not represent a functional economic geography. LEPs vary significantly in size and scale yet are often resourced the same.
- Where LEPs work alongside Elected Mayors, they have proved useful allies and sometimes a useful foil.
- LEPs need to play a strategic role while maintaining local government's democratic importance. LEPs have evolved at different speeds and devolution has not proceeded at a uniform pace across the country. Emerging further local Government re-organisation may prove distracting in some areas at a time when effective local leadership and delivery is crucial.

These are neither meagre changes, nor are they overly imposing. The recommendations which we have outlined will give LEPs the stability and funding that they need to influence (and grow) local economies sustainably, form pan-regional working to deliver clear added value and bring the private sector wealth creators in what it does best – innovation and entrepreneurialism – to the decision making table.