

## **Heart of the South West LEP Scrutiny Committee**

**February 9th, 2023**

### **Chief Executive's Update**

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### **Summary**

At the last meeting, Scrutiny Committee asked for updates on:

- Combined authority arrangements for Scrutiny, considering lessons learnt and principles going forward
- Housing delivery particularly social and affordable housing

As neither of these areas are the responsibility of the LEP (Devolution is overseen by a Leaders Board; housing by the HOTSWS Joint Committee) it is difficult for me to give full updates on either although I can provide a perspective.

Consequently, this report provides updates on:

- State of the Economy
- Annual Performance Review
- 2023/24 Business Plan priorities (see separate slide deck Appendix 1) and proposed Governance Review – Appendix 2
- Key Asks for the 2023 Budget
- Great South West Update

### **1) State of the Economy and Asks of Budget**

We have published our winter business bulletin – a digest of data from BROs surveys, etc including ICAEW, Chamber, MAS barometer, etc – at the end of this month (January) but as all are aware we are experiencing significant recessionary headwinds and cost of living challenges caused and illustrated through:

- High inflation caused two-thirds of firms in Q2 2022 to expect further price rises with energy bills, raw materials, and labour costs all cited as the top drivers of price rises.
- A reduction in the percentage of firms expecting to grow in the next twelve months and nearly a quarter of businesses looking to scale down or even consider closure in response to rising costs
- Significant challenges in our ability to fill vacancies
- The highest standing charge for electricity in the UK

UK Plc. needs a stronger Plan for Growth and the HotSW area should have increased recognition as an important component of that plan. Elevating the proposition – both opportunities and challenges - of the South West is the key modus operandi of the Great South West.

The HoTSW area is heavily dependent on SMEs (sometimes in specific sectors) and many of these businesses have been disproportionately hit through Covid and now by the cost of living challenges. This is partly structural – the high number of SMEs, peripherality and partly sectoral e.g. a high dependence on seasonal hospitality, farming and the more widely public sector. Moreover, the health and well-being of communities particularly in coastal and rural communities have been disproportionately impacted in recent years with many of our disadvantaged communities hit hard.

However, the South West is undergoing a period of opportunity illustrated by support for the Freeport, Cornwall's spaceport and launch and the emerging collaboration of the Great South West with an increasing recognition to deliver prosperity through clean and inclusive growth.

For example, the Devon Carbon plan has recently been published and the SW Social Mobility Commission will shortly hold its first session. Funding through Levelling-Up and UKSPF have also recently been confirmed.

### **Asks for Government – Budget 2023**

For each fiscal event ie Budget, on behalf of HOTSWS, we try to set out our key asks of Government we would like to see delivered/accelerated through the Budget.

As an ocean/coastal region and a rural powerhouse, our environment provides us with a quality of life offer and physical assets base that can be matched by few others. These attributes have always been at the centre of our economy and quality of life but for example, in food and energy security they are becoming increasingly relevant.

Therefore ahead of the March Budget the asks within our HotSW manifesto for 2023 are expressed through 4 key themes:

#### **1. Spotlight on Skills**

- Flexibility on the use of Apprenticeship levy to facilitate further increase upskilling in workforce skills and getting people into the labour market – we have the highest level of economic inactivity in over 50s across the country.

- Accelerating the availability of UKSPF for workforce and skills support (particularly in technical skills) into 23/24 (rather than waiting until 24/25)

## **2. Investing in Infrastructure and Places**

3. Improved strategic connectivity is a key enabler for economic growth, so the HOTSW seeks
  - a) through publication of the Government's Roads Investment Strategy 3 confirmed funding commitments for the A303 Stonehenge and A358 Taunton to Southfields projects, and development of A303 South Petherton to Southfields as the next pipeline project.
  - b) The South West has led the recovery of rail patronage, with gateline figures at Taunton and Exeter Central up to 120% of pre-Covid levels. Yet at the same time we are aware that our main operator is reducing the size of its train fleet this year. We seek a commitment that Great Western will have sufficient train and staff resources to be able to meet the growing demand in the south west and be able to capitalise on enhancements coming on stream such as new stations at Marsh Barton, opening this Spring and those under development - including Edginswell, Cullompton, Wellington, Okehampton East and the Mid Cornwall Metro
  - b) Through the delivery Of Project Gigabit to the HOTSW area recognise the disproportionate availability of coverage in hard to reach areas and consequently a two speed by:
    - By achieving 90% coverage throughout the HOTSW area by 2030
    - Enabling local communities across to a BDUK funded voucher scheme to work alongside local delivery

## **4. Targeted Business Sector and Support**

- Confirmed BEIS funding for the HOTSW growth hub for 23/24 and 24/25 which can then be augmented by local delivery
- Targeted funding to support businesses to transition to net zero

## **5. Commercialising and Levelling-Up Ideas and Innovation**

- To support the provision of a Maritime and Environmental Science Accelerator including the HOtSW Technopole
- Support the delivery of Innovate UK funded launchpad for our marine our martimme cluster

## **6. What's Going Well and What Isn't**

Governance Review - Two new Board Members. Helen Higgs from EDF as an independent private sector rep and Mark Bolton, Principal at Yeovil College who will

be replacing John Laramy (from the next meeting). Exeter College have recently been confirmed as an Outstanding College by Ofsted -the first in the country to do so

In addition, we are carrying out a Governance review particularly in the light of changing Somerset representation.

We will no longer be funding the supply chain programme for Hinkley although this will continue to be delivered through funding from EDF and local contributions

The Freeport full business case has been agreed and a new Chair and Chief Executive have been appointed.

Possible significant inward investment at Gravity is still under discussion but with nothing confirmed yet.

The Chambers are progressing with their Local Skills Improvement Plans

Great South West Partnership has been formally launched (in House of Lords) and will shortly be going out for recruitment of a permanent chair.

Both the Forder Valley Link Road and Marsh Barton station are shortly to open and we have a better understanding of the timing for delivery of Project Gigabit. New proposals for the final part of the Dawlish coastal defences are currently out for consultation.

We are still awaiting Government confirmation of LEP Core and Growth Hub funding for 23/24

The Board agreed additional support for Torquay Business Centre and Taunton Digital Innovation Centre recognising the additional financial challenges to delivering capital projects

Following the delays to CDS delivery the Board have agreed to invite 4 business cases for spending up to £1.3m – this is the last of the LGF funding.

### **Annual Performance Review**

Last month, the LEP held its Annual Performance review with Government which looks at LEP performance relating to Governance, Strategy and Delivery.

Indicative assessment from officials considered that the requirements for both strategy and Governance were met but that delivery was a cause for concern largely due to the amount of funding being carried forward to continue to support the

delayed delivery of the Connecting Devon and Somerset programme particularly into 24/25.

The LEP has argued that retaining this commitment is a vital part of the programme and has been agreed directly with other parts of Government (namely DCMS) and we should not be 'penalised' for an agreed action with another part of Government.

## 7. 23/24 Business Plan

Of the priority areas for devolution in the Levelling-Up White Paper, 6 of the 9 areas now have Mayoral or Directly Elected Leader Deals agreed with only Devon, Plymouth and Torbay, Leicestershire and Hull and East Riding outstanding. Most are looking to April 24 as their start date; some are now considering May 25 (to coincide with local County elections).

In recent months, local devolution work has largely been put on hold awaiting clarity from Government about their appetite for Level 2 Deals. Hopefully, there will be an update but it now seems highly likely that the LEP will continue to operate throughout 23/24 and we are therefore recommending a business plan and Governance review accordingly.

Although not yet confirmed, I would anticipate a similar role for the coming year as set out in last year's offer letter, namely:

- a. **Embed a strong, independent and diverse local business voice** into local democratic institutions.
- b. Carry out **strategic economic planning** in partnership with local leaders that clearly articulate their area's economic priorities and sectoral strengths. This should involve building and maintaining a robust local evidence base that identifies local strengths and challenges, future opportunities and the actions needed to support priority sectors, aligned to the relevant levelling up missions. The nature of this role will depend on individual LEPs' integration pathway. Across all pathways, LEPs, or local democratic institutions where LEP functions and roles have been integrated, should continue to use their convening power to bring together business, education and other local economic stakeholders.
- c. **Continue to deliver** several functions on behalf of government departments, shaped by the local business voice where relevant. Future programme and funding decisions will be taken by each respective department according to their decision-making and business planning processes, priorities and timescales. However, at the present juncture, we would expect departments to continue to engage with LEPs, or

begin to engage with the respective local democratic institution once LEP functions have been integrated, into the delivery of:

I. **Growth Hubs**, on behalf of the Department for Business, Energy and Industrial Strategy;

II. **International trade and investment** activity, provision of local business intelligence, grant funding and levelling-up focused projects, on behalf of the Department for International Trade;

III. Local **Digital Skills Partnerships**, on behalf of the Department for Digital, Culture, Media and Sport;

IV. **Careers Hubs**, on behalf of the Department for Education;

V. Local skills analysis **via Skills Advisory Panels**, on behalf of the Department for Education;

VI. Monitoring and assurance of existing local growth programmes and funds for which LEPs are responsible.

d. Where appropriate, LEP business boards can help **broker and support new or deeper devolution deals**, where requested by local partners. New or deeper devolution deals will not need to be signed off by LEPs.

To deliver our responsibilities we are proposing an updated business plan for 23/24-slide deck attached Appendix 1 - and a Governance Review – Terms of Reference in Appendix 2 -, partly triggered by the change of representation in Somerset but also our gender balance and to amend our operating structure/model in the light of GSW and that we are not yet in a position to integrate with any local devolution arrangements.

## **8. Great South West – Update**

Following the first GSW Partnership Board meeting in early December, a GSW parliamentary reception was held on the 10<sup>th</sup> of January hosted by Lord Berkeley and Simon Jupp MP (Chair of GSW APPG) and supported/sponsored by 16 local companies. In addition, several food companies were invited by their relevant MPs to promote their offer. Minister of State Dehenna Davison MP spoke on behalf of the Government and some 120 GSW representatives confirmed attendance and some 15 MPs attended.

This was immediately followed by a facilitated GSW Board workshop which agreed to review some of the economic and other data that has changed since we published our prospectus and also our initial comms priorities.

A GSW officer group is scheduled at the end of the month and a Partnership Board meeting is on 22nd February. To deliver these we will be:

- Appointing a search consultant to support us in the appointment of a permanent chair – we have shortlisted a preferred supplier
- Putting in place an Accountable Body agreement and reviewing with Government our Year 1 progress against our agreed milestones

- Progressing our work with the High-Value Manufacturing Catapult and with DIT, our Internationalisation Plan
- Updating and refreshing the GSW prospectus at pace (but focusing on the same key themes) – our consultant will be contacting individual partners directly over the next few days.
- Developing a campaign plan
- Pushing out our comms across the region including events in each of the four Counties
- Agreeing locally and with the Government on our business plan for 23/24

We also currently have 2 funding bids (from the SW Regional Defence Cluster and GeoResources Task Force) that are currently being reviewed.

If you haven't had a chance to read the prospectus you can do so - [GSW Brochure A4\\_new colours.indd \(greatsouthwest.co.uk\)](#)

Please do also sign up for our newsletter, and follow us on Linked In and Twitter - greatsouthwest\_

**See separate appendices for:-**

Appendix 1 – Draft 23/24 Business Plan

Appendix 2 – Proposed Governance Review