

HEART OF THE SOUTH WEST

# Local Enterprise Partnership

**Strategic Economic Plan 2014-2030**

**Final Submission: 31<sup>st</sup> March 2014**



## Foreword by Steve Hindley



Over the last year, the Heart of the South West Local Enterprise Partnership has been developing its strategy for economic development across our area. This plan sets out how we will maximise economic growth across our area to transform the prospects of the Heart of the South West

and establish a legacy of prosperity for future generations.

We are one of 39 LEPs in England but we believe we have unique opportunities that set our area apart. The exceptional quality of our environment will provide vital lifeblood to our tourism and agricultural sectors and attract new digital and technology companies to ‘Silicon’ South West. With the advent of Hinkley Point C, we will also be able to create a truly momentous shift in our approach, capitalising on construction, supply chain and skills opportunities.

Business is critical to achieving our ambitions. We will forge new connections and work with Government to secure greater inward investment, and harness our potential for export. Through our Growth Hub and working with other LEPs, we will enable business to reach new markets, innovate and expand, turning plans for growth into reality.

Our economy will be resilient, supported by investment into strategic and critical infrastructure to enable and protect our communities. Road, rail, air and maritime, alongside superfast broadband and 4G, will ensure that

we can promote both real and virtual access for everyone, from urban spaces to rural landscapes.

Our City Deal will revitalise our marine sector, radiating benefits across the entire Peninsula. It will boost our capacity for training and skills, motivating young people and mature workers alike, helping to build robust supply chains, and develop new solutions and sustainable jobs. Through collaboration with our centres of academic excellence, we will nurture research and commercialisation, inspiring potential and rejuvenating our communities.

We acknowledge the challenges ahead. By working in partnership to create a dynamic and strong alliance, committed to securing the best for our people, we can overcome barriers, remove obstacles, and allow our communities to flourish as never before.

A handwritten signature in blue ink, appearing to read 'Steve Hindley', written in a cursive style.

Steve Hindley

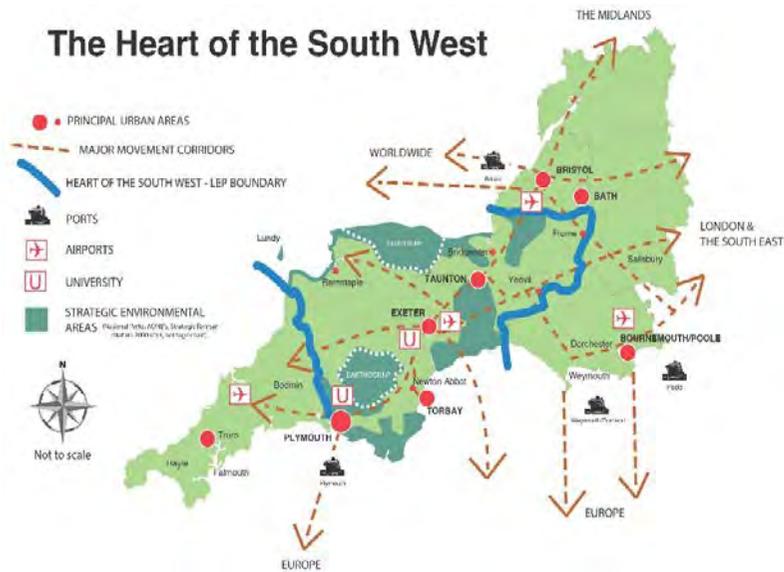
**Chair**

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## Welcome to the Heart of the South West

Set between the north and south coast, as well as four other LEPS, we occupy the Heart of the South West Peninsula. Covering the administrative areas of Plymouth, Torbay, Somerset and Devon, we are home to 1.7m people.



We are known for our natural and cultural heritage, including two national parks, two world heritage sites, a biosphere reserve and countless sandy beaches. Our quality of life is supported by strong and enterprising communities and a cultural heritage spanning from the sailing of the Mayflower to the world-famous Glastonbury Festival. These assets fuel the largest tourist economy of any LEP, with 26.7m visitor

nights/year<sup>1</sup>.

Whilst 91% of our area is considered rural, over 40%<sup>2</sup> of our population live in cities and urban areas, with particular concentrations in, Plymouth Exeter, Torbay and Taunton. Our cities and urban areas play a crucial role in driving economic development, forming a growth corridor along strategic transport routes, and bringing together plans for employment, housing and infrastructure. Part of this growth is seeing the development of two new towns in Devon (Cranbrook and Sherford), supplying over 11,000 new homes.

We want to ensure that market towns, coastal and rural areas are economically successful in their own right and build on our rural strengths. We are home to 13,000 commercial farm holdings, representing 50% of the farms in the SW. Our farms form an integral part of a wider rural economy with close links to food and drink and tourism. Likewise, fisheries are an integral part of our coastal communities, with the ports of Brixham and Plymouth being the largest ports in England in terms of value and volume of catch respectively.

We have a richly mixed economy. We have world class advanced manufacturing ranging from aerospace in Yeovil to a high tech, electronic and photonic cluster in Torbay. The marine manufacturing and research sector, centred on Plymouth has the potential to drive growth across the whole Peninsula, catalysed by our plans in the Plymouth and SW Peninsula City Deal and supported by collaborative working with Cornwall LEP, Plymouth University and South West Marine Energy Park.

We host a number of internationally recognised businesses such as Agusta Westland, Flybe, Honeywell Aerospace, Babcock Marine, the Met

<sup>1</sup> GBTS, 2010-2012. Visit Britain

<sup>2</sup> ONS LA Urban Rural Classification – including large market towns as rural

Office, Princess Yachts International, Yeo Valley Organics, EDF Energy and IBM, to name but a few. In addition to these companies, our region has a number of award-winning SMEs including SRA Development, Supacat, Otter Breweries and Diamedica (UK) Ltd. However, the majority (75%<sup>3</sup>) of Heart of the SW businesses, particularly in rural areas, are SMEs with fewer than five employees, providing an entrepreneurial heartland rich in diversity and potential to grow.

Our LEP hosts one of the highest concentrations of social enterprises and community based businesses in the country<sup>4</sup>, recently recognised by Plymouth being awarded the UK's first social enterprise city. However our largest employment sectors<sup>5</sup> are Public Administration, Health and Education (31.1%) and at 23.2% we have the highest proportion of employment in Distribution, Hotels and Restaurants of any LEP.

We have a growing low carbon and energy sector. The development of Hinkley C will have a substantial economic impact, with the construction phase providing an estimated 25,000 jobs and more jobs created during the operational phases. Our wider low carbon sector continues to blossom, with renewable energy capacity increasing approximately 10 fold since 2005<sup>6</sup> and employment in the renewable energy sector expected to grow by an additional 1,300 jobs by 2020<sup>7</sup>.

Our world class knowledge base includes three universities; Exeter, Plymouth and University of St Mark and St John, two medical schools, ten FE colleges and specialist research centres such as the UK Met Office, the

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<sup>3</sup> UK Business: Activity, Size and Location, 2012, ONS

<sup>4</sup> A better form of business 2013, Community Shops, Plunkett Foundation

<sup>5</sup> All figures taken from ONS LEP and LA interactive instant atlas, November 2013

<sup>6</sup> Regen SW Annual Surveys 2005-2013

<sup>7</sup> Regen SW- personal communication

Rothamsted Research centre at North Wyke, , Plymouth Marine Laboratory and the World Research centre for Greenpeace in Exeter.

Research expertise in and around our universities provide us with important knowledge assets to drive growth: Exeter's concentration of climate and environmental science experts provided more contributors to the UN IPCC report than any other city on Earth; the Russell Group University has world-leading expertise in agri-tech, water security, mathematical modelling and advanced materials. Together with the potential arrival of Europe's most powerful supercomputer at the Met Office and expertise in big data analysis, Exeter is emerging as a cutting edge place for enviro-technology and modelling. Plymouth is also home to a community of world-class research organisations. The Marine Institute at Plymouth University, is one of the biggest in Europe. They, along with interdisciplinary Plymouth Marine Laboratory, the University of Exeter, the SW Marine Energy Park and facilities across the region – including the country's most advanced wave tanks – put Plymouth and the South West peninsula at the centre of a Marine Cluster that sits at the heart of our City Deal.

The Academic Health Sciences Network demonstrates the close working relationship between the NHS and the academic and commercial base spanning two LEPs. While expertise and facilities in association genetics, clinical trials and healthcare in Exeter, Plymouth, Torbay, Taunton and Devon, provides the base for a medical devices and healthcare cluster.

Our area, with its landscape, businesses, universities and attitude has New World potential. To realise high growth in our knowledge economy, capitalise on doorstep opportunities, while addressing the comparatively low productivity and wages of our main employment sectors; the key challenge for the Heart of the South West LEP is to secure higher value employment across the area, ensuring conditions for growth are in place

to attract investment that enhances our distinctive assets.

## Executive Summary

Our vision is to transform the reputation and positioning of our area nationally and globally by 2030. We want the key strengths of the Heart of the South West to be seen as key assets of UK plc. We want our people, places and business to see the public and private sector work together for their benefit; capitalising on the opportunities on our doorstep, realising the potential for high growth in our knowledge economy, and securing more and higher value jobs. However, addressing the vulnerability of our critical infrastructure and investing in strategic enablers are key to unleashing our growth potential.

Our Strategic Economic Plan (SEP) sets out our understanding of the challenges we have to overcome and our priorities for action. It has been developed in collaboration and consultation<sup>8</sup> with partners from business, education, the public sector and the Voluntary, Community and Social Enterprise sectors, ensuring a golden thread runs through it from the bottom up, taking into account local plans and aspirations; and top down, taking into account national policy objectives and guidelines.

Our SEP will be the base document for our approach to investment and funding opportunities until its review in 2020 and will be delivered through a number of mechanisms over its lifetime. The Plymouth and Peninsula City Deal, the European Structural and Investment Strategy and the Growth Deal 2015, submitted alongside our SEP, are key delivery strands agreed or negotiated in 2014. Others may follow.

<sup>8</sup> Consultation report can be found at annex 1.

## Our Growth potential

We believe, that with the right support and investment, we can deliver strong and transformational growth, as illustrated in Table 1.

Table 1: Potential Growth Scenarios and Metrics

	<b>Baseline – Continuing to fall behind UK average</b>	<b>Strong Growth – Keeping Pace with UK average</b>	<b>Transformational – Faster than UK average</b>
<b>Average growth Rate</b>	2.654%	2.8-2.85%	3.06%
<b>New jobs by 2030</b>	82,000	112,000-120,000	163,000
<b>GVA by 2030 (2010 prices)</b>	£45bn	£47-£47.5bn	£49bn
<b>New Homes by 2030</b>	104,421 <sup>9</sup>	135,000-144,000 <sup>10</sup>	179,000
<b>Investment needed to achieve</b>	n/a	EUSIF, City Deal, private sector investment in Hinkley, Moderate LGF allocation and	As per strong growth, plus: Significant LGF allocation AND commitment to address strategic

<sup>9</sup> Based on delivery rates (2008-2012/13)

<sup>10</sup> Based on modelling housing requirements to support growth scenarios

		some freedoms and flexibilities	transport infrastructure
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### *Our Core Aims for growth*

Central to our strategy is our balanced approach to growth, which recognises: the need to address wider productivity barriers at the same time as ensuring we maximise benefit from opportunities for high growth; the need to create job opportunities where opportunities are few as well as better jobs to drive up average wages; the need for economic growth to benefit both rural and urban people, businesses and places.

While as far as possible our balanced approach to growth is sector and place blind, we have identified some immediate opportunities that are unique to our area and have the potential to be transformational. For example: maximising the local impact and legacy of the construction of Hinkley Point C; driving the growth of the marine sector across the Heart of the South West area through the Plymouth and Peninsula City Deal; securing investment in the Met office Supercomputer in Exeter Science Park linked to the establishment of a Global Environmental Futures Campus with Exeter University; and the development of the aerospace and advanced manufacturing sector as a component of a wider South West cluster.

These opportunities have the potential to drive improvement in the conditions for growth such as better and more resilient transport and digital connectivity, but they are also dependent on them. These opportunities have the potential to provide more and better jobs but will also need to draw on available workforce skills. Key to our strategy is that taking advantage of transformational opportunities should have a lasting local legacy and create area-wide benefit. We have thus arrived at three core, and interdependent, aims.

- ***Creating the conditions for growth***
  - Infrastructure and services to underpin growth (**transport infrastructure, broadband** and **mobile** connectivity, skills infrastructure)
- ***Maximising Productivity and Employment***
  - Stimulating jobs and growth **across the whole economy** to benefit ALL sectors (including tourism, agriculture and food and drink)
- ***Capitalising on our Distinctive Assets***
  - Utilising our **distinctive assets** to create **higher value growth** and **better jobs** (transformational opportunities, strengthening research, development and innovation, environmental assets)

These core aims are underpinned by cross cutting aims of **environmental sustainability** and **social inclusion**.

### *What we know about our area*

We approached our analyses of our area’s strengths, weaknesses, opportunities and threats thematically by place, business and people. By considering how place, business and people affect, or are affected by, our three core aims, we have arrived at a set of priorities for each theme. Our key opportunities and challenges for place, business and people are outlined below.

### *Place*

Our area is predominantly rural with over 90% of the land area designated as such. However, over 40% of the population live in urban areas and plans for urban expansion are being realised.

Transport and connectivity are important to our area. Our peripherality and distance from markets has a direct and proven correlation with productivity.<sup>11</sup> While local transport infrastructure is seen as a key enabler of employment and housing development, and a means of accessing markets, employment and leisure.

The Heart of the SW has the potential to become a leader in the fields of new nuclear power and marine renewables. It has also made progress in renewable energy installations (large and small scale) improving the resilience of our energy base, but more is required to meet national targets.

Digital and mobile infrastructure ranked highly in our business consultation as both current constraints and potential enablers of business growth. This is borne out by research BDUK<sup>12</sup>. Whilst significant investment is underway in our area, further investment will be needed to achieve universal connectivity and ensure our towns and cities remain competitive in relation to next generation technologies, such as 4 and 5G.

With our rising population, we need a growing supply of homes. Local Plans either already in place or currently emerging contain ambitious levels of future residential development, with over 9,500 new homes per year or nearly, 50,000 new homes in the next five years. Despite obstacles in the current economic climate, we have a number of high profile examples of innovative delivery. Urban expansion can catalyse employment growth as people access goods and services and business growth as potential workers are, or can be, housed in the area.

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<sup>11</sup> Meeting the productivity challenge, 2005

<sup>12</sup> UK Broadband Impact study, Impact Report, November 2013

Of particular importance to the Heart of the SW, will be ensuring the right employment sites/facilities are available to support businesses wishing to grow, or locate here in relation to our Transformational Opportunities (e.g. Hinkley, Marine, Environmental Futures Campus, Aerospace). Of equal importance, is understanding and serving rural market failure and building on the success of the Rural Growth Hub modelling piloted through the Rural Growth Network.

### *Business*

In terms of business competitiveness, we recognise that we are punching below our weight. Our key employment sectors underperform against national averages for those sectors and our LEP underperforms against a number of competitiveness indicators<sup>13</sup>.

Despite some strong, dynamic and outward looking businesses, our businesses tend to be smaller, older, more insular and have lower rates of churn than national averages. Compared to other LEPS, the only top half performance we have is in the level of self-employment – and this can be as much an indicator of lack of employment alternatives as it is of entrepreneurial culture.

Exports in the whole South West region still only equal 6.1% of the total for England. Regional per capita value of exports are £2,522, significantly below the England average of £4,152 and making the South West the worst performing region.

Heart of the South West LEP is also one of the worst performing LEPs on standard measures of innovation. However, our universities get

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<sup>13</sup> Review of LEP Area Economies, 2013, LEP Network

honourable mentions in the Witty Review<sup>14</sup> particularly for their support for SMEs (GAIN, Plymouth University and Set Squared, Exeter university) and start-ups (University of St Mark and St John) and across the LEP area.

We have ambitions, and the potential, to build higher value jobs through developing knowledge-based businesses. The Witty Review ranked our research centres against key sectors - we have world leading expertise in Plymouth – Nuclear (ranked 12th), Robotics (ranked 4th); Exeter – Satellites (ranked 11th), Agri-science (ranked 15th); and the Met Office – Aerospace (ranked 1) Satellites (ranked 7th). Together with the five Marine research institutions in Plymouth, existing businesses and transformational opportunities in our area, we have a good foundation for smart specialisation.

Levels of uptake of national business support programmes in our area are low. The main reason for this is a lack of awareness of the support available. Similarly, funding initiatives are complex and often out of reach for the majority of our companies, dominated by micros and SMEs.

Our business population spans both the rural and urban environment on a roughly 50:50 basis and analysis shows that with the exception of agriculture and land-based industries, the sector profiles are not so different. That said, our evidence to support our Rural Growth Network, established that rural businesses tended to have differing needs. Our approach to business support measures will therefore be mindful of rural and urban need.

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<sup>14</sup> Encouraging a British Invention Revolution: Sir Andrew Witty's Review of Universities and Growth – October 2013

We recognise that our biggest employment sectors are not necessarily the ones with the most potential to grow. Our balanced approach to growth aims to improve the productivity of our current business base, and to encourage the growth of higher value sectors.

### *People*

The Heart of the SW has an expanding population, expected to grow in excess of 200,000 by 2030. We also have an aging population, with 21.6% of our population over the age of 65, considerably higher than the average for England of 16%<sup>15</sup> and expected to rise rapidly.

Our employment rate (74.6%<sup>16</sup>) is currently higher than the England average, however, this masks significant variation across our area. We also have the second highest levels of part-time employment in England<sup>17</sup>, and higher than average levels of self-employment, particularly in rural districts. These figures may indicate a lack of full time employment opportunities. The implications mean lower wages, lower household incomes and potential for 'in work poverty'. The lack of quality opportunities also manifesting as under-employment and a lower than average proportion of the population holding degree level qualifications.

Despite lower than national average unemployment rates, 50,000 people remain unemployed in our area, with 26,600 of these being in the 16-24 age range. Meanwhile, our long term unemployment rates<sup>18</sup> are beginning to fall having risen rapidly between 2008 and 2012. There are higher concentrations of unemployment in Plymouth and Torbay.

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<sup>15</sup> Census 2011

<sup>16</sup> Annual Population Survey Oct12-Sept13

<sup>17</sup> Annual Population Survey Oct2012-Sept2013

<sup>18</sup> Claimant Counts, Dec 2013

Our workforce is skilled, benefitting from a broad portfolio of education providers, however under-investing in our FE infrastructure since 2001,

means much of our college infrastructure is in need of repair.

Figure 1 below summarises our priorities for growth.

Figure 1: Our Priorities for Growth

	<b>Creating the Conditions for Growth -</b> <i>Improving our infrastructure and services to underpin growth</i>	<b>Maximising Productivity and Employment Opportunities -</b> <i>stimulating jobs and growth across the whole economy</i>	<b>Capitalising on our Distinctive Assets -</b> <i>Utilising our distinctive assets to create opportunities for business growth and better jobs</i>
<b>Place</b>	<p>Infrastructure for growth:</p> <ul style="list-style-type: none"> <li>• Transport and accessibility</li> <li>• Digital infrastructure</li> <li>• Sustainable solutions for flood management</li> <li>• Energy Infrastructure</li> </ul>	<p>The infrastructure and facilities to create more and better employment:</p> <ul style="list-style-type: none"> <li>• Enterprise infrastructure</li> <li>• Strategic employment sites</li> <li>• Unlocking housing growth</li> </ul>	<p>The infrastructure and facilities needed to support higher value growth:</p> <ul style="list-style-type: none"> <li>• Specialist marine sites</li> <li>• Science/Innovation infrastructure</li> <li>• Maximising our environmental assets</li> </ul>
<b>Business</b>	<p>Creating a favourable business environment</p> <ul style="list-style-type: none"> <li>• A simpler, more accessible, business support system, tailored to our needs <ul style="list-style-type: none"> <li>○ Improving access to finance</li> <li>○ Stimulating enterprise and growth</li> </ul> </li> </ul>	<p>Achieving more sustainable and broadly based business growth:</p> <ul style="list-style-type: none"> <li>• Reaching new markets (on-line, supply chains, public sector)</li> <li>• Globalisation (exports and inward investment)</li> </ul>	<p>Supporting higher value growth:</p> <ul style="list-style-type: none"> <li>• Innovation through Smart Specialisation</li> <li>• Building our capacity for innovation</li> </ul>
<b>People</b>	<p>Creating a responsive environment, where businesses and individuals can reach their potential:</p> <ul style="list-style-type: none"> <li>• Skills infrastructure and facilities</li> <li>• Accessibility to education/employment (transport, careers advice and digital inclusion)</li> <li>• Employer engagement and ownership</li> </ul>	<p>Increasing employment, progression and workforce skills.</p> <ul style="list-style-type: none"> <li>• Moving people into employment</li> <li>• Supporting people to progress to better jobs</li> <li>• Improving workforce skills</li> </ul>	<p>Creating a world class workforce to support higher value growth:</p> <ul style="list-style-type: none"> <li>• Enterprise and business skills</li> <li>• Technical and higher level skills development and retention</li> <li>• Maximising the skills and employment opportunities aligned to our transformational opportunities.</li> </ul>

## Introduction

This document sets out our Strategic Economic Plan for the period 2014-2030. This relatively long time frame recognises the LEP's ambition to address strategic, long term issues as well as some immediate pressing priorities.

The document is made up of four related parts:

**Part 1: Our Strategic Ambition** – This part of the document sets out our vision for the Heart of the South West area, painting a picture of our economy in 2030 in terms of economic growth and key outcomes. We explain our approach to growth in terms of our key aims and priorities, as well as outlining outcome milestones.

**Part 2: Understanding our Growth Potential** – This section provides an analysis of our growth potential, conducting a review by the themes of

Place, Business and People, concluding with a SWOT and priorities for growth. The analysis helps us to see where we are now and where are heading without intervention. It also helps us to see where there are opportunities and what we need to change to achieve our growth ambitions.

**Part 3: Delivering our Priorities** – In this part of the document, we discuss the implementation tools we currently have available and how these will be used to address our priorities.

**Part 4: SEP Governance and Delivery** - In this part of the document, we outline our arrangements for Governance and delivery. Highlighting arrangements for monitoring and communicating progress.

# Part 1: Our Strategic Ambition

*“The South West combines innovation and technology excellence, a great mix of universities with both academic and venture focus and an established reputation in attracting leading tech firms while providing great incubation and support for earlier stage business. It’s a combination that has worked well for the US and has the potential to do the same in the UK.” – Philip Letts, blur Group CEO.<sup>19</sup>*

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<sup>19</sup> <http://blurgroup.com/blog/2013/09/11/blur-group-hq-is-moving-exeters-new-science-park-to-become-global-headquarters/>



## Our Vision for Growth

By 2030, we will have transformed the profile, reputation and positioning of our area nationally and globally. The Heart of the SW will be known for its diverse economy, fuelled by knowledge, talented people, dynamic businesses and an outstanding natural environment. Our economy will be resilient, it will be well connected to the rest of the world, through high quality transport and communication networks. Residents, visitors and investors alike will reap the benefit of an enhanced quality of life, more rewarding careers and business environment in the Heart of the South West.

Both our urban and rural economies will be vibrant and strong. Our international reputation for marine and related industries, our place at the vanguard of next generation nuclear construction and operations, our global leadership in environmental analytics, and our major contribution to the premier UK aerospace cluster, will be recognised as key assets of UK plc.

The development of our urban and rural economies will be aligned and connected through our commitment to good growth that recognises the importance of our high quality environment, tourism, agri-food and land-based industries, our social enterprises and communities.

From the outset, our people, places and businesses will see the strength of common purpose, as the public and private sectors work together to help our businesses become more profitable and our area more prosperous.

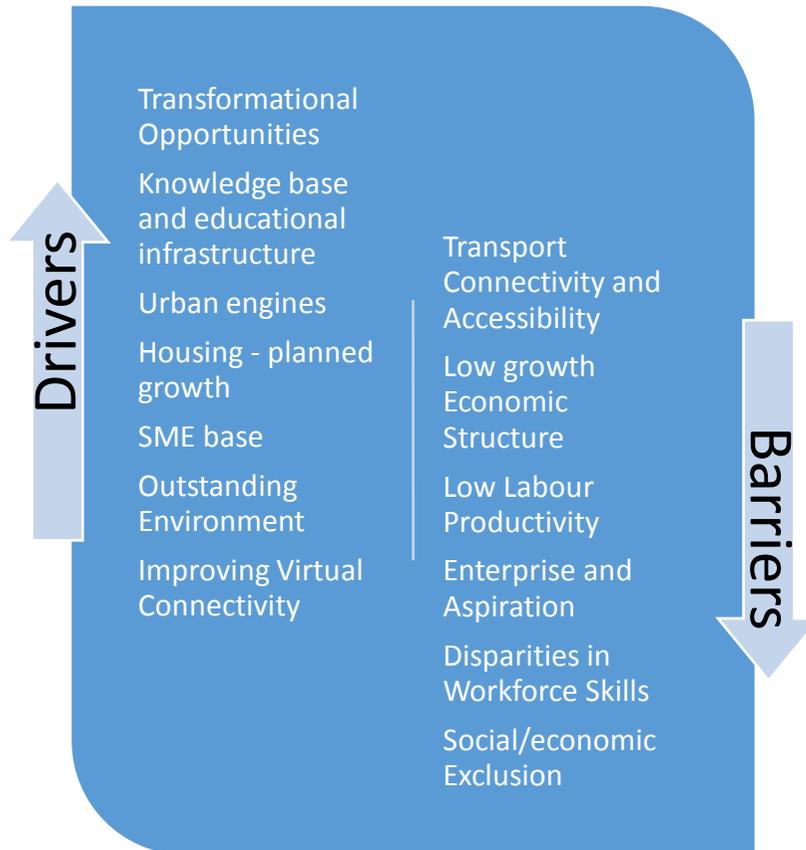
## Our Mission Statement

- ***To 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 investment in infrastructure and skills to create more jobs and enable rewarding careers.***

## Approach to Growth in the Heart of the SW

Our consultation work and the review of evidence showed that we have a number of both drivers and challenges to achieving growth in the Heart of the SW and these are illustrated below.

Figure 2: Key Drivers and Challenges



Our analysis shows that we are underperforming compared to the national average across a number of measures of productivity and business competitiveness. This economic under-performance reflects a number of key **barriers to growth** such as transport and digital connectivity, skills, and support for businesses. Improving these conditions is essential to giving businesses in our area the tools they need to compete in global markets, as well as attracting future entrepreneurs and investors.

Our under-performance means that **wages are below average** across the area. Whilst unemployment is not high compared to national averages, it remains a persistent problem in some areas and in some groups (e.g. young people). Therefore our approach to growth needs to **create job opportunities** in part of the area where opportunities are few as well as creating **better jobs** to drive up average wages.

Our analyses show that our biggest employment sectors are not necessarily the ones with the most opportunity to drive growth, therefore we want to support our existing sectors (including our bedrock sectors of tourism, agriculture and food and drink) AND support new sectors that are emerging. **As far as possible** therefore we want to have an approach to growth that is **sector blind** and balances the opportunity for high growth with the need to address productivity barriers.

We recognise that over 90% of the LEP landmass is classified as rural and is characterised by a dispersed populations and a high number of SMEs. However, over 40% of the population live in urban areas and there are plans in place for urban spatial growth as both a driver and consequence of economic growth. Therefore in tackling barriers to economic growth we want our approach to **benefit both urban and rural** people, places and businesses.

However, we recognise that we have some current, planned and developing activities and major projects which are distinct to our area and have the **potential to exert a transformational impact** locally and nationally. Key activities and projects with potential and immediate transformational opportunity include 1) A new build nuclear power station in Somerset – the largest construction project in Europe; 2) The Plymouth and SW Peninsula City Deal providing a significant boost to the marine sector in Plymouth and the wider peninsula. 3) The location of the new Met Office Super-Computer at Exeter Science Park – potentially fuelling the development of a global environmental futures campus. 4) Our advanced manufacturing/Aerospace sector as an integral component of a wider SW cluster.

Maximising the impact of our transformational opportunities and core strengths (such as agri-food and tourism linked to our natural environment) can drive improvements to the enablers of growth such as connectivity, skills and SME competitiveness, yet depends on them being there in the first place. It is with this understanding of the interdependencies, that we put forward our balanced approach, which recognises:

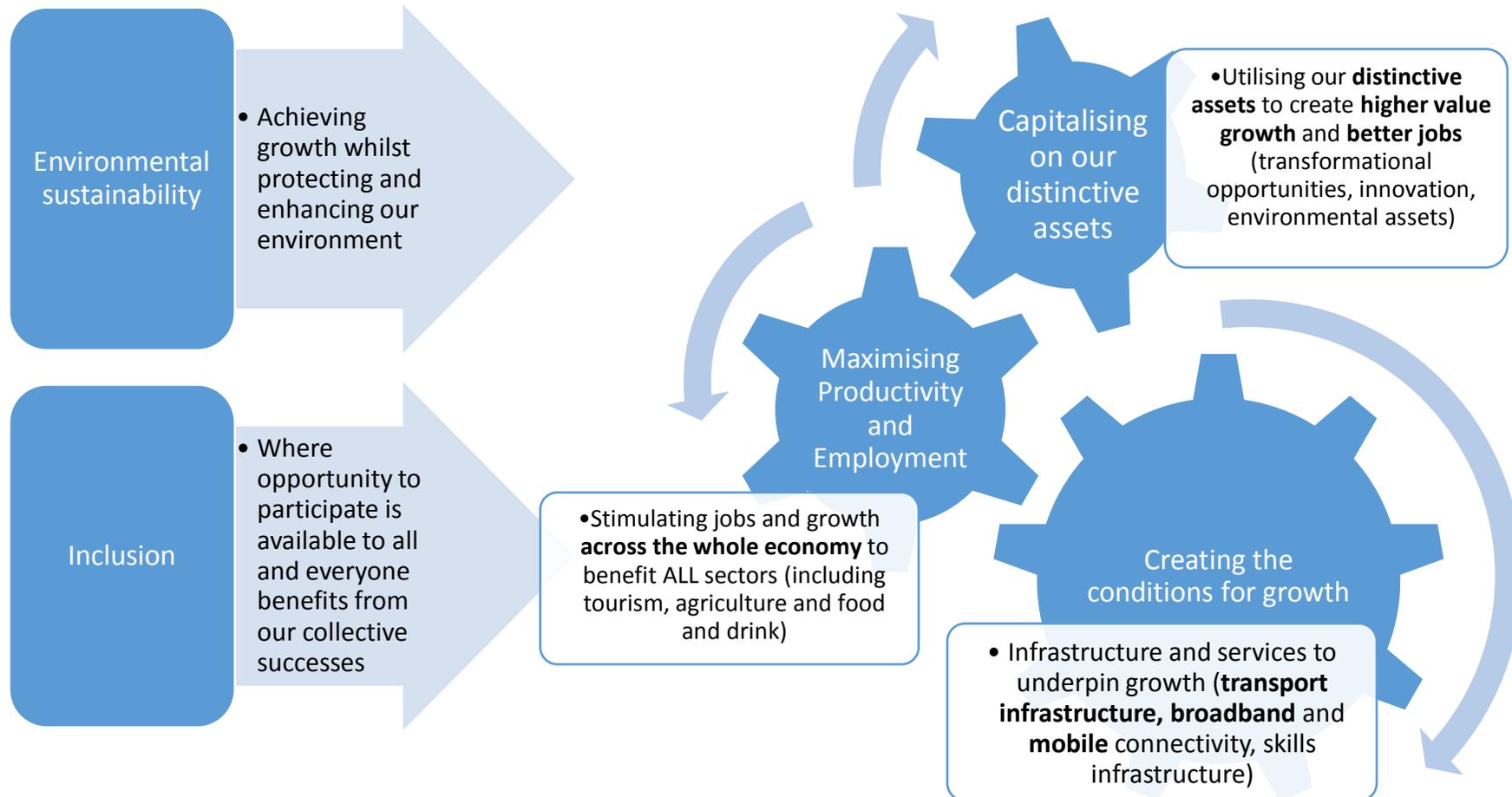
- the importance of maximising our transformational opportunities to deliver a sustainable legacy and inspire wider application;
- the importance of getting the conditions for growth right;
- the need to create jobs and higher value jobs to increase average wages; and
- the challenge to stimulate growth in both rural and urban areas whilst protecting and enhancing our outstanding natural environment.

*“Social Enterprises are making a distinctive contribution to the HOTSW LEP. Not only do we have one of the highest concentrations of Social Enterprises in the Country with the first Social Enterprise City and University but they also uniquely contribute to one of the LEP’s distinctive qualities which is ‘good growth’- that is economic growth that is well balanced with social and environmental needs.”* Vaughan Lindsay, CEO, Dartington Hall Trust

## Our Core Aims

Utilising a balanced approach to growth, our mission is articulated through three core aims and two cross cutting principals.

Figure 3: Our Core aims



## Our Priorities

Figure 4 below highlights our priorities for action under each of these core aims. Our evidence for this prioritisation can be found within ‘Understanding our Growth Potential’. Further details of the intervention logic for each priority and our key proposed actions are contained in Part 2 of this document.

Figure 4: Our Priorities for Growth

	<b>Creating the Conditions for Growth -</b> <i>Improving our infrastructure and services to underpin growth</i>	<b>Maximising Productivity and Employment Opportunities -</b> <i>stimulating jobs and growth across the whole economy</i>	<b>Capitalising on our Distinctive Assets -</b> <i>Utilising our distinctive assets to create opportunities for business growth and better jobs</i>
<b>Place</b>	<p>Infrastructure for growth:</p> <ul style="list-style-type: none"> <li>• Transport and accessibility</li> <li>• Digital infrastructure</li> <li>• Sustainable solutions for flood management</li> <li>• Energy Infrastructure</li> </ul>	<p>The infrastructure and facilities to create more and better employment:</p> <ul style="list-style-type: none"> <li>• Enterprise infrastructure</li> <li>• Strategic employment sites</li> <li>• Unlocking housing growth</li> </ul>	<p>The infrastructure and facilities needed to support higher value growth:</p> <ul style="list-style-type: none"> <li>• Specialist marine sites</li> <li>• Science/Innovation infrastructure</li> <li>• Maximising our environmental assets</li> </ul>
<b>Business</b>	<p>Creating a favourable business environment</p> <ul style="list-style-type: none"> <li>• A simpler, more accessible, business support system, tailored to our needs <ul style="list-style-type: none"> <li>○ Improving access to finance</li> <li>○ Stimulating enterprise and growth</li> </ul> </li> </ul>	<p>Achieving more sustainable and broadly based business growth:</p> <ul style="list-style-type: none"> <li>• Reaching new markets (on-line, supply chains, public sector)</li> <li>• Globalisation (exports and inward investment)</li> </ul>	<p>Supporting higher value growth:</p> <ul style="list-style-type: none"> <li>• Innovation through Smart Specialisation</li> <li>• Building our capacity for innovation</li> </ul>
<b>People</b>	<p>Creating a responsive environment, where businesses and individuals can reach their potential:</p> <ul style="list-style-type: none"> <li>• Skills infrastructure and facilities</li> <li>• Accessibility to education/employment (transport, careers advice and digital inclusion)</li> <li>• Employer engagement and ownership</li> </ul>	<p>Increasing employment, progression and workforce skills.</p> <ul style="list-style-type: none"> <li>• Moving people into employment</li> <li>• Supporting people to progress to better jobs</li> <li>• Improving workforce skills</li> </ul>	<p>Creating a world class workforce to support higher value growth:</p> <ul style="list-style-type: none"> <li>• Enterprise and business skills</li> <li>• Technical and higher level skills development and retention</li> <li>• Maximising the skills and employment opportunities aligned to our transformational opportunities.</li> </ul>

## Our Growth Aspirations and Key Outcomes

Our vision articulates an aspiration to re-position the Heart of the SW, as an economic force within UK plc. In this section, we explore what that could mean in terms of economic output, jobs and homes, as well as our relative performance. We then go on to identify a series of outcomes we would like to achieve, against our core aims.

### Growth Scenarios

Projections from Oxford Economics, show that without action, growth will be slow and our economic performance will continue to diverge from the rest of the UK - an unacceptable scenario. We believe, that with the right support and investment, we can deliver strong and potentially transformational growth, as illustrated in Table 2.

As we discuss in our evidence base, the Heart of the SW has many of the ingredients necessary to achieve these ambitious levels of growth and make a serious contribution to UK Plc. For instance, the £16bn investment to build Hinkley Point C, is the largest engineering project in Europe and will employ 25,000 individuals over the project lifetime.

Our EUSIF provides us with one of the tools to catalyse these opportunities, as well as driving up employment opportunities and productivity across our whole business base (including agriculture, tourism and food and drink).

However, the key to unlocking transformational levels of growth, is the need for '**transformational investment in our enabling infrastructure**'; resilient and faster road and rail infrastructure, digital connectivity and housing and employment sites. Without this investment, which we call for in our Growth Deal 2015 document, we cannot expect to achieve this transformation.

Table 2: Potential Growth Scenarios and Metrics

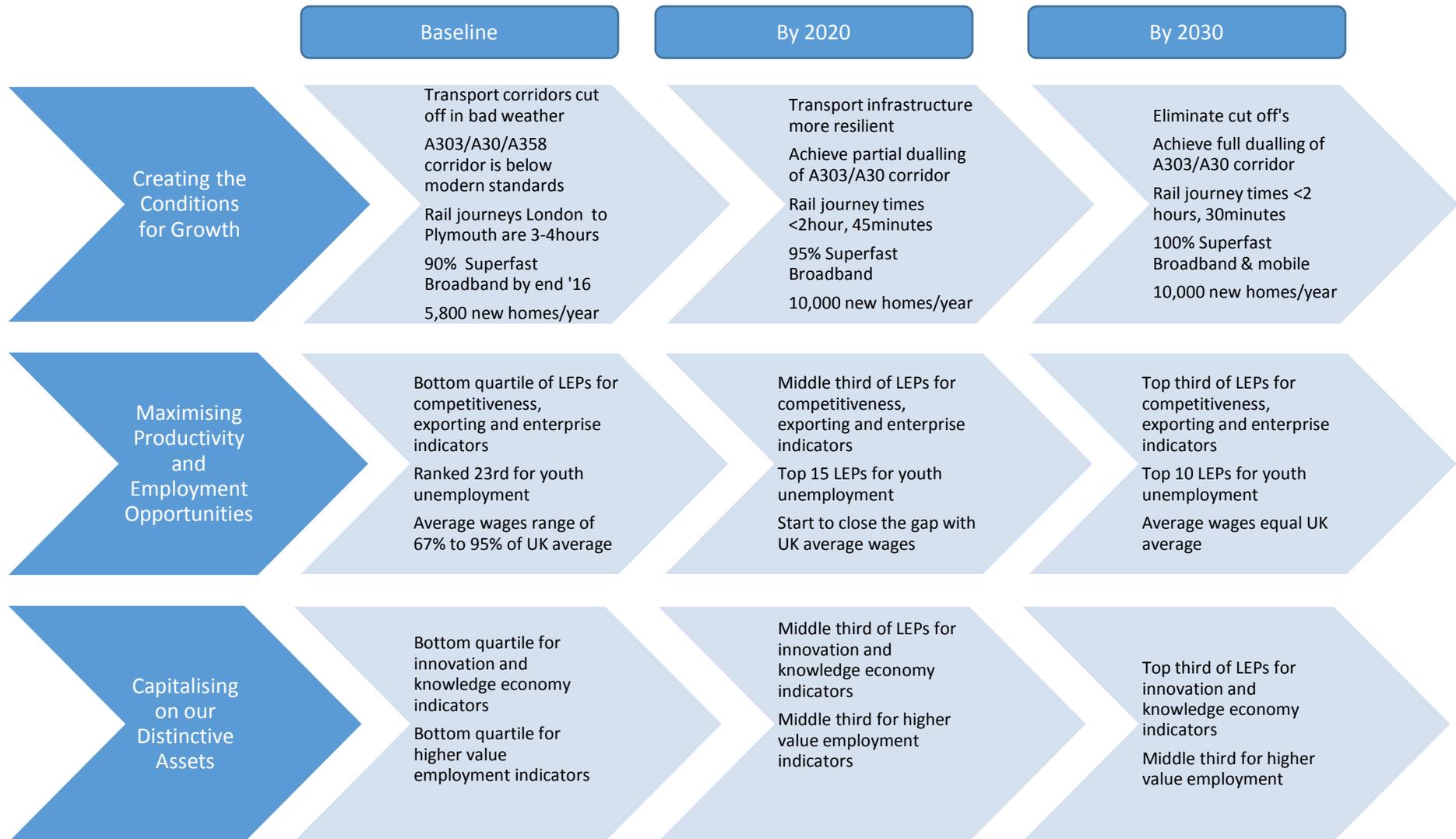
	<b>Baseline – Continuing to fall behind UK average</b>	<b>Strong Growth – Keeping Pace with UK average</b>	<b>Transformational – Faster than UK average</b>
<b>Average growth Rate</b>	2.654%	2.8-2.85%	3.06%
<b>New jobs by 2030</b>	82,000	112,000-120,000	163,000
<b>GVA by 2030 (2010 prices)</b>	£45bn	£47-£47.5bn	£49bn
<b>New Homes by 2030</b>	104,421 <sup>20</sup>	135,000-144,000 <sup>21</sup>	179,000
<b>Investment needed to achieve</b>	n/a	EUSIF, City Deal, private sector investment in Hinkley, Moderate LGF allocation and some freedoms and flexibilities	As per strong growth, plus: Significant LGF allocation AND commitment to address strategic transport infrastructure

### Key Outcomes

<sup>20</sup> Based on delivery rates (2008-2012/13)

<sup>21</sup> Based on modelling housing requirements to support growth scenarios

For each of core aims, we will measure success against the following outcomes:



# Part 2: Understanding our Growth Potential

*“The SW has huge potential as a focal point of entrepreneurship and innovation, and is a fantastic place for the development and delivery of fresh and compelling business support services for economic growth and social inclusion. Not only is it distinctive in the quality of its environment, for its hospitality, its great food and drink, but also has unique opportunities that will the right support could deliver significantly increased levels of productivity, with locally-based businesses that are competitive and successful on the world stage.”*

Adam Chambers, CEO Peninsula Enterprise

## Introduction

In this part of the report we provide a narrative to describe the Heart of the SW and its potential for growth. Whilst much of our work has centred on three themes of Place, Business and People, a number of over-arching drivers and challenges transcend these themes and will be discussed first. These are:

- Output and Productivity;
- Population; and
- Transformational opportunities.

For each of our themes, we will:

- Review key socio-economic indicators and trends;
- Discuss drivers and barriers to growth;
- Identify Strengths, Weaknesses, Opportunities and Threats; and
- Discuss relative priorities.

## Overarching Challenges and Opportunities

### Output & Productivity

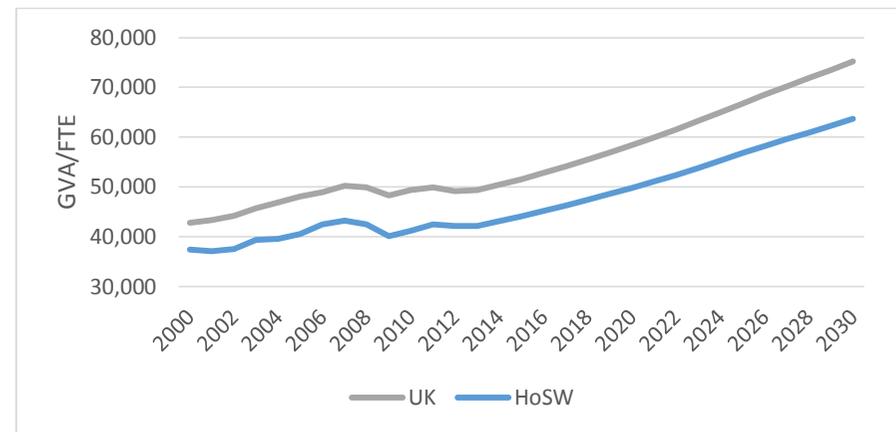
The Heart of the SW economy was worth £27.4bn in 2012, 2.3% of the England total. This equates to £16,318/head, compared with £21,937<sup>22</sup> for England, a gap of £5,619/head (or 74% of England). However, this varies significantly, across the area, with GVA/head being exceptionally low in Torbay at £13,080 and higher than the LEP average in Plymouth at £17,579.

However, GVA/head is not a particularly good measure of labour productivity, as it takes no account of inactive people (such as those who

<sup>22</sup> Regional Gross Value Added, ONS 11 Dec 2013

are retired or students) and people working outside the area. GVA/job indices show a better relative performance with Devon and Somerset at 82% and 84.5% respectively of the UK levels in 2011<sup>23</sup>. However, our forecasts, illustrated below, suggest that our labour productivity will fail to keep pace with the rest of the UK.

Figure 5: Forecasted GVA/FTE<sup>24</sup>



- Persistent productivity gap between Heart of the SW and rest of UK;
- Risk that the gap will widen by 2030; and
- Significant variation at a district level.

<sup>23</sup> Subregional Productivity (Updated July 2013), ONS

<sup>24</sup> Heart of the SW Economics Model, Forecasts 2013

## Population

The Census 2011 showed that the population has risen 5.8% since the previous census to 1.667m and is set to continue to rise steadily. Inward migration and a rising fertility rate in recent years both contributed to this growth. Forecasts suggest that by 2030, the LEP area population will be approx 1.9m<sup>25</sup>. Plymouth and Somerset saw the greatest population growth in that time, while in contrast Torbay grew only 0.8%. This may be in part a result of an older age bias in Torbay, with 45% of the population aged 50 and above (compared to 35% in England and Wales).

With 21.3% of the LEP area population over 65 in the 2011 census, our ratio is higher than the average of 16% in England. Current population projections expect this proportion to rise rapidly with Devon, Somerset and Torbay all expected to exceed the 25% mark by 2021 (Torbay 27.3%). If current trends continue, this will create workforce and dependency ratio changes, particularly where we see a decrease in the proportion of working age people. The number available to work is likely to level off and even decrease, with a net increase of approximately 43,000 working age people (between 2012-2030), as shown in Figure 4.

## Spatial Distribution

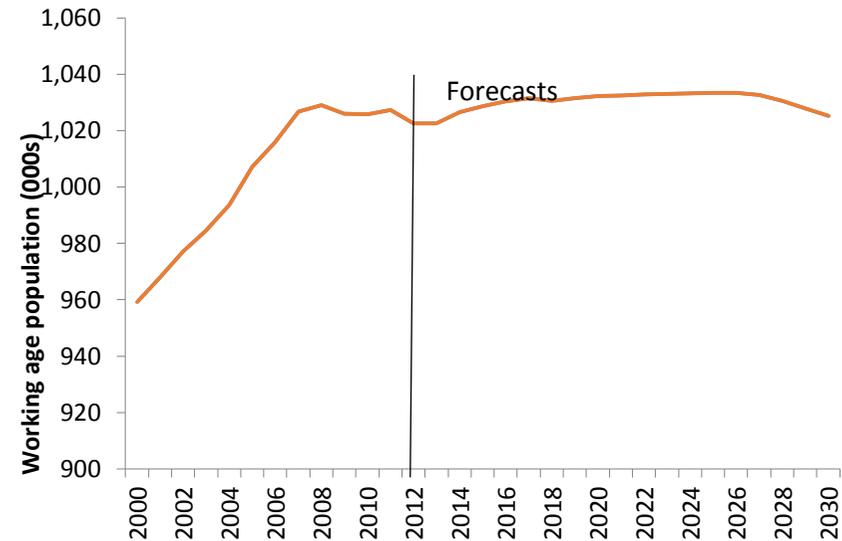
The Heart of South West LEP is one of the most rural LEPs in the country with over 90% of its land area classified as such. However just over 40%<sup>26</sup> of our population live in settlements classified as urban with just over 60% living in settlements of over 10,000<sup>27</sup> people. Torbay and Plymouth are predominantly urban unitary authorities and, together with Taunton and Exeter, make up our key urban centres.

<sup>25</sup> Oxford Economics, Economic Forecasts 2012.

<sup>26</sup> ONS LA classification

<sup>27</sup> ONS Census 2011 – Nomis web

Figure 6: Working Age Population (000s)



Source: Heart of the SW Economic Model, Oxford Economics

- Growing and aging population
- Working age population not set to rise in proportion to the population overall.
- Projections are continuations of current trends and take no account of policy or plans
- Policy and plans for housing and employment are needed to influence changes in the population profile

## Transformational Opportunities

The Heart of the SW has a number of areas of activity/major projects which have the potential to exert a transformational impact through integrated investments across the place, business and people priorities. We recognise that through the life of the strategy opportunities will emerge that we would wish to capitalise on. The evidence suggests that we have some immediate **transformational opportunities** that could drive wide reaching and lasting benefit to the area. These are:

### *Construction and legacy of Hinkley C*

Hinkley Point C in Somerset is to be the UK's first new nuclear power station in 25 years. Led by EDF Energy, the £16bn project will be Europe's largest construction scheme, and the UK's largest inward investment project, employing 5,600 individuals at peak and providing in the region of £100m/year additional GVA into the local economy during the construction process. In operation, the station will provide electricity to around 6m homes over a 60 year life cycle, contributing roughly 7% of the UK's overall national requirements.

A partnership made up of Local Authorities, EDF Energy, the area's two LEAs, colleges and training providers and wider partners have come together to identify a series of joint priorities and actions with the central aim of maximising the potential of the development at Hinkley. The partners have agreed the following three key principle objectives of these joint activities:

- A successful outcome to the construction of Hinkley Point C- on time and on budget, paving the way for further investment in this key Energy Sector;

- Maximising the opportunities for local and UK based businesses and people to benefit from being involved in the construction project and associated development
- Delivering a real legacy for the area – the people, the businesses and the place.

### Hinkley Strategic Development Forum

Government, EDF Energy and local delivery partners established the Hinkley Strategic Delivery Forum to ensure a co-ordinated approach to the delivery of economic growth, jobs and supply chain opportunities presented by the development at Hinkley Point. The Forum brings together senior representatives from key Government Departments (DECC, BIS, DCLG, DWP and DfT), the LEP, Somerset local authorities, business representatives, educational leaders and EDF Energy. At its heart, the Forum provides leadership upon four key issues:

- Maximise supply chain opportunities
- Create lasting employment opportunities and routes into jobs
- Upskill the existing workforce in the South West, and provide routes into training with real prospects of job opportunities.
- Facilitate associated infrastructure necessary to enable and support the growth agenda

Since its inception, the forum has provided a crucial mechanism for engagement through the planning process between local, commercial and Government partners; acted as sponsor for key initiatives such as the Hinkley Programme; and marshalled both resources and prioritisation between local and national levels.

*Marine sector growth through the Plymouth and South West Peninsula City Deal, South West Marine Energy Park*

Activities proposed under the City Deal will drive forward the growth of the Marine sector (Marine and offshore R&D, manufacturing and services – including ship building (defence related and leisure) and marine renewables across the whole Peninsula (including Cornwall and the Isles of Scilly LEP). The deal builds on an area of clear competitive advantage in terms of both existing businesses and employment as well as unrivalled cutting edge marine research and demonstration facilities such as the new hydro-dynamic test facility in the new Marine Sciences Building in Plymouth and extensive research capability at Plymouth Marine Laboratories. Recent developments to achieve a tidal demonstration zone in the North of the area as well as potential tidal lagoons, also align with this opportunity. This sector is closely aligned with other key sectors across the Heart of the SW and as such has potential to drive forward significant supply chain opportunities.

***“The South West Marine Energy Park builds on the region’s unique mix of renewable energy resource and home-grown academic, technical and industrial expertise. Government will be working closely with the South West MEP partnership to maximise opportunities and support the Park’s future development”*** Greg Barker MP, Minister of State, DECC

*Aerospace and Advanced Manufacturing*

These industries around Yeovil and along the M5/A38 corridor are an integral component of a wider SW cluster (including the West of England, Dorset and Gloucestershire) and key to delivery of the UK Aerospace industrial strategy, with strong read across to at least three of the eight

great technologies (big data, advanced materials and robotics). Our Transformational Opportunity is to work collaboratively with our neighbouring LEPs to support the growth of these industries and their supply chain (including through diversification into civilian and service contracts) and also their relationship to other engineering-based areas of activity (e.g. marine, nuclear).

***“74% of Agusta Westland Limited’s value-added comes from bought out equipment and services. It spends over £500m per annum within the UK supply network alone. 35% of this spend is with SMEs. Almost £200m is spent in the South West with over 250 suppliers, almost all of whom are SMEs.***

***The health of these SMEs is vital for our business, therefore these initiatives, which provide a real opportunity for our suppliers to grow into new markets and become less dependent upon our business has to be really good news for us, having suppliers over dependent upon our business streams for their health and survival is not a good position for them or for us”.*** Simon Barker, Augusta Westland.

*The Global Campus for Environmental Futures*

The ‘**Global Campus for Environmental Futures**’ will be catalysed by securing the Met Office supercomputer to the Exeter Science Park. It will create new industries and open up new opportunities for employment and growth. The Exeter Global Campus represents a 'once in a generation' opportunity to co-locate world leading researchers with key commercial partners around one of Europe’s most powerful supercomputers. The new Met Office supercomputer will transform the operational and research capabilities of the UK in environmental prediction. The Campus will act as a nucleus for world-leading science, business innovation and

impact. It will attract the best scientists, technologists, companies and thought leaders to deliver longer-term growth in the private sector and maintain the UK's number one position in environmental science.

Weather and climate, and their effects on society and the environment are global problems with a market for solutions estimated to be worth £35bn by 2015. To realise the scale of this unique opportunity a greater concentration of research expertise, teaching, training, and environmental informatics is required. But industry demand is fragmented and slowly emerging with no clear major companies or a leading physical location as a source of knowledge, engagement and capability to accelerate this process.

There is real potential for the Exeter Science Park and related organisations to become one of the world's major concentrations of weather and climate research expertise, knowledge and data modelling infrastructure, at a single site. Other research organisations and businesses will be attracted to the Park in order to take advantage of expertise and services to help solve problems of environmental impacts such as extreme weather events, heat, water supply and food security as well as climate prediction and longer-term climate change.

*“The UK holds a world leading position in environmental science, and has a lot to offer in this vital area of research. The Global Campus for Environmental Futures provides an exciting opportunity to create an environment for sharing ideas and expertise from across research organisations and disciplines, helping to translate knowledge and data into growth.”* Professor Dame, Julia Slingo, OBE, Met Office Chief Scientist

### *Wider Implications*

Several of these opportunities, along with our plans for improvements in transport and housing growth will have big implications for the growth of the **construction sector** in the Heart of the SW and beyond. Later in this strategy, we articulate how we could work in partnership with the construction industry as well as the multitude of Government agencies to bring forward the skilled labour force needed as well as creating opportunities for the most excluded groups.

### *The Role of the Transformational Opportunities*

These opportunities have been identified for their potential to exert a transformational impact on our economy. As such, they cut across our themes of people, place and business. For each opportunity, we will be exploring:

- Place – do we have the right facilities, buildings and equipment?
- Business – How can we encourage new starts and participation in supply chains?
- People – What skills are needed? How can we link people to the opportunity?

Due to their strategic nature, this is a key area where we will be working collaboratively with neighbouring LEPs.

## Thematic analysis

We have approached our analysis of the economic strengths, weaknesses, opportunities and threats by the themes of Place, Business and People, in order to arrive at our priorities for intervention. This next section will look at each of these in turn.

### Place

In this theme, we cover the following topics:

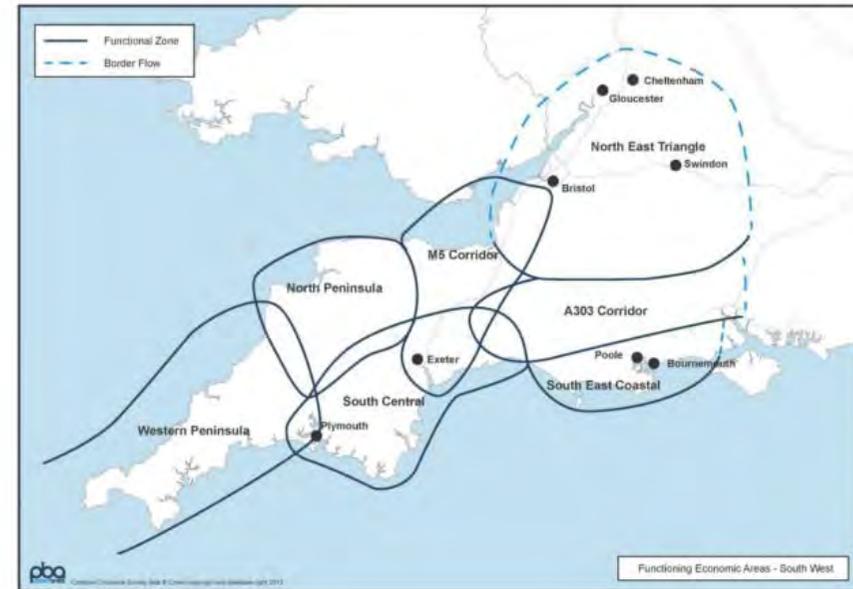
- Our Economic Geography;
- Transport;
- Digital Infrastructure;
- Housing;
- Infrastructure; and
- Environment.

### Our Economic/Spatial Geography

The SW has seven overlapping Functional Activity Zones, six of which feature/overlap in the Heart of the South West:

- South Central: including Exeter, Plymouth, and Torbay.
- M5 Corridor: bridging zone between north and south.
- A303 Corridor: linking East Devon, South Somerset and the South
- North Peninsula: predominantly rural covering North Devon, West Somerset and Torridge.
- North East Triangle: including Mendip and neighbouring LEP areas.
- Western Peninsula: Mainly covering the county of Cornwall, but overlapping with West Devon and Plymouth.

Figure 7: Functional Economic Areas<sup>28</sup>



Whilst there is interaction between these areas and individual businesses and organisations, the economies of these areas can be very different and our plan needs to reflect these challenges.

<sup>28</sup> Heart of the South West Local Enterprise Partnership. Baseline Evidence. PBA Oct 2013

### *Assisted Area Status*

The UK Government designates Assisted Areas within European Commission guidelines. These are areas where State Aid, provided as Regional Aid, can be used to promote the economic development of certain disadvantaged areas across the EU.

### *What this means for the Heart of the South West*

Regional aid for business consists of aid for investment, or in certain limited circumstances operating aid, targeted on specific regions to redress regional disparities. Increased levels of regional investment aid may be granted to SMEs and larger businesses located within the disadvantaged areas to safeguard and create employment. Some examples of assistance to businesses that could benefit further from this designation include Regional Growth Fund and measures to bring redundant buildings back into use to safeguard and create jobs.

The Government has used a set of key criteria to determine designated Assisted Areas. These are economic need; economic opportunity to address need, focused in particular on manufacturing businesses; population coverage within the limits set by the European Commission and adjacency to Cornwall's European Convergence funding zone. Under European Commission guidance, clusters of wards included as Assisted Areas must form contiguous areas.

### *Where in the Heart of the South West is covered?*

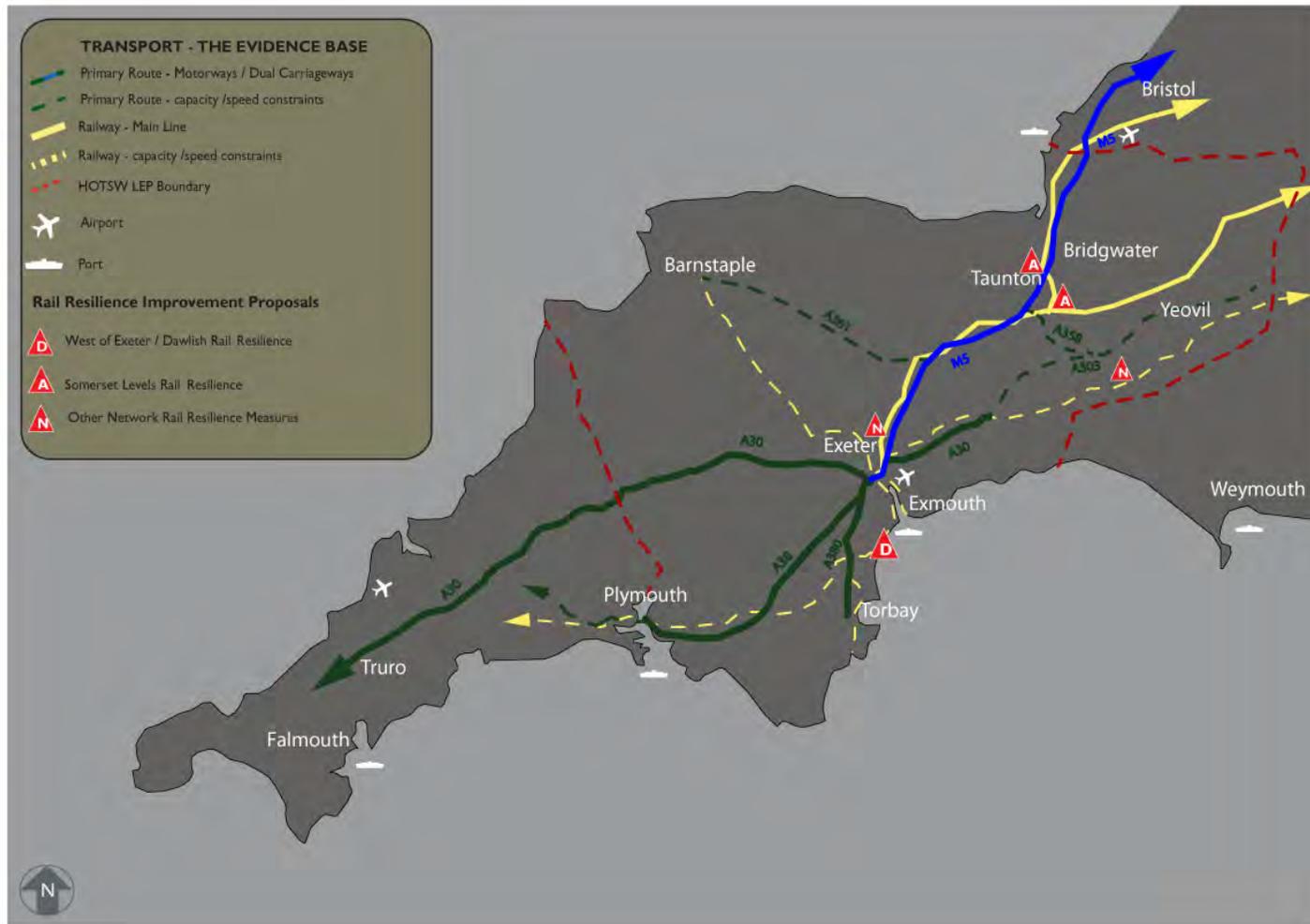
Assisted Areas coverage is designated on a ward by ward basis. In the consultation on the draft map for 2014-2020, significant areas within the local authority boundaries of Plymouth, Torbay, South Hams, Teignbridge, Torridge and North Devon were proposed by BIS for coverage by this designation, a significant increase from the previous map for 2007-14. Throughout the consultation the LEP has supported the inclusion of wards

with both economic need and business opportunity to safeguard or create significant manufacturing employment.

## Transport

Figure 8 below shows the Strategic transport routes across the Heart of the SW.

Figure 8: Strategic Transport Routes



This shows:

### Road

- M5 motorway, A 38 trunk road and A380 primary route – dual carriageway grade from Bristol to Exeter, Plymouth and Torbay. Some junctions along this route are now **at or reaching capacity**, therefore new development close to these junctions cannot take place. In particular the junctions associated with Hinkley.
- A303 – direct trunk road route to London and SW - is of inconsistent standard and suffers significant delays at peak times. **(single carriageway)**. ;
- The last remaining single carriageway length of the A380 is currently being replaced by dual carriageway – **the South Devon Link Road**;
- A30 – dual carriageway route from Exeter to Cornwall;
- A361 – main highway link to N. Devon – **only single carriageway**

### Rail

- Mainline rail journeys to London from Plymouth are slower than to all other English cities over 100,000 population
- Rail – main line double track from Bristol/Reading/Newbury to Exeter/Plymouth and Torbay served with hourly high speed train services to and from London and hourly cross country service to and from the midlands and the north. However, **line capacity is limited and there is not a corresponding regular local service to call at all the intermediate stations along the route**;
- Rail – Exeter to Yeovil and London – mainly **single track** between Exeter and Salisbury, resulting in constraints on frequency of service and journey times;

- Rail – Exeter to North Devon – **single track** which constrains frequency and alignment limits train speeds;
- Air travel – Key Airports serving the area are Exeter and Bristol - with scheduled flights to a number of domestic and European destinations as well as charter traffic. The future of Plymouth airport (which is currently closed) is under review; and
- Ports - The major seaport is Plymouth (including ferry link to the continent), with smaller local ports at Teignmouth, Bideford, Appledore, Dunball and Ilfracombe. Plymouth serves both MOD and commercial activities.

### Strategic Resilience

Our strategic transport infrastructure is vulnerable to flooding with significant disruption in recent winters:

#### Winter 2012

- £140m damage and dislocation of networks
- Flooding at Exeter (Cowley Bridge), where the line was twice washed away severed mainline train links to the rest of Devon and Cornwall for 15 days, with repair costing £15m and compensation payments of £12m

#### Winter 2014

- Even greater damage, with sea wall and mainline railway line destroyed at Dawlish, with total closure of the only railway route West of Exeter for an estimated 2 months
- Taunton to Bristol railway flooded for over 1 month
- A361 (in Somerset) and many other roads closed for some 3 months.

As the disruption is on-going and costs to businesses are continuing to accrue, it is not possible to accurately assess the impact of this disruption

at this time. However, early work by the Plymouth Chamber of Commerce and Industry highlights the scale and type of impact on businesses participating in their survey and is highlighted in Figure 8.

Climate change scenarios prepared by the Met Office suggests that patterns of more extreme winter weather, such as those experienced in the last two winters, are likely to increase in frequency.

*Figure 9: Emerging Business Impact of 2014 Rail Disruption*

**Impact of the 2014 rail disruption**

A recent survey of SW Peninsula Businesses, conducted by Plymouth Chamber of Commerce and Industry (with support of other business representative organisations) found:

- 75% of Peninsula businesses are experiencing difficulties with the closure of rail links in the SW;
- 26% of businesses reported that 75% of their annual turnover comes from outside the SW;
- 78% of businesses are experiencing extra costs for every day that the line is closed;
- 85% of respondents reported that the disruption is causing difficulty in winning new business;
- 33% of businesses use SW rail infrastructure on a weekly basis to get to and from other parts of the UK; and
- 88% of businesses reported that the disruption is affecting their ability to meet with business contacts directly as rail passengers.

Note: 342 businesses from the SW peninsula responded to the survey.

*“The storms and bad weather this winter have highlighted the vulnerability of transport links to the South West of England. It is essential that the region has a robust and sustainable rail link together with an adequate alternative road network to support the M5, i.e. a fully dualled A30/A303.”* Derek Phillips, Vice President & Chair of South West Chambers of Commerce

### Transport and Productivity

Our peripherality and distance from markets has a direct correlation with productivity. The Universities of Bath and UWE<sup>29</sup> found that connectivity improvements to major conurbations, but in particular London, can unleash significant economic growth. The report found that **productivity decreases by 6% for every 100 minutes** of journey time from London. Likewise, the OECD found that among regions with below average GDP per head, **transport infrastructure played a key role in driving growth**<sup>30</sup> not least in increasing the competitiveness of SMEs and bringing new businesses to areas.

The South West Spine report<sup>31</sup> estimated that 20 minute average journey time savings applied across Cornwall and Heart of the SW area could raise GVA by up to **£321m per annum at 2011 values**. Other studies concur that there would be significant wider economic benefit from electrification, reducing rail journey times and increasing frequency between Plymouth and London<sup>32</sup>. Conditional outputs from Network Rail's Long Distance Market Study proposes there is justification in reducing Plymouth/ London journey times to 2hrs 15mins, and increasing the frequency to two or three trains per hour – with benefit of approx. **£1bn p.a. to the economy**.

Similarly, improvement of the A303/A30/A358 to dual carriageway between the M3 and Taunton and improvements between Honiton and

<sup>29</sup> Meeting the productivity challenge, 2005

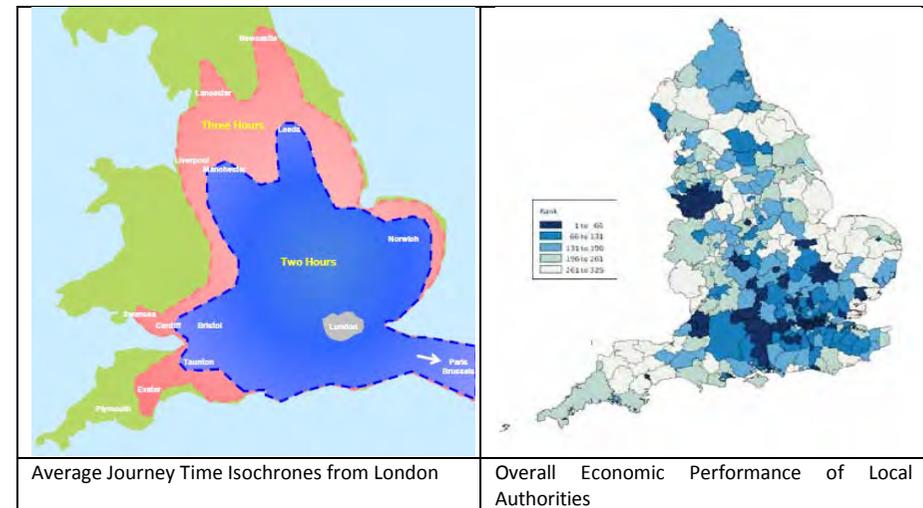
<sup>30</sup> [How Regions Grow: Trends and Analysis \(OECD\)](#)

<sup>31</sup> The South West Spine – The case for greater investment across the South West Peninsula rail network. Devon County Council, Cornwall Council, Plymouth City Council, Somerset County Council and Torbay Council. February 2013.

<sup>32</sup> Economic Study into the Electrification of rail services to Plymouth and Cornwall, March 2014

Ilminster, have been estimated to lead to the creation of some **21,400 jobs and the generation of £41.6bn to the economy**<sup>33</sup>.

Figure 10: Relationship between rail journey times and productivity



Source: SW Spine Report, 2013

KPMG also recently correlated labour and business connectivity with productivity, arguing for the benefits of HS2, but also highlighting the dis-benefit to economies further afield<sup>34</sup>.

Figure 11: Case Study – Plymouth Northern Corridor

<sup>33</sup> "A303 Corridor Improvement Programme (including the A358 and A30)", Heart of the South West LEP, Somerset County Council, Devon County Council, Wiltshire Council, April 2013 – (Webtag appraisal period)

<sup>34</sup> HS2: Regional Economic impacts, KPMG September 2013

## CASE STUDY – PLYMOUTH NORTHERN CORRIDOR

Plymouth has a well-established growth agenda, founded upon David Mackay's 'Vision for Plymouth' which aims to transform the City into "One of Europe's finest waterfront cities". Founded upon economic growth, the plan involves the creation of 42,000 new jobs and associated population increase by 2031.

Plymouth's northern corridor is a key location for this growth to occur, focused around the A386 to the north of the City and junctions with the A38. It includes existing key assets such as Derriford Hospital, the University of St Mark and St John, and Tamar Science Park. New developments are expected to provide around 9,000 new jobs on a number of sites, supported by in the region of 6,500 new homes (of which around 1,400 have already been built or have permission). This level of growth is projected to lead to an increase in GVA of at least £343.5m per year.

This economic growth will be matched by growth in housing, a new sustainable urban centre – to be the 'heart' for the north of Plymouth. In order to achieve this growth, four key pieces of transport infrastructure are required, the most important of which is the Forder Valley Link Road, which unlocks vital extra capacity on the highway network. The FVLR has the added role of completing a link between the northern corridor growth areas and the Sherford new community where 5,500 new homes and 84,000 sq m of employment and commercial floorspace are to be delivered supported by a £32m investment from the HCA.

### *Sustainable Transport*

There is a network of **local train services** operating in Devon (including Plymouth and Torbay) and local rail patronage has been growing strongly for the last decade (109% growth between 2002 and 2012 compared with 55% growth nationally), partly as the result of fruitful partnerships between local authorities and the rail industry.

Somerset has a more limited local train services network, which has been highlighted as an area of potential improvement to support sustainable transport in relation to the Hinkley development.

Commercial **bus networks operate in the largest conurbations**, Plymouth, Exeter, Torbay and to an extent at Taunton and in Northern Devon. Bus networks in smaller towns and rural areas are dependent on public funding, with the risk of failure as pressure on sources of local authority funding increases.

In rural areas, **lack of transport to access employment and training** can present a significant barrier to social inclusion, particularly for young people, the elderly and those without access to a car. A recent survey of JCP customers in West Somerset showed that 52% found limited or lack of public transport a barrier to accessing work<sup>35</sup>.

However, significant investment has also been made in facilities for **cyclists and pedestrians**, including long distance recreational routes and utility cycling/ walking routes in towns and cities. The limited size of many towns in the Heart of the South West means that many journeys for employment, education or shopping can potentially be made by non-motorised modes.

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<sup>35</sup> Access to Transport Survey. July 2013 Minehead JobCentre Plus in partnership with West Somerset Council

*“The Somerset Chamber of Commerce fully supports the HOTSWE LEP’s stance on improving the transport infrastructure through the LEP area, and working with neighbouring LEPs across the entire South West of England.*

*For our area to remain competitive on the UK and global stages, the transport links must be improved. For us in Somerset this means enhancing the rail network to maintain regular trains into the South East and far South West as well as the Midlands, and completing the dualling of the A303 from Stonehenge to make sure that two key road arteries into the South West are maintained – we cannot rely solely on the M5”* Rupert Cox, CEO, Somerset Chamber of Commerce

#### Key Messages:

- Our weak strategic transport infrastructure is inhibiting growth and productivity.
- The poor resilience of our transport infrastructure is damaging our economy.
- Pinchpoints in strategic network are blocking growth opportunities, particularly in relation to Hinkley
- Local Transport Infrastructure has the potential to unlock economic growth and further investment is required; and
- In rural area, lack of transport is a barrier to accessing employment, education and training.

## Digital Infrastructure

Good digital and mobile infrastructure is a vital ingredient for growth, especially in more peripheral areas such as the Heart of the SW.

Numerous studies have shown the economic and social benefits of digital infrastructure, including the UK broadband Impact Study which shows for every £1 invested, the UK economy benefits by £20<sup>36</sup>. Likewise, a study by Capital Economics demonstrated that 4G roll out could boost the UK economy by 0.5%<sup>37</sup>.

This is echoed by our business community, who identified digital and mobile infrastructure as the first and third (respectively) most important factor likely to constrain growth, in our recent business survey.

The Heart of the SW has good connectivity in most of its urban conurbations, with a high level of availability of superfast broadband (for example, Plymouth ranks 5<sup>th</sup> in England for superfast broadband availability) and 4G mobile broadband available across Plymouth and Exeter. Rural areas will benefit from one of the earliest and largest investments in rural connectivity in the UK, which will deliver superfast broadband to at least 90% of premises by the end of 2016, but further investment will be required deliver superfast to the remaining 89,000 premises not covered by the current programme, as illustrated in Figure 12.

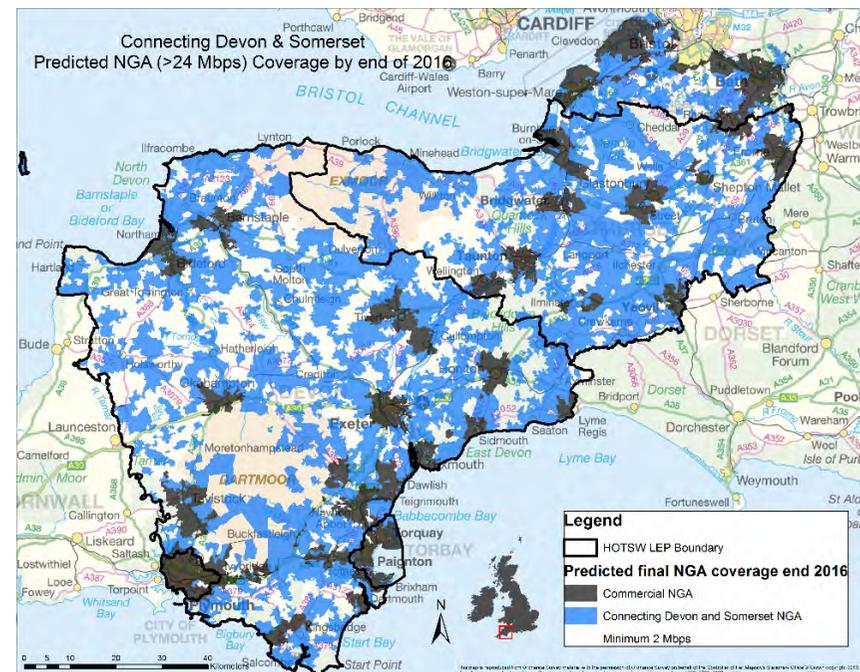
Ofcom figures show that across Devon and Somerset, both 3G and 2G mobile coverage is well below average for local authorities across the UK. Whilst we expect to benefit additional base stations from the Mobile Infrastructure Project, there is still significant scope for improvement.

<sup>36</sup> UK Broadband Impact study, Impact Report, November 2013

<sup>37</sup> ONS Mobile Broadband and the UK Economy, Capital Economics, 2012.

Evaluation studies have also highlighted the need to help businesses understand the practical benefits of superfast technology in order to maximise the impact<sup>38</sup>.

Figure 12: Connecting Devon and Somerset Predicted NGA (<24Mbps) Expected Coverage by end 2016



- Further investment in Digital and Mobile Infrastructure is required to achieve universal superfast connectivity and keep up with next generation technologies;
- Further support is needed to help businesses reap the benefits

<sup>38</sup> Interim Evaluation of the Superfast Cornwall Project, Plymouth University and Buckman Associates Ltd. 2013.

## Housing

### Demand

House prices tell us that demand for homes is already strong, with the average home costing £212,205, over 11.5 times the average wage<sup>39</sup>, significantly higher in places (in the S. Hams it is 17 times the average local wage). In the wider SW, 21,500 new households are forming, but only 13,460 homes are being built. This is putting pressure on housing stock, causing prices and rents to rise. Private rents are expected to rise by 40% in the SW by 2020. Pressure on housing stock is compounded by high levels of second home ownership and holiday homes. Housing affordability is a key social issue in our area which can partially be addressed through developer contributions.

Previously, we discussed population projections that show our population is growing and will continue to grow over the life of this plan. Our ambitions for economic growth will also drive population growth, as investment and workforce demand drive in-migration. Our modelling work shows that our growth ambitions, are likely to require an additional 74,500 homes by 2030<sup>40</sup>.

### Supply

Our analysis shows that within the Heart of the SW, we are currently building, 5,800 homes per year, this is insufficient to match our growth aspirations. An analysis of our local plans, which are largely adopted, shows that there is significant potential to grow the number of homes and employment sites. Appendix 3 shows an analysis of our strategic

<sup>39</sup> Home Truths 2013/14, the Housing Market in the SW National Housing Federation

<sup>40</sup> Heart of the SW LEP, Economic Scenarios, Housing Requirement Report. PBA, March 2014.

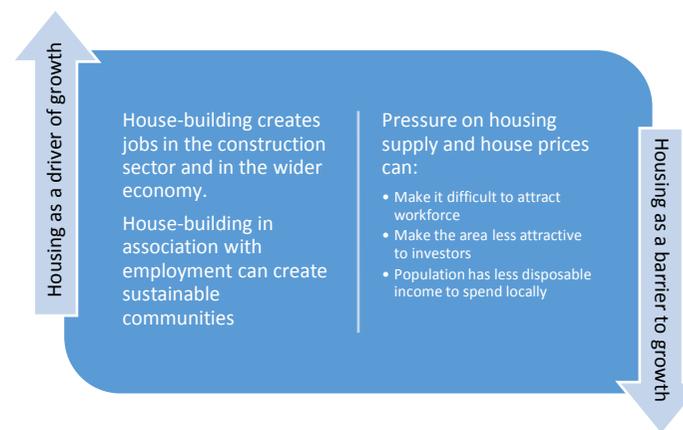
housing sites and the blockages to development. Of the 52 large sites in our area, 44 have barriers to implementation, blocking upwards of 37,000 homes. Our analysis shows that sites can become blocked for a number of reasons including:

- Transport and other infrastructure costs;
- Flood risks (to the site or elsewhere);
- Planning; and
- Commercial viability (market failure).

### Economic Impact

Coupled with this need, house-building can also give the local economy a major boost, with every new home built bringing £77,000 into the SW and creating 1.8 jobs directly and in the wider economy<sup>41</sup>.

Figure 13: Housing as a driver of growth, or a barrier



<sup>41</sup> Homes Truths 2013/14, the housing market in the SW. National Housing Federation.

In the recent economic climate delivery of new homes has been frustrated by issues of economic viability, the availability of finance and the need for associated infrastructure. However, despite obstacles, we have high profile positive examples of innovative delivery of public private sector partnership working to create both new homes and job opportunities, such as the Cranbrook New town, linked to jobs and growth with the Sky Park to the East of Exeter and the major urban regeneration programmes in Plymouth's Devonport and North Prospect.

**The Exeter and East Devon Growth Point** is a long term partnership for growth. It brings together the four local authorities of Exeter City, East Devon District, Teignbridge District and Devon County Councils, statutory agencies and a wide range of private sector partners. A Growth Board has been meeting quarterly since 2007 to help manage the delivery of an ambitious growth programme aimed at sustaining the

- Housing has the potential to drive economic growth through stimulating the construction sector
- Housing has the potential to stifle growth acting as a constraint on the potential labour force and inward investment

economic growth and to deliver a broad range of jobs in bringing forward progress to being made. The projects are coming forward at Exeter Science Park and at Skypark. New homes are also being delivered at urban extensions to Exeter and at the freestanding new community of Cranbrook. Significant investment in enabling infrastructure including a new by-pass and upgrades to Junction 29 of the M5 has helped to overcome a key barrier to delivery, namely high upfront costs. In turn this will help to unlock over £2bn of private sector investment. (photo: Still Imaging)



### Business Growth Infrastructure

The Heart of the SW has just 0.77 sq metres of commercial office space per capita. This compares to an England average of 1.58 and places the Heart of the SW in the bottom quartile of all LEP areas against this indicator. This reflects limited potential associated rental income for commercial investors – The estimated rateable value per metre squared for commercial office space in the Heart of the SW is £69, compared to an England average of £128<sup>42</sup>. These low potential yields make investment in employment space less attractive to developers.

Across our area, Local Authority Planned development of employment land is 1119.1ha. Again in the current economic climate delivery of new employment land faces issues of economic viability, the availability of finance and the need for associated infrastructure.

Given our diverse geographical area, the key to delivering employment opportunities is to ensure a supply of the right types of sites in the right areas. This means attractive to business, with a skilled workforce, appropriate support services and supporting infrastructure. The difficult economic climate makes this a challenge for potential employers, developers and public sector partners.

Of particular importance to the Heart of the SW, will be ensuring the right employment sites/facilities are available to support businesses wishing to capitalise on our transformational opportunities, such as the planned ‘spokes’ of the marine industries production campus outlined in the Plymouth and South West Peninsula City Deal.

Of equal importance, is understanding and serving rural market failure and building on the success of the ‘Rural Growth Hub’ model piloted

through the Rural Growth Network which delivered a network of capital workspaces to act as focus points for the establishment and growth of rural enterprise.

*Figure 14: Case Study – Development of Rural Workspace*

The **Devon & Somerset Rural Growth Network** is one of only 5 national pilots. Awarded £2.9m from DEFRA, with match, the overall programme is worth approx. £20m, over 2 years. A key component of the RGN is the delivery of a network of capital workspace projects as a focal point for the establishment and growth of rural enterprise, complemented with a series of revenue projects to maximise the opportunity. The programme is supporting the development of workspace in the following locations:

- Dartington Webbers Way - A £700,000 development, as part of a broader expansion of the Dartington Estate;
- Holsworthy Agri-business centre – A £6m investment to construct a new livestock market and agri-business centre
- Opportunity Okehampton – A 20 acre serviced business, office and manufacturing park
- Bicton EaRTH Centre/Home Farm Enterprise Centre – An enterprise and incubation space to complement the renewable training centre.
- Highbridge Enterprise Centre – A £1.2m enterprise centre
- Somerset Work Hubs – Three centres providing low cost office space aimed at micro-enterprises and mobile workers
- Upgrade of Dulverton and Minehead Enterprise Centres to ensure facilities meet the needs of local businesses.

<sup>42</sup> LEP Network Report, 2012

## Environment

We are known for the quality of our natural and historic environment, with numerous environmental designations including:

- Dartmoor and Exmoor National Park;
- 7 Areas of Outstanding Natural Beauty;
- 339 Site of Special Scientific Interest;
- 22 National Nature Reserves;
- 2 Ramsar Sites;
- 5 Marine Conservation Areas; and
- And 1 national trail, the South West Coast Path

We recognise that our environment provides us not just with beautiful landscapes and wildlife, but with food, fuel, pollination, flood control and great recreational and business opportunities.

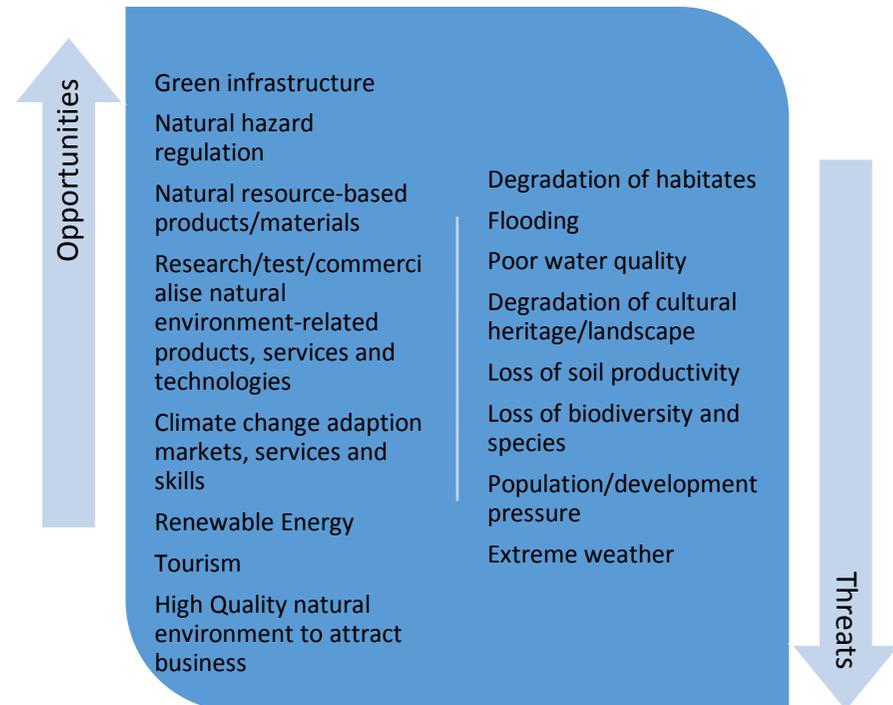
Devon Local Nature Partnership identifies three types of 'Ecosystem Services' obtained from our natural environment:

- Provisioning Services – such as resources, fish, honey, livestock, water, fuel, timber, minerals;
- Regulatory Services – such as pollination, flood control, carbon storage, improving water, soil and air quality;
- Cultural Services – including recreation, landscape and cultural heritage.

These are all important services to the Heart of the South West area, given the importance of our bedrock sectors such as agriculture (and fishing), tourism and food and drink, as well as the wider regulatory services (such as flood control).

The LEP utilised an offer from Natural England to participate in a 'Local Environment and Economic Development' or LEED process to help

identify opportunities and threats to the economic plan, which stem from the economy's dependence on the environment. The workshop approach identified the following unranked opportunities and threats.



- Our environment is a key economic asset, therefore growth needs to be responsible
- Our environmental assets support our traditional industries and provide opportunities for 'green growth'

## Flooding

The Heart of the SW area has suffered from both flooding and storm damage in recent years, including damage and closure of strategic transport infrastructure for prolonged periods, as already discussed.

In addition to the transport impacts, flooding and storm damage has affected homes, businesses and communities across the area, but in particular those in the Somerset levels. As well as direct damage impacts on individual businesses, there are signs that the 2014 flooding and storm events are impacting on both tourism bookings as well as inward investment enquiries, reflecting a perception outside the area that the Heart of the SW is closed to business.

Within the Somerset levels and moors, over 150 properties have been flooded internally and 11,000 hectares of agricultural land remain under water. Over 200 homes in several communities have been cut off, some for more than two months<sup>43</sup>.

Environment Agency data shows that across the Heart of the SW, there are 27,850 residential and 13,720 Commercial properties at significant risk of flooding by rivers or sea<sup>44</sup>. And with the impacts of climate change, the number of properties at significant risk of flooding could almost double by 2035 without additional action<sup>45</sup>.

The economic cost of the 2014 flooding and storm damage is likely to be significant, spreading much further than those homes and businesses

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<sup>43</sup> The Somerset Levels and Moors Flood Action Plan - February 2014

<sup>44</sup> Environment Agency – National Flood Risk Assessment (NaFRA) Data 2014

<sup>45</sup> Committee on climate change progress report 2012

whose homes and premises have been directly damaged. Therefore, protecting our communities, businesses and infrastructure from flooding is a ***pre-condition for growth***. It can also be argued, that the investment in flood defence infrastructure itself can be a source of job creation, both in the construction sector (in the case of hard engineering solutions) and the land based sector (in the case of soft engineering solutions).

### Exmoor Mires Project – A Soft Engineering Solution

On the uplands of Exmoor drainage ditches have been dug across the moorland for a variety of reasons and over many decades.

Generations of peat-cutting and the creation of drainage ditches has caused the mires to dry out, which reduces the water-holding capacity of the moors and releases large quantities of carbon into the atmosphere. A 'healthy' bog accumulates carbon and absorbs CO2 from the atmosphere. The Exmoor Mires Project is part of a wider SWW project 'Upstream Thinking' which aims to improve raw water quality at source, before it gets to water treatment works.

The focus of the Exmoor Mires Project, is to block drainage ditches using sustainable methods, local materials and local contractors in order to 're-wet' the bog, enabling it to retain water and carbon.

During periods of heavy rainfall, re-wetted peat bogs slow down the run-off of water from land before steadily releasing it. This increased water storage has the effect of reducing the fluctuation of river flows, making flooding less likely and reducing soil erosion and silt in rivers.

### Energy Infrastructure

In addition to Hinkley Point B (and future C), the Heart of the SW has one new gas fired power station in Langage, Plymouth, commissioned in 2010.

We also have vast renewable energy resources, including onshore wind, offshore wind, biomass and solar. We have world class offshore wind, wave and tidal energy resources and the **South West Marine Energy Park** is working to develop 9,200MW of marine energy and offshore wind by 2020, as illustrated on the map below. A key element of this is bringing forward investment in tidal energy in north Devon and the Bristol channel, in line with the proposed 'Balanced Technology Approach'<sup>46</sup>.

Figure 15: South West Marine Energy Resource



Source: South West Marine Energy Park and Regen SW

<sup>46</sup> Bristol Channel Energy. A balanced Technology Approach. Discussion Document, October 2012

Renewables energy installations more widely have grown 10 fold since 2005 and have the potential for further growth, bringing jobs and opportunities for our businesses<sup>47</sup>. Stakeholders have identified that we have existing strengths or opportunities to becoming leading in technologies related to decentralised heating and energy efficiency. In particular smart systems, district heating, combined heat and power and community energy initiatives. Improvements are needed to our **electricity grid infrastructure** to improve the resilience of our energy distribution networks as supplies become more diversified.

In terms of energy efficiency, the rural nature of our area means that 20% of homes (150,000) are off the gas grid and many are old and hard to insulate with 28% having solid walls. Expected increases in fuel prices in the future mean that addressing energy efficiency both in the domestic and commercial environment will continue to be important. The Green Deal and the Energy Company Obligation have the potential to drive up take-up, in turn will incentivise uptake in energy efficiency and renewable energy measures which in turn providing an opportunity for our growing low carbon/energy sector.

- Potential to become leader in fields of new nuclear and marine renewables;
- Renewable energy capacity has increased, but there remains considerable untapped resource and market opportunity
- Grid infrastructure is starting to limit deployment
- Improving energy efficiency will continue to be important for business and household resilience, as will decentralised heat and power technologies.

<sup>47</sup> South West Renewable Energy Progress Report 2013, Regen SW

SWOT – Place



Over-Arching Place Priorities

It is clear from the analysis above, that place related issues play a vital role in the growth and success of the Heart of the SW area – through an integrated approach to stimulate employment and growth among our businesses, as well as considering the needs of people.

Our evidence shows that our **strategic transport connections** are inhibiting growth and productivity – increasing business costs and reinforcing insularity among our businesses. Of immediate concern is the **resilience** of our transport infrastructure to extreme weather events and the cost to our economy. Coupled with improvements to transport infrastructure, **Digital infrastructure** could also play a part in improving our resilience and increasing productivity.

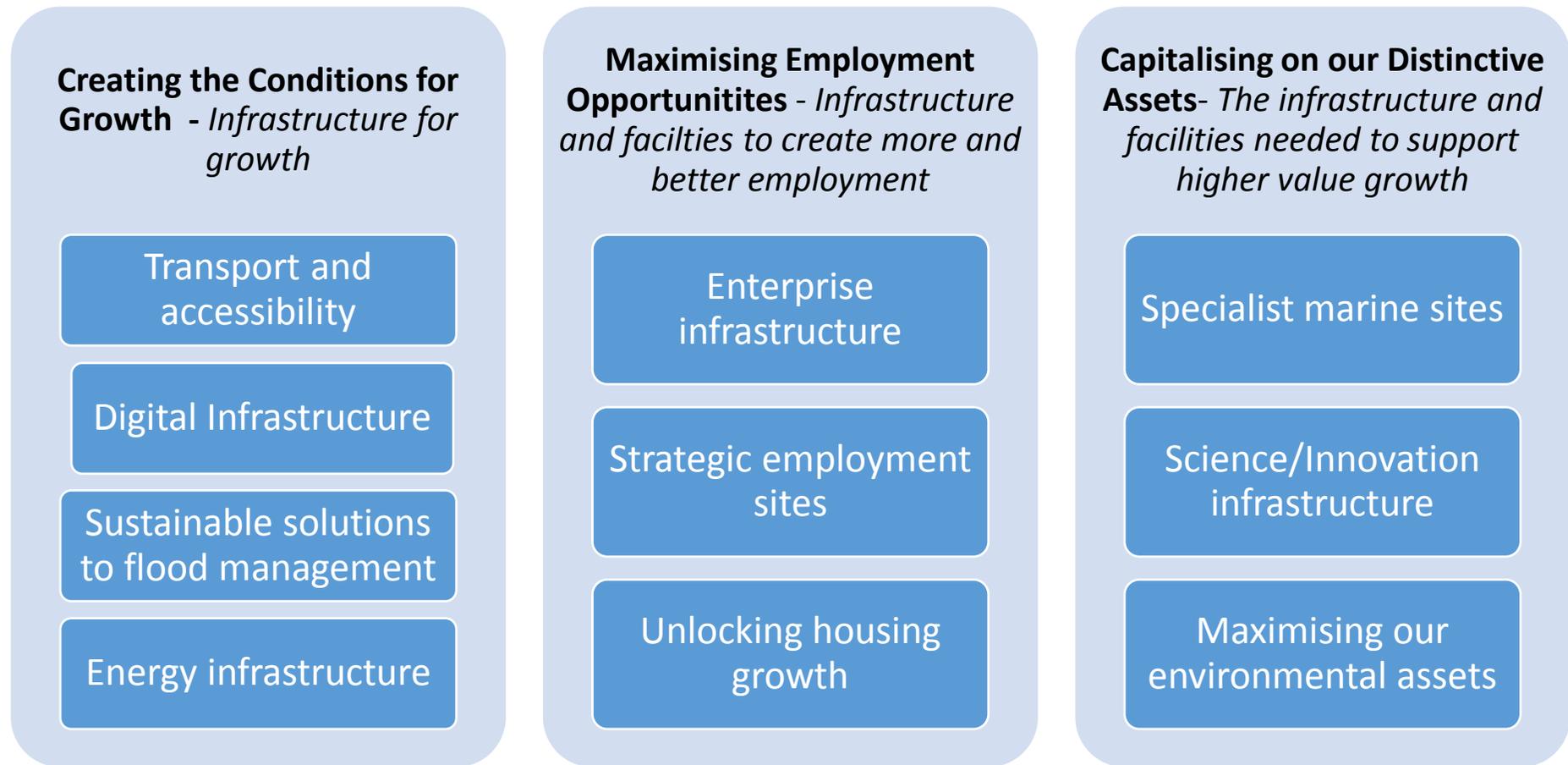
Alongside other improvements, transport infrastructure also has the potential to **unlock development of key employment/housing sites**, which are vital in achieving our ambitions for growth.

Whilst much of our employment/housing growth is anticipated in to be in **strategic urban sites** that can bring together the ingredients for growth at scale, we must also look to how place based opportunities can support rural growth. This is where our work to pilot **rural workspace**, alongside superfast broadband infrastructure will be particularly beneficial. **Enhancing our environmental assets**, which already act as a magnet for visitors, residents and investment has the potential to benefit both urban and rural communities and create jobs.

Investment in facilities and infrastructure to support our **Transformational opportunities**, such as Hinkley and the Marine Industries Production Campus (across Devon) will be of paramount importance to our growth ambition.



Figure 16: Place Based Priorities



## Business

In this theme we explore issues relating to business and overall economic performance. In particular, we will be examining:

- Our Business Stock;
- Markets and Exporting;
- Innovation and Knowledge Economy; and
- Business Support.

### Our Business Stock

The Heart of the SW has 61,455 businesses<sup>48</sup>, of which 75% fall into the 0-4 size band. However, the proportion in this size band varies significantly across our area, ranging from 67% in Exeter to 81% in our more rural districts<sup>49</sup>.

Size is important; whilst we value all of our businesses and need them all to thrive, research by the ONS shows that SME GVA per employee is on average 8.7% less than employees from larger firms<sup>50</sup>. This is supported by other research that shows smaller businesses find it harder to absorb business advice/support, access funding opportunities and participate in national programmes/opportunities (for instance, UKTI targets businesses with 5+ employees due to their greater propensity to export and the national Growth Accelerator programme targets businesses meeting the OECD definition of high growth<sup>51</sup>). Whilst we understand the need to target limited resources on those businesses most likely to benefit, the

<sup>48</sup> ONS Business Demography, 2012

<sup>49</sup> Nomis, UK business counts, 2011

<sup>50</sup> HM Government, United Kingdom Partnership Agreement, Draft. March 2014

<sup>51</sup> Defined by OECD as those with at least 10 employees and who have experienced growth at an annual average of 20% over three year period.

consequences are that proportionally fewer businesses in the Heart of the SW are able to benefit from national support programmes.

Table 3 shows our performance against a number of competitiveness indicators. With the exception of self-employment, where our performance is above average, these indicators show performance in the bottom half of the LEP league table and for some bottom 5. In particular, our levels of churn, which drive competition and innovation in an economy are particularly low.

Table 3: Competitiveness indicators<sup>52</sup>

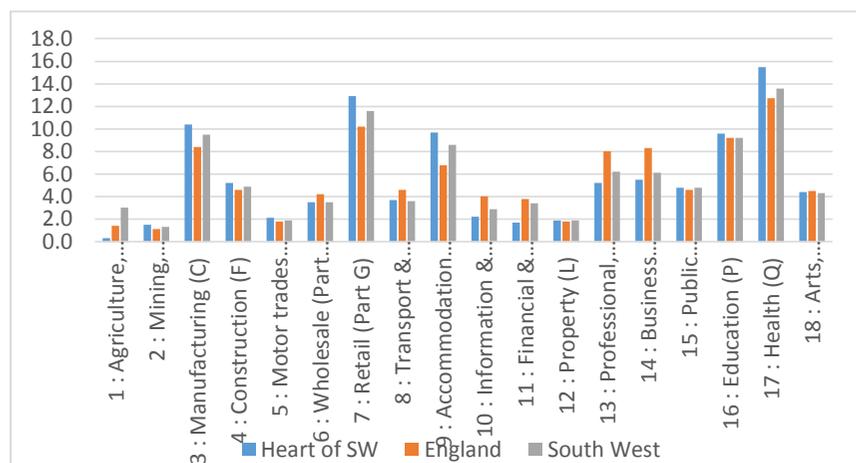
Indicator	Heart of the SW LEP	England Average	Ranking /39 LEPs
<b>Enterprise density/1000 population</b>	37	38	22 <sup>nd</sup> =
<b>Birth/death enterprise churn rates</b>	7.7% / 9.4%	10.1%/ 10.7%	37 <sup>th</sup> / 35 <sup>th</sup> =
<b>% change in number of active enterprises 2001-11</b>	7%	24%	36th
<b>Self employment 2012</b>	11.5%	9.8%	9th
<b>Local Enterprise Units with 100+ employees</b>	0.8%	1.0%	34th
<b>High growth businesses</b>	205 (3.8%)	5.1%	34th

- High numbers of micro businesses and SMEs providing an opportunity for growth, as well as a delivery challenge
- Micro-businesses unable to access national support programmes
- A need to improve enterprise rates and growth rates, by making it easier to start and grow a business.

### Business Sectors

Figure 6 shows that in 2012, the Heart of the SW exceeded national and regional averages for employment in Health, Retail, Manufacturing and Accommodation and food services. But showed under-representation in groups 10-14 which tend to represent the smaller, higher value areas of the economy.

Figure 17: Employment by Broad Industrial Group (2012)



Source: Business Register and Employment Survey, ONS. (excluding farms)

This is supported by national analysis which shows, we have just **12.2% of our population employed in knowledge intensive sectors**, and **15.3% in export intensive sectors**, putting us in 32<sup>nd</sup> and 34<sup>th</sup> position (respectively) relative to other LEPS<sup>53</sup>.

<sup>53</sup> Review of Local Enterprise Partnership area economies in 2013, LEP Network.

A more granular analysis (at 5 digit SIC codes) conducted by ERC<sup>54</sup>, found that the top five sectors by employment for the Heart of the SW centred on hospital and health related activities, education and public administration as well as retail and the hotel, bars and restaurants sectors. Analysis by Location Quotient<sup>55</sup> found the highest location quotients in agricultural activities and agriculture-based products as well as tourism related activities. The only sector which appears to have a high LQ and significant employment is the manufacture of air and spacecraft and related machinery.

The researchers also conducted a LEP wide analysis of performance against the 11 sectors identified in the Government’s Industrial strategy. The results are shown in table 4 below. This shows that we have a **strong cluster in relation to Aerospace and growing clusters in agri-tech and nuclear**.

Table 4: Heart of the SW performance against Industrial Strategy sectors

Industrial Strategy Sectors	Location Quotient for the Heart of the SW
Aerospace	Between 3-4
Automotive	Less than 1
Life Sciences	Between 1 and 2, up from <1 in 2008
Agritech	Between 2 and 3
Education	Less than 1, down from >1 in 2008
Information Economy	Less than 1
Nuclear	Between 1 and 2, up from <1 in 2008
Oil and Gas	Less than 1
Offshore wind	LQ not available – map does not indicate particular strength for HEART OF THE SW
Construction	Between 1 and 2

<sup>54</sup> Localisation of Industrial Activity Across England’s LEPs. ERC, Nov 2013 (draft)

<sup>55</sup> A measure of under/over representation (1=average, >1 over, <1 under)

### *Productivity of our sectors*

Analysis by sector shows, that with the exception of 2 sectors, GVA/FTE is below the UK average. Our analysis suggests that if we were to achieve comparable productivity across our sectors, our **GVA/FTE would rise to 94% of the UK average**. However, factors outside of our control (e.g. macro-economic conditions) suggest that growth will not be evenly spread across our sectors, but concentrated in 'growth sectors'. Our under-representation in these growth sectors is thought to be one of the reasons why, without intervention, we will continue to under-perform economically. Currently, just 35% of our employment is in the top output growth sectors, putting us in 28<sup>th</sup> position relative to other LEPs<sup>56</sup>.

*Key Message: This suggests that addressing the productivity gap will require a balanced approach that: a) Improves output and performance from our core business base; and b) Encourages the growth of higher value sectors that are able to pay higher wages.*

### *Our Traditional Sectors*

As the statistics highlight, we have a considerable strengths in Tourism and hospitality, agriculture and food and drink. Our **tourism and hospitality sector** makes up 7.4% of our VAT registered businesses, compared to 5.7% for England. The Heart of the SW is a traditional holiday destination, topping the LEP league tables with the highest number of visitor nights/year of all the LEPs<sup>57</sup>. The industry provides employment and careers across a broad spectrum of opportunities,

<sup>56</sup> Review of LEP area economies in 2013, LEP Network

<sup>57</sup> GBTS, 2010-2012. Visit Britain.

however, challenges remain to extend the season and provide year round employment.

Our strong **agri-food sector** is also to be expected, given our rural nature and number of farms. A recent study by the University of Exeter's Centre for Rural Policy Research<sup>58</sup> highlighted that Devon's food economy is larger in relative terms than the food economy of most other English counties, accounting for 13% of GVA in the county compared to 7.6% for Great Britain. Whilst comparative figures have not been produced for Somerset, we know that food and drink sector is considered to be 'buoyant' and with a strong reputation for and local food culture<sup>59</sup>.

A key element of our agri-food sector, is our fisheries which are a mature and important industry in the coastal communities of the Heart of the South West. The LEP is home to Plymouth, the largest fishing port in terms of tonnage landings in England and Brixham with the highest value of catch landed in England worth £27m in 2012, as well as 28 other working ports and aquaculture.

Our **traditional sectors will be a core beneficiary of the £15.5m EAFRD allocation described in our EUSIF**, as well as broader 'sector blind' support for all businesses that want to grow and improvements to our infrastructure to improve the conditions for growth for all businesses.

Whilst not a business sector, but a business model, **social enterprises are a growing way of doing business**, at the same time as meeting social

<sup>58</sup> A Review of Devon's Food Economy. Matt Lobley, Jo Trail Thomson and Donald Barr, CRPR Research paper No 34. 2012

<sup>59</sup> <http://www.intosomerset.co.uk/food-and-drink/>

objectives. This growth is recognised in Plymouth, with the City being recognised as the UK’s first social enterprise city.<sup>60</sup>

### Markets/Exporting

41% of businesses in the Heart of the SW Business Survey 2012 indicated that they traded beyond 100miles of their location and only 21% traded internationally. Whilst the proportion trading internationally compares to other similar surveys, evidence from UKTI suggests that businesses in the Heart of the SW are less likely to export and have a lower propensity to export. This is consistent with LEP Network data which shows our employment near bottom ranking performance on a number of measures.

Table 5: Export Related Indicators<sup>61</sup>

Indicator	Heart of the SW LEP	England Average	Ranking /39 LEPs
<b>Employment in export industries</b>	15.3%	17.7%	35th
<b>Share of foreign owned enterprises/employment</b>	0.3%	1.2%	37=
<b>Share of foreign owned employment</b>	2.9%	15%	39th

HMRC Regional Trade Statistics show the value of South West exports have risen by 6.3% to £13.5bn in the 12 months to September 2013.

<sup>60</sup> Good Growth for Cities, a report on economic wellbeing from PWC and Demos November 2013

<sup>61</sup> LEP Network Report, 2013

While this increase is to be welcomed, exports in the whole SW still only equal 6.1% of the total for England. Regional per capita value of exports are £2,522, significantly below the England average of £4,152 and making the SW the worst performing region.

Furthermore, figures show that Cornwall and IoS, Devon, Somerset, Torbay and Plymouth generated 195 new jobs in 2011/12 as a result of existing UKTI inward investment activity. This represents only 0.35% of the national successful landings (UKTI National Inward Investment Pipeline).

As well as exporting, there are also untapped opportunities closer to home. With an annual spend of £230bn<sup>62</sup>, the UK public sector offers opportunities for both large and small businesses across the economy, yet nationally and locally, this is perceived to be a difficult market to access.

*Key Messages: The data suggests that there is a need to help businesses reach new markets and export as well as encourage inward investment.*

<sup>62</sup> Consultation Document: Making Public Sector Procurement more accessible to SMEs. September 2013

### Innovation and knowledge economy

Innovation is a recognised driver of growth and research has found that growth rates of innovative firms were significantly higher than non-innovative firms<sup>63</sup>. The South West region ranks 6<sup>th</sup> out of 9 regions in England in terms of expenditure on R&D performed in UK Businesses, and 3<sup>rd</sup> in terms of numbers of people employed in R&D<sup>64</sup>. The wider region is categorised as ‘low absorber, low user, follower’ on the EU regional innovation scorecard. This pattern continues to be played out at the LEP level. Table 6 shows that the **Heart of the SW LEP is one of the worst performing on standard measures of innovation.**

Table 6: Innovation Indicators<sup>65</sup>

Indicator	Heart of the SW LEP	England Average	Ranking /39 LEPs
Percentage of employees in knowledge economy, 2011 <sup>66</sup>	12.2%	19.4%	32nd
Patents per 100 k residents	5.3	13.0	35th
Percentage of employees in high and medium technology manufacturing, 2011	15.7%	22.5%	34 <sup>th</sup> =

<sup>63</sup> BIS Analysis Paper No 2: SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention. December 2013

<sup>64</sup> UK Business Enterprise Research and Development. Source: [ONS, 2012](#)

<sup>65</sup> Review of LEP Area Economies 2013, LEP Network.

<sup>66</sup> As defined by OECD

Analysis of Technology Strategy Board (TSB) spend over the last five years shows under £20m of investment (1.8% of TSB total), with around 50% of that accounted for by a large award to Agusta Westland.

The Witty Review<sup>67</sup> highlighted the role of Higher Education in enhancing economic growth through:

- World class research in areas of comparative advantage; and
- Engaging with innovative and potentially innovative SMEs and to support them with technology, know how, expertise etc.

We are fortunate in the Heart of the SW to have 3 universities as well as 11 further education colleges, with strong relationships with the LEP. However, it should be noted that none of the three universities are located in Somerset. All three universities featured on a number of the top 20 indicators included in the Witty Review:

Table 7: How our Universities featured in the Witty Review

Indicator	Exeter University	Plymouth University	University of St Mark and St John
Value of CPD support supplied to SMEs	Rank - 7 <sup>th</sup> Value - £3.9m	Rank – 13 <sup>th</sup> Value - £2m	
Graduate Start-ups			Rank – 15 <sup>th</sup> Value - £20.1m

<sup>67</sup> Encouraging a British Invention Revolution: Sir Andrew Witty’s Review of Universities and Growth – October 2013

Both Exeter and Plymouth University were highlighted in the report for their SME models (Set Squared and Gain respectively).

The review also examined R&D expertise based on the number of citations of relevance to the Industrial strategy sectors and eight great technologies – identifying the top 20 universities/research organisations for each sector/technology. Our research organisations were identified for:

- Plymouth – Nuclear (ranked 12<sup>th</sup>), Robotics (ranked 4<sup>th</sup>)
- Exeter – Satellites (ranked 11<sup>th</sup>), Agri-science (ranked 15<sup>th</sup>)
- Met Office – Aerospace (ranked 1) Satellites (ranked 7<sup>th</sup>)<sup>68</sup>

The Universities in the West of England LEP area also featured strongly in research related to these sectors reminding us of the importance of collaboration and finding ways to help businesses to collaborate with the most appropriate institution wherever they are located.

Besides these narrowly defined areas, our universities received over £67m in research grants and contracts<sup>69</sup>, in addition to £52m of projects supporting industry and live contracts – estimated to total over £200m. Both Exeter and Plymouth Universities have Innovation/Science Park infrastructure which are directly contributing to the economic performance of their surrounding areas.

In 2011/12 the Heart of the SW had 43,395 undergraduate students and 9,270 postgraduates studying in our universities. This student population has an enormous potential for impact on our business community

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<sup>68</sup> A recent area of growth for the Met Office is space weather

<sup>69</sup> HESA, 2012/13

through programmes to link students/graduates to local businesses as well as attracting back Alumni to the region later in life.

In some parts of the LEP, like Somerset and North Devon, the lack of local Higher Education infrastructure (HEI) means there is more opportunity

SETsquared is a collaboration between the universities of Bath, Bristol, Exeter, Southampton and Surrey which partners in enterprise activities. It currently supports approximately 250 technology start-ups and has given birth to around 1,000 high-tech start-ups since its inception ten years ago. In July the University Business Incubator Index ranked it the best in Europe, and fourth in the world behind three counterparts in the USA.

for partnerships and outreach with Further Education Colleges and businesses from HEIs within this and neighbouring LEPs.

The LEP will be utilising a **Smart Specialisation** approach to targeting EUSIF innovation resources at areas of economic activity, where we have a comparative advantage in terms of our business base, knowledge base or other assets and importantly where innovation interventions can make a difference. Key areas currently being explored<sup>70</sup> are: Aerospace, Agri-food, Environmental Analytics/Big Data, Health Science, Marine, New Nuclear and photonics.

Key messages:

- Make the best use of our R&D capacity to grow thriving economic clusters and open up new markets;
- Retain or attract back graduate talent in our local economy
- Make the knowledge base easier to access for relevant businesses.



## Business Support

Our multiple consultation exercises to support the development of the Plymouth and SW Peninsula City Deal, the EUSIF and the Strategic Economic Plan identified that ‘accessing business support was perceived to be a key barrier to growth. Research confirmed this, showing that levels of uptake of some business support programmes in our area are low. For instance:

- In October 2013, only 11 calls from Heart of the SW businesses were made to the national business support contact centre;
- Only 1.8% of TSB spend in the last 5 years;
- Only 4.9% of the value of R&D tax credits were claimed in 2011-12 for SW based businesses<sup>71</sup>.

The main reason for this is a lack of awareness, relevance and understanding of the support available. Similarly, funding initiatives are complex and often out of reach for the majority of our companies, dominated by micros and SMEs.

## Rural/Urban

Our business population spans both the rural and urban environment on a roughly 50:50 basis and analysis shows that with the exception of agriculture and land-based industries, the sector profiles are not so different. That said, our evidence to support our Rural Growth Network, established that rural businesses tended to have differing needs, not least because they tend to have a higher proportion of SMEs. Our approach, tested through the Rural Growth Network Pilot, provides an opportunity for expansion moving forwards.

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<sup>71</sup> <http://www.hmrc.gov.uk/research/report107.pdf>

## "GAIN Case Study"

GAIN is a growth hub founded by Plymouth University, with Plymouth City Council and Tamar Science Park. It brings together more than £120 million of business infrastructure, world class research facilities and expertise in a network focused on growth and investment. It seeks to join up physical assets, services and products to assist people with ideas, business that want to grow and create deal flow for investors. Within the Plymouth and SW Peninsula City Deal, partners committed to extending the reach of the network across the Peninsula, and Government has co-funded, through RGF, initial support for this scaling up – both portal, face-to-face and partner-based.

The initiative has featured prominently in both the Witty Review of universities and growth, and BIS Research Paper #156 on understanding localised policy interventions in business support and skills. This latter publication identifies key issues that the SEP will address in delivering this scaling up effectively – e.g. sustaining the model in the face of time-limited, conditional external funding; ensuring deep business and partner engagement in co-design and delivery management; leadership and governance etc.

### Access to Finance

Our business surveys and consultation work suggest ‘access to finance’ is perceived to be a barrier to growth for some businesses, but that it is not as significant as barrier as other factors, such as digital connectivity and general economic conditions. This perhaps reflects national research which shows 68% of SMEs were ‘**happy non seekers of finance**’ and 41% were classified as ‘**permanent non-borrower**’. Both classifications increasing over 2012 and 2013<sup>72</sup>. The national research also showed that 7 out of 10 applications for loans and overdrafts were successful. But, **those renewing, were twice as likely to be successful (96%), than those applying for new funds (48%)**. In general, **smaller, younger SMEs and those applying for the first time were less likely to be successful**. Success rates for first time applicants are lower than in previous years (60% resulting in no facility, up from 51% in 2012).

The research found that **appetite for finance also remains limited** with 15% planning to apply for a new or renewed facility in the 3 months after interview. **Confidence** that the application would be successful is considerably lower than actual success rates and **the most significant barrier to applying for finance**.

Other research, conducted by BIS in September 2012<sup>73</sup>, explored the steps that SMEs go through when considering the need to raise external finance and the specific processes they go through to obtain this finance. This research found that:

- Most SMEs do not shop around when they need finance.

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<sup>72</sup> SME Finance Monitor. Q4, 2013: The Year in Review. BDRG Continental

<sup>73</sup> Small and Medium-Sized Enterprise (SME) Journey Towards Raising External Finance. A Report by BMG Research. October 2013

- Most SMEs spend **less than an hour considering their finance options** and less than an hour filling in the application forms;
- Only **a minority of SMEs seek external advice** when applying for finance, but of those that do, the vast majority of SMEs find the advice they receive to be useful.
- Awareness of non-bank forms of finance is lower and businesses are cautious about using these;
- SMEs are **not very aware** of Government finance schemes and how to access them. SMEs would welcome steps to **simplify and promote the schemes** through a single brand or website.

Evidence from the British Bankers Association<sup>74</sup> shows that SME’s in the SW have a **higher borrowing to turnover ratio than other regions** (2.2 in the SW compared to 0.6 in the East of England). Whilst potentially reflecting our more established business base and better relationships with banks, this ratio may also be a cause for concern, should interest

- Market failure in the commercial banking sector is resulting in some groups of SMES being under-served
- There is a lack of confidence from SMEs in applying for finance and in particular alternative non-bank sources;
- There is a need to raise awareness of alternative schemes and help businesses demonstrate their investment credentials to suppliers of finance

rates rise.

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<sup>74</sup> Supplied by South West Investment Group. August 2013

Figure 18: SWOT Business



### Business Priorities

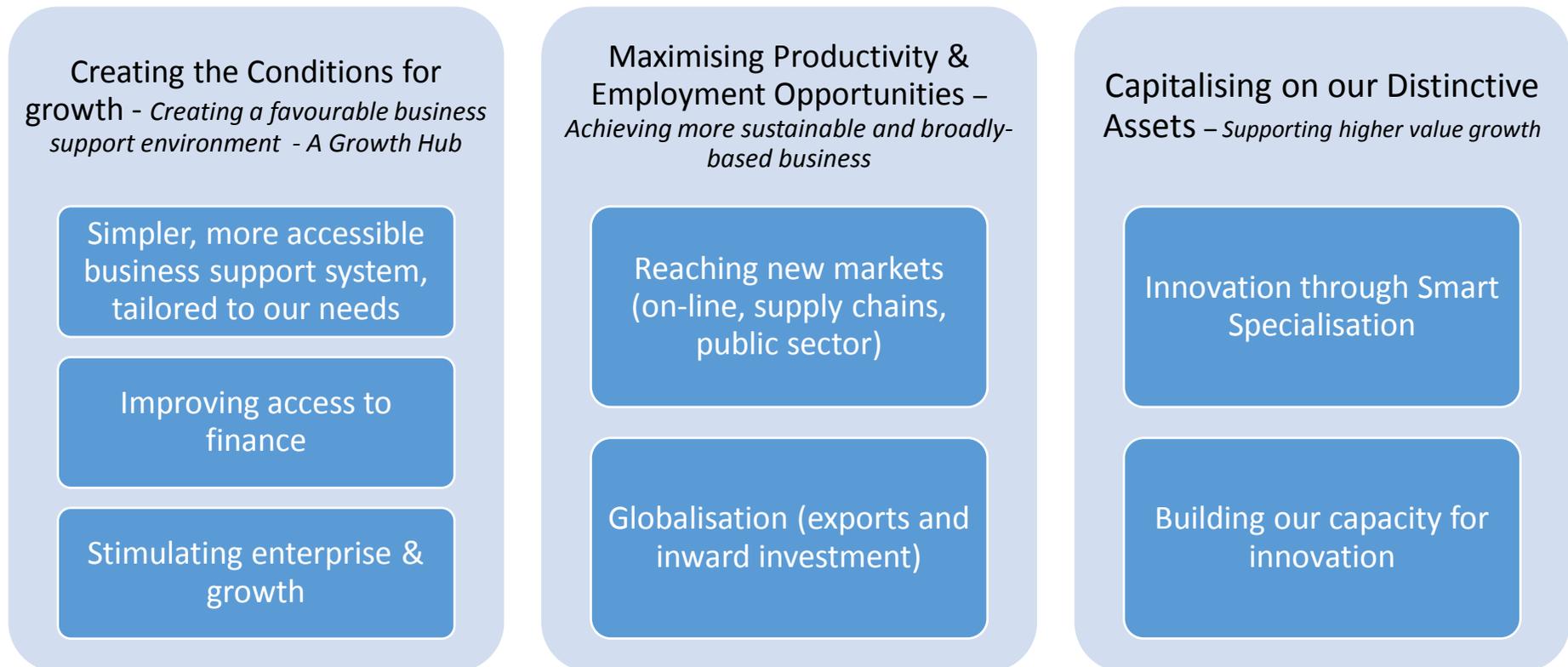
The need for transformation is urgent. Despite some strong, dynamic and outward looking businesses, our businesses tend to be smaller, older, more insular, less knowledge intensive and have lower rates of churn than national (and especially Southern) averages. When comparing performance with other LEPs, we see that the Heart of the SW sits within the bottom quartile on many measures and this is a major contributor to our poor economic performance.

Therefore, on the supply side of business growth, the Heart of the SW needs to:

- Increase density through making it easier to start-up and grow a business;
- Improve productivity and performance through better connections to the knowledge base; and
- Build on the considerable existing business ‘jewels’ and distinctive opportunities for business growth from specialisation in high value, knowledge-based activity and alignment with national investment and policy priorities.

On the demand side, the business growth priorities need to redress insularity and grow target markets for the Heart of the SW businesses – notably through our Transformational Opportunities, public sector procurement, UK and export markets and web-fuelled routes to market.

Figure 19: Business Priorities



## People

In this theme we explore our key statistics against a range of 'people' related indicators including:

- Demographics;
- Employment & wages;
- Unemployment and Economic Inactivity;
- Deprivation and Poverty;
- Workforce skills;
- Educational achievement;
- Skills of Young People; and
- Educational infrastructure.

## Demographics

As described previously, the Heart of the SW has an expanding population, expected to grow by in excess of 200,000 by 2030. We also currently have an aging population, with 21.6% of our population over the age of 65, considerably higher than the average for England of 16%<sup>75</sup>. This proportion is expected to rise rapidly with Devon, Somerset and Torbay all expected to exceed the 25% mark by 2021 (Torbay 27.3%).

However, whilst productivity is mainly generated by those in work, Research conducted by Regeneris Consulting, found that in 2010, older people contributed net economic benefits of around £1.7billion across the Heart of the SW area once exchequer costs have been accounted for.

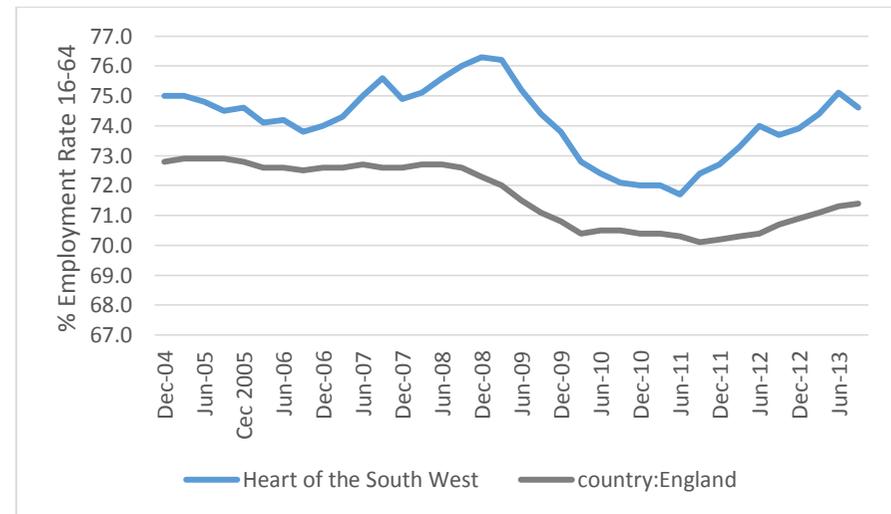
*Key Message: Demographic changes will have implications for housing and availability of workforce skills, but also provide an opportunity for social innovation in the health science area.*

<sup>75</sup> Census 2011

## Employment and Wages

Our employment rate (74.6%<sup>76</sup>) is currently higher than the England average (71.4%), although figure 11 below suggests that that gap may be starting to close. There is also significant variation across our area, with two districts falling below the national average (Torbay -70.0% and Plymouth – 69.2%).

Figure 20: Employment Rate (annual rolling)

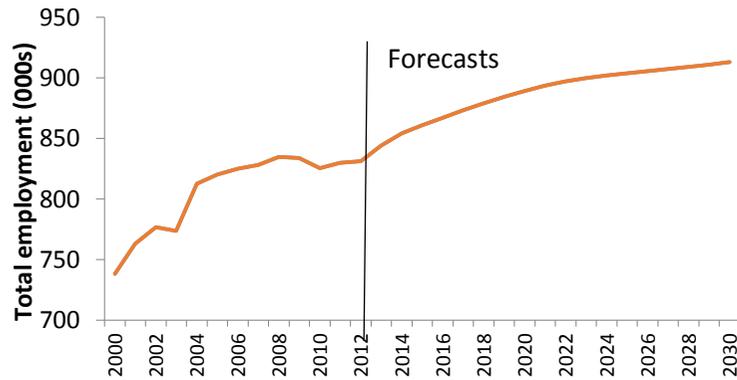


Our forecasts show that the number of jobs in our economy is set to grow quickly during the recovery and then more slowly from 2018. Figure 16 shows that, by 2030, there are forecast to be 69,000 more jobs, suggesting that working age population growth and employment growth are finely balanced.

<sup>76</sup> Annual Population Survey Oct12-Sept13



Figure 21: Total Employment (000s)



Source: Heart of the SW Economic Model, Oxford Economics

The Heart of the SW has the **second highest levels of part-time employment in England**<sup>77</sup>, with 30.2% of 16-64 year olds in part-time work, compared to 25.5% for England. Part time working varies significantly across the area, with the highest levels in West Devon (41.3%) and the lowest in East Devon (23.9%). Alongside this trend, we have also seen an increase in the number of people **working flexibly**.

Similarly, we have **higher levels of self-employment** (16.4% compared to 14.5%), with higher levels of self-employment found in the more rural districts and lower levels within our urban areas. Whilst these high levels of part-time employment and self-employment indicate our hard working and self-reliant culture, they also suggest a lack of full time employment opportunities. The implications mean lower wages, lower household

<sup>77</sup> Annual Population Survey Oct2012-Sept2013

incomes and **'in work poverty'** which was highlighted by stakeholders as a significant inclusion problem.

Whilst employment rates are high, employment is of **low relative value**. Our occupational breakdown shows that a lower proportion of population is employed in higher level occupations compared to the England average, but more skilled trades and care and leisure workers, reflecting our sectoral focus and an aging population. Consequently, wages are low across all four of our upper tier areas range from 75% of the England average in Torbay to 95% in Plymouth, with Devon and Somerset performing at 85% and 84% respectively. Within our districts, there is greater variation, ranging from 67% in Torridge to 100% in Exeter.

Table 8: Occupational Breakdown<sup>78</sup>

Occupational Type	% of all in Employment		
	Heart of the SW	England	Rank of LEPS
Managers, Directors and Senior Officials	9.5	10.3	29
Professional	15.6	19.8	34
Associate prof & tech	12.0	14.2	30
Administrative and secretarial	11.1	10.9	12
Skilled trades	14.1	10.4	3
Caring, leisure and other service	10.5	9	5
Sales and customer service	7.9	7.8	16
Process, plant and machine operatives	6.3	6.3	22

*Whilst we have higher than average employment rates, we have greater levels of self-employment and part time working and employment is of low relative value and quality. As a result, wages are below average.*

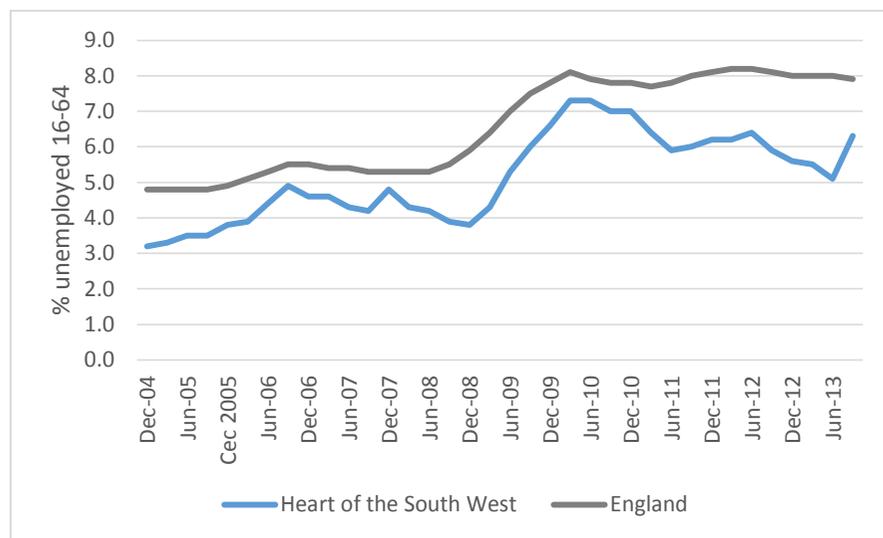
<sup>78</sup> Annual Population Survey Oct 2012-2013

Elementary	12.5	10.7	8
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### Unemployment and economic inactivity

Figure 13 shows that unemployment in the Heart of the SW usually tracks below the average for England, however, there have been considerable peaks and troughs through the recession which widen and narrow the gap accordingly. The most recent data (Oct12-Sept 13)<sup>79</sup>, suggest a sharp rise from the previous quarter. A review of claimant count statistics (which are more current) suggest that this rise is not a longer term trend.

Figure 22: Unemployment rate



However, there is significant variation across the area, ranging from 2.7% in East Devon to 11.9% in Plymouth. Despite lower than average rates, **50,000 people remain unemployed**, with 26,600 of these being in the 16-24 age range, where unemployment rates have doubled since 2005. This

<sup>79</sup> Annual Population Survey, Oct 2012-2013

is a particular concern in Plymouth, where almost a third of this age group are unemployed.

Our long term unemployment rates<sup>80</sup> are beginning to fall having risen rapidly between 2008 and 2012. The latest data shows that the Heart of the SW has 2470 or 0.2% of 16-64 year olds claiming for more than 6 months, compared to 0.4% for England. And 4,495 claiming for more than 1 year or 0.4%, compared to 0.9% for England. Within the area, the highest rates are in Plymouth and Torbay on both indicators.

### Inactivity

The Annual Population Survey shows that 20.4% of our population or 204,400 people aged 16-64 are economically inactive (i.e. Retired, student or not participating in the workforce), slightly below the national rate of 22.4%. Of these, 56,400 want a job. Welfare reforms are likely to push people back into actively seeking work.

Within the Heart of the SW, the highest rates were found in Torbay and West Somerset, both at 24.9% and reflecting higher proportions of retired people.

*Whilst all measures of unemployment show that the Heart of the South West performs better than the average for England, there remain over 100,000 people not working (unemployed and inactive), who would like to work. Of particular concern is youth unemployment.*

<sup>80</sup> Claimant Counts, Dec 2013

## Deprivation and Poverty

The indices of multiple deprivation reveal that a total of 38 Lower Level Super Output Areas (out of a total of 1,033) within the LEP area, were among the most 10% deprived in England. The majority of these were in Plymouth (17) and Torbay, but also Taunton Deane, Exeter, Sedgemoor and North Devon.

Households where no person is in paid work may be more likely to be in poverty. In the Heart of the South West 16.6% (106,426 households) of households fall into this group (slightly less than the English average of 17.5%). Although local variations exist with the figure rising to 19% and 20.6% in Plymouth and Torbay respectively.

However, a report by the Joseph Rowntree Foundation in 2012 highlighted that over half of children and adults in poverty in the UK live in a working household. The difference in wages outlined above is also revealed in Gross Disposable Household Income.

Whilst statistics clearly show concentrations of deprivation, our consultation work has highlighted that deprivation does exist in rural areas, but it is more dispersed. People in rural areas are also likely to encounter different barriers to participation, particularly around access.

Groups most at risk of exclusion:

- Disabled people – Whilst we have 215,500 people living with a disability, 53.5% are in employment, compared to 49.8% in England<sup>81</sup>;

- 20% of the population suffering from a long term health problem that limits day to day activities, higher than for England, but reflecting our older population profile;
- Ethnic minorities – 2.2% of our population from an ethnic minority group, but census data suggests they are just as likely to be in employment than people not from an ethnic minority group;
- English as a second language – 2.6% of our population do not have English as their main language, less than the average for England of 8%, but nonetheless representing 42,000 people;
- Carers – 186,620 people provide unpaid care on a weekly basis (11.2%), slightly higher than the national average (10.2%).
- Ex-offenders – At the end of June 2013, the Avon and Somerset Trust were supervising 5,340 offenders and while Devon and Cornwall Trust were supervising 3,958.

*Key Messages: Whilst the Heart of the SW does not suffer from wholesale deprivation issues, there are clearly concentrations of deprivation in our urban and rural areas (e.g. Torridge). However, poverty is more prevalent and of particular concern 'in-work' poverty associated with our low wage economy.*

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<sup>81</sup> Social Inclusion in the Heart of the SW. Report 2: Data Report

## Workforce Skills

### Supply of skills

The availability of skilled labour is a key component of growth. The Annual Population Survey shows that overall, our 16-64 population is relatively well qualified up to NVQ L2, exceeding national averages and being in the top quartile of LEP performance. Our performance at Level 3 (A levels or equivalent) is fractionally higher than the national average, but **at NVQ Level 4, we find our performance is below the national average and we are in the bottom half of LEP performance.**

% of workforce with...	Heart of the SW	England	Position in LEP Rankings
no qualifications	6%	9.5%	4th
at least NVQ L1	89.1%	84.2%	6th
at least NVQ L2	76.2%	71.8%	7th
at least NVQ L3	56.3%	54.9%	15th
at least NVQ L4	31.8%	34.2%	19th

Table 9: Workforce Skills (16-64)

Source: Annual Population Survey, 2012

The statistics also show a steady rise in qualification levels at all levels, since 2004, with the proportion of people with no qualifications dropping by 50% over the period. There are also significant variation across the area, with some districts such as Torridge and to a lesser extent mid and north Devon showing a lower skills profile, whereas South Hams consistently performs above the English average. The availability of higher value jobs to attract and retain people with higher skills is an

The Heart of the SW has a lower than average proportion of its workforce qualified to Level 4 or above. However, the occupational profile of future employment indicates the need for a greater proportion of the workforce with higher level skills. Our Further Education colleges have a key role in delivering both intermediate and higher level skills.

important component of this issue across the area, but in Somerset, the limited HE provision is also a factor.

### Skills of Young People

Young people are the future of the workforce, ensuring they are well skilled and prepared for work is critical to economic growth. We have a number of strengths in the Heart of the SW:

- GCSE attainment is better than the national average, although not in Somerset which lags behind SW and national indicators;
- Apprenticeship achievement has grown significantly in the last four years, with 104% growth, in intermediate level apprenticeships and 161% growth in higher level completions – both broadly in line with national trends. The top four subjects by achievement were<sup>82</sup>:
  - Health, Public Service and Care;
  - Business Administration and Law;
  - Retail and commercial; and
  - Engineering and manufacturing.

However, data suggests that there is a high level of unmet demand for apprenticeships in a range of sectors including construction, engineering, ICT and the arts, media and publishing.

- Strong interest in STEM subjects at A level – principally through Maths, with sciences, design and technology and computer studies/ICT becoming less popular;

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<sup>82</sup> Apprenticeship starts and achievements

New developments include the establishment of a specialist maths Free school in Exeter which is anticipated to increase the take-up of STEM related degrees.

However, despite these strengths, there are a number of weaknesses<sup>83</sup>:

- 2/5 of young people do not attain 5 or more GCSEs grade A-C;
- Almost half do not attain a level 3 qualification by aged 19;
- Improvements in attainment have failed to keep pace with national improvements;
- Only 40% of young people enter higher education compared to 48% for England.

The Devon Workforce skills survey<sup>84</sup> found low levels of employment for those in their first job since leaving education. Over the previous 3 years, 32% of businesses had employed someone in their first job since leaving school, 31% since leaving an FE college and 22% since leaving university. Reflecting on school and college leavers, businesses generally felt that they did not have a suitable role for people at this early stage of their careers or required more experienced employees. Whereas 32% of businesses did not require graduate level skills. However, businesses that had taken on career starters registered **high levels of satisfaction with their levels of preparedness for work**. Indicating perhaps a misconception in the general business community about the employability of young people.

### The Pupil & Employer Engagement Pilot (PEEP)

PEEP has been developed by the Northern Devon Employment & Skills Board with funding from Torridge District Council as a direct response to a statistic from a City & Guilds “Ways into Work” 2012 report, which stated that; “young people who had contact at least four times with employers were five times more likely to be in education, employment, or training.” If young people identified as not in education employment or training (NEET) remain so, they can cost society more than £200,000 each. Unlike other programmes, PEEP tackles this issue and improves employment opportunities through early intervention with 11 yr-olds as they arrive in secondary education

### Demand for Skills

Almost one fifth of employers in the Heart of the SW identify that they have skills gaps. This equates to around 34,800 staff or 5% of employees not being fully proficient to perform their current job<sup>85</sup>. 28% identified that they had hard to fill vacancies, compared to 22% in England. Local responses from the National Employer Skills Survey suggest that employees within the Heart of the SW are more likely to be **under-employed**, with 17% of employers indicating that staff were under-employed compared to 15% in England. Employers were less likely to employ a broad range of ‘good practices’ that are likely to be associated with high levels of skills utilisation<sup>86</sup> such as leadership practices, employee engagement etc., perhaps reflecting the higher concentration of micro-businesses and SMEs.

Devon County Council’s workforce skills survey highlighted four key reasons for training:

- **Health and Safety** - including first aid, site training and machine operations;
- **Driven by legislation** – For some businesses, staff training was mandatory in order to maintain legal compliance, this obviously varied by sector.
- **Update existing employee skills and qualifications**
- **Training for new employees.**

### Employer Engagement with Skills

The Devon Workforce Skills Survey found that businesses were open to training, with 2/3 having accessed some sort of professional help or

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<sup>85</sup> Heart of the SW Skills Narrative, Marchmont Observatory, August 2013

<sup>86</sup> Heart of the SW Skills Narrative, Marchmont Observatory, August 2013

support for their business in the past three years. However, just over a third had a dedicated training budget to meet training needs and support development. The survey found a direct correlation between size of

### Somerset Logistics

After identifying a gap in skills availability within the logistics industry, Langdon’s haulage in Somerset were successful in securing an Employer Ownership of Skills Pilot. Although the project is in its infancy, the business has already seen the impact of the current and past apprenticeships and staff training already completed. Langdon’s have continued to grow and expand as a business with profitability on the increase and reduction in staff turnover and sick absence. The safe and fuel efficient driving techniques being given to the 500 drivers have realised savings on fuel and wear and tear of the vehicles, as well as reducing the environmental impact, with better fuel efficiency. The training Langdon’s are offering into schools as either a GCSE alternative or as a one year sixth form subject, is ensuring a ready supply of well training young people available and impacts on the number of young people not in education, employment or training.

business and prevalence of training, consistent with national studies.

### *Skills needed for transformation*

Our transformational opportunities provide a range of exciting opportunities for employment and skills at all levels within our economy and further work is required to map skills needs across our transformational opportunities within the context of broader supply and demand. Our initial review suggests that STEM and construction skills will be critical and directly align with the sector needs. However, we must also be aware of the secondary impacts of growth, as increased spending in service sectors increases demand for skills there too. Figure x overleaf illustrates how an increasing demand for construction skills (resulting from our transformational opportunities, but also housing and infrastructure growth) could be addressed by a more focused effort to align employer needs with education and employment support provision. For instance, ensuring that Ministry of Justice employment support provision for ex-offenders is aligned with known opportunities for real jobs.

***Our members tell us that for Engineering Businesses and Manufacturers' skills need are increasing, with a growing need for R&D, design, technical, project management and craft and technician skills driven by their focus on innovation and developing new markets.***

***Nearly every company I speak to in the Heart of the South West LEP area report some form of skills gap or recruitment problems. These are most often based on a candidates' lack of technical skills and experience, as well as a lack of applicants. This lack of volume is something that is often felt more acutely than in other areas where commuting into a region is feasible and the risk of committing to move into an area carries less perceived potential risk.*** Phil Brownsord, Regional Director for the SW, EEF, the Manufacturers Association.

### **Hinkley Employment and Skills Context**

Hinkley Point C is a once in a generation opportunity to transform the employment and training prospects of thousands of local residents:

- ✓ Employing 25,000 FTEs over the build and 5,600 at peak;
- ✓ 120 tier one contractors and 160 tier 2
- ✓ EDF commitment that 34% of labour will come from a 90minute catchment
- ✓ It is likely to be the SW's single largest employment generator
- ✓ EDF Energy has integrated ambitions to secure up to 34% of all employment within the project from the local impact area

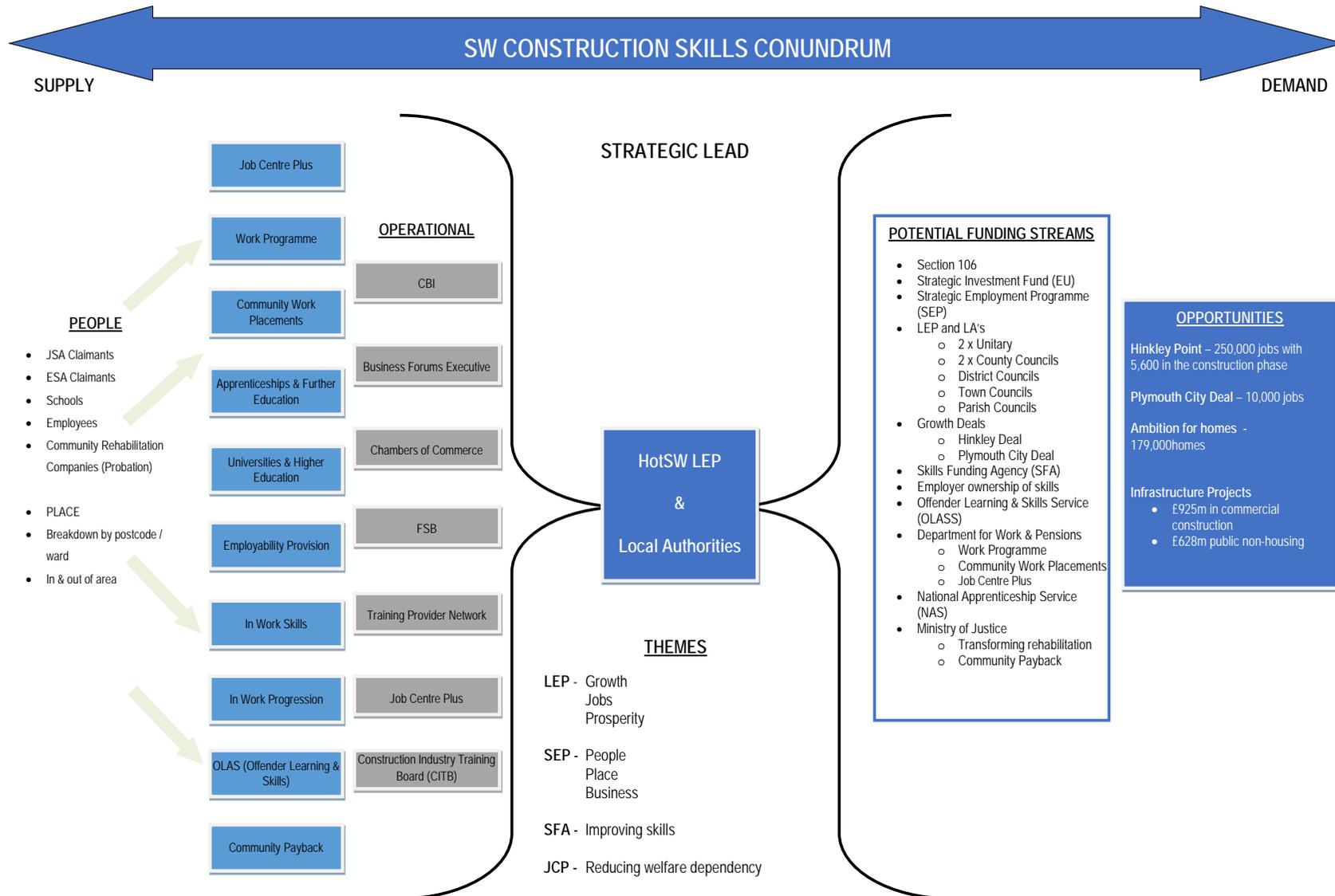
However, those seeking employment on site or related activity will need to have the right skills and experience. However, Somerset has in increasingly tight labour market, with a rapidly decreasing claimant count and lack of available skilled labour. Whilst this is a positive trend, it also poses risks, namely:

- Displacement of skilled staff onto the Hinkley project with downstream impacts on the rest of the economy
- Import of external labour, with impacts on localities
- A loss of opportunity to secure lasting benefits

The skills required to deliver a new build nuclear power station, include core structural and technical trade people, require training now, in order to support the project from its start. However, the level of training required to meet nuclear industry standards is demanding and will require significant investment.

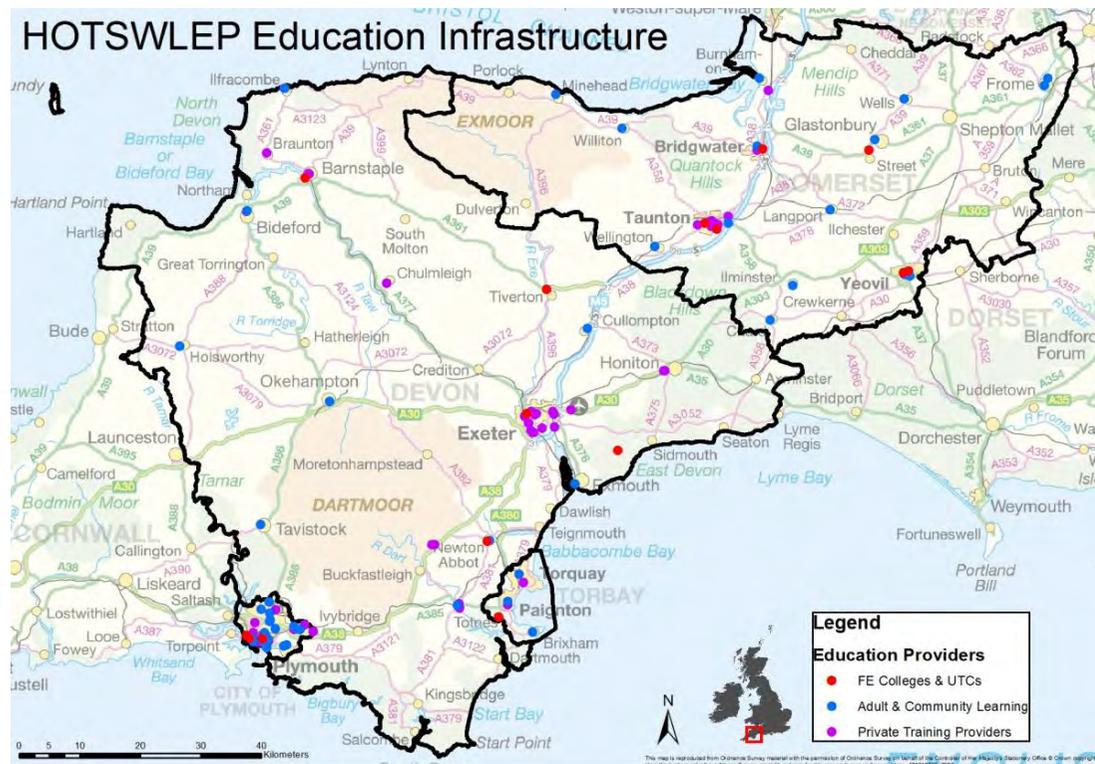
Hinkley Partners, working with the private sector have developed a unique model for mapping and forecasting skills requirements for the project, which has the potential to be transferred to other strategic infrastructure projects.

Figure 23: Model for Aligning Activity around Construction Demand



## Education Provision and Infrastructure

The Heart of the SW has 11 FE Colleges as well as 3 Universities (previously discussed). FE colleges currently deliver 68% of all publicly funded further education and skills provision, with the remainder delivered by other publicly funded bodies (such as local authorities (15%), publicly funded private sector providers (13%) and specialist colleges (4%). Overall, the Heart of the SW has a higher share of outstanding or good providers than the national average (80% compared to 72%). This is despite under investment in our skills infrastructure, with colleges in the Heart of the SW typically receiving on average 45%



less/m<sup>2</sup> since 2001, than colleges in other LEP areas in England. Our college infrastructure is in need of repair, 28% of our FE capital is rated C (major repair or replacement needed within 3-5 years) or D (inoperable, space at serious risk of major failure), requiring approximately £131m of investment to refurbish<sup>87</sup>. Research has shown that investment in FE estate can have multiple benefits relating to a) learner participation, b) employer engagement c) college finances<sup>88</sup>. City College and the University Technical College (UTC), which are both based in Plymouth, specialise in marine engineering and advanced manufacturing; this will complement the UK's first marine academy also based in Plymouth. South Devon College is also on the path to achieving UTC status, specialising on engineering and science, water and the environment. In 2011/12 approximately 56,530 students were enrolled at Higher Education Institutions (HEIs) in the Heart of the South West, with the University of Plymouth and the University of Exeter securing the most students at 55% and 33% respectively. 33% of students were recruited locally.

Figure 24: Education Infrastructure

<sup>87</sup> SFA College Condition and investment data, Nov 13.

<sup>88</sup> Evaluation of the Impact of Capital Expenditure in FE Colleges. December 2012 BIS Research Paper No. 99.

People – SWOT



People - Priorities

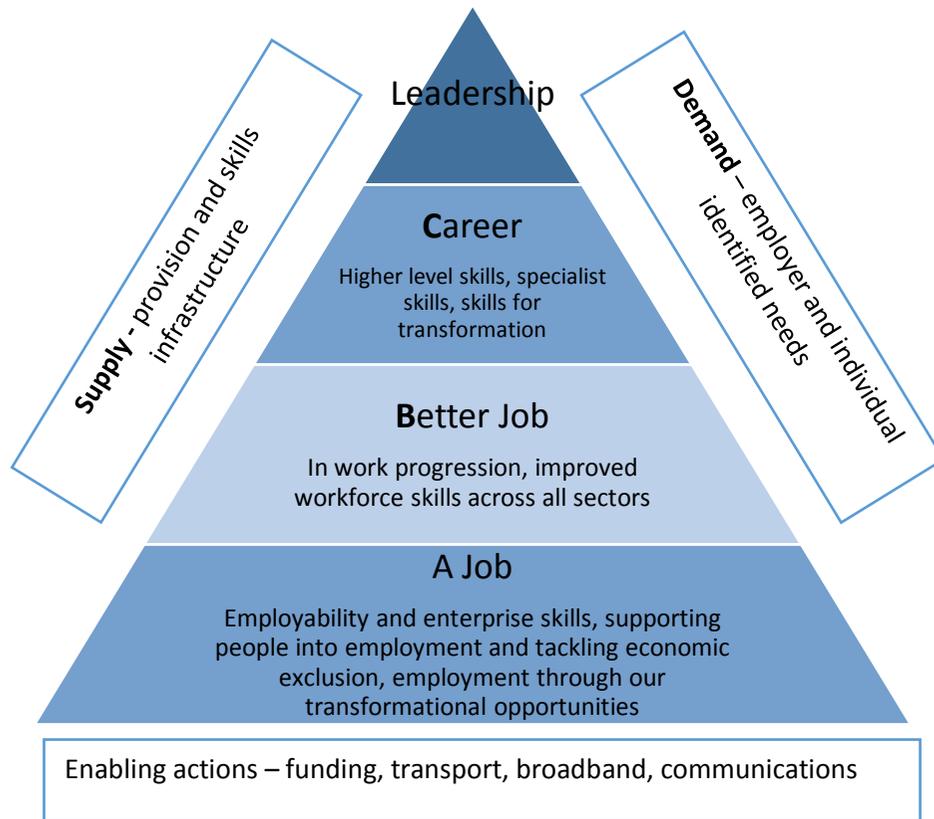
People sit at the heart of our economy, it is people that create communities, become entrepreneurs and grow and expand businesses. It is people that make our spaces and create demand for products, services and infrastructure. We are blessed in the Heart of the SW to have enterprising self-reliant people who start businesses, work hard, do voluntary work and participate in society.

However, whilst they are hardworking, they tend not to be well paid and many are working below their capabilities. Through an approach that integrates action across business and place, our priority is to **create a responsive environment where businesses and individuals can reach their full potential**. Where businesses are able to create opportunities for people moving into **A** job, those wanting a **Better Job** and those seeking a **Career** and individuals are supported to do the same, as illustrated overleaf.

In line with our ambition to support Transformational Opportunities for the Heart of the SW we must also create a **world class workforce** to support higher value growth, through improving **enterprise and business skills**, improved **technical and higher level skills** and maximises the employment and skills opportunities arising from our **transformational opportunities**.

Our priorities for People are shown in **Figure x**.

Figure 25: Spectrum of 'people' activities



*“The SEP and GD are of vital importance to developing the right partnership to help South West employers grow strong businesses offering sustainable employment and so reducing worklessness and social inequalities within Devon & Somerset.”* Frances Brennan, Regional Director SW, Working Links.

Figure 26: People Priorities



# Part 3: Delivering Our Priorities

*“Universities play a pivotal role in the economic prosperity and cultural diversity of our region and we are delighted to support the LEP’s vision. The University of Exeter attracts world class staff and students from all over the world, generating an economic impact of over half a billion pounds a year, creating jobs and businesses in highly skilled professions and industries.*

*Our ambition is amplified through partnership. Our partnership with business on over 1000 projects each year has a value of around £40m and the opening of the RILD building, a £25m project between the RDE Hospital and the University' brings world class medical research to our doorstep. Our SETsquared partnership supports the growth of high tech ventures was voted best University business incubator in the world outside of the US and compliments our Innovation Centre and our work with the Exeter Science Park.”* Professor Sir Steve Smith, Vice-Chancellor and Chief Executive, University of Exeter.

## Introduction

Having outlined our strategic priorities above, it is important to consider how they will be delivered. In this section we examine the implementation tools at our disposal, recognising that over the life of this strategy, some of these tools will become less significant and new tools will emerge.

## Implementation Tools

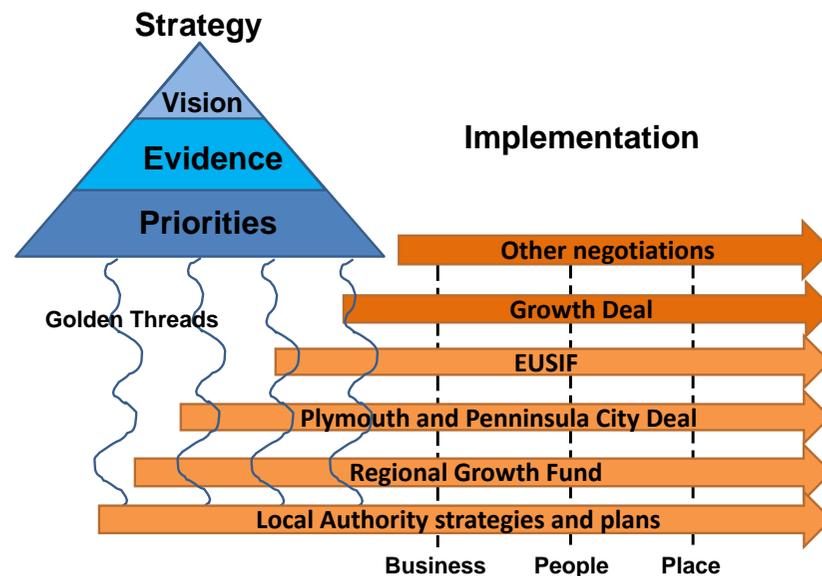
There are a wide range of implementation tools, some are formal and supported by strategies and plans (e.g. the EUSIF and the Plymouth and SW Peninsula City Deal), whilst others represent ways of working, such as ‘influencing national government priorities’ or working in partnership with the private sector to achieve investment. These are illustrated in Figure 24. The main, tools at our disposal include:

- **Private Sector** – Working collaboratively with the private sector to secure investment or activity that supports our priorities
- **Influencing Mainstream Resources** – Working with central Government and its agencies to secure investment or alignment of activities to support our priorities.
- **Local Government Activity** – Working alongside our partners in Local Government to align activities and investment.
- **EUSIF** – A strategy developed in parallel with this plan to ensure alignments. The EUSIF strategy outlines how we propose to utilise £116m of European Structural Funds to address our priorities.
- **Plymouth and SW Peninsula City Deal** – A deal agreed with Government to drive growth across the Heart of the SW and Cornwall and Isles of Scilly, with an emphasis on the marine sector, supporting business growth and youth unemployment.
- **Hinkley Programme Activities** – An informal programme of activities co-ordinated by the **Hinkley Strategic Development Forum** to drive

forwards activity to support this national strategic infrastructure project.

- **2015/16 Growth Deal** – Outlines how Government support through the 2015/16 Growth Deal can best be utilised to support our strategic priorities now.

Figure 27: Relationship between SEP priorities and implementation



mechanisms.

The following tables illustrate how these implementation tools will be used to support delivery of our strategic priorities.

Figure 28: Implementation of 'Place' Priorities

	Priority	Description	Private Sector	Influencing Mainstream Expenditure	Local Government	EUSIF	City Deal	Hinkley Programme Activities	15/16 Growth Deal
Creating the Conditions for Growth	Transport and Accessibility	Improving resilience and quality of strategic transport networks. Local transport infrastructure to unlock housing and growth Sustainable transport and access to employment	✓	✓	✓	✗	✗	✓	✓
	Digital Infrastructure	Improving digital infrastructure (superfast broadband and mobile phone) allowing businesses to connect and trade worldwide	✓	✗	✓	✓	✗	✗	✓
	Sustainable Solutions to Flood Management	To minimise flooding (fluvial and coastal) and resulting disruption to our economy.	✓	✓	✓	✗	✗	✗	✗
	Energy Infrastructure	Capitalise on our low carbon energy resources, benefiting our low carbon sector, wider business community, households and the environment	✓	✓	✓	✗	✗	✓	✗
Maximising Productivity and Employment	Enterprise Infrastructure	Small Scale 'enterprise infrastructure' such as work hubs/incubation space to allow easy access to start-up facilities	✓	✗	✓	✓	✗	✗	✓
	Strategic Employment Sites	Facilitating the development of strategic employment sites to meet our growth ambitions	✓	✗	✓	✗	✗	✓	✓
	Unlocking Housing Growth	Delivering new homes for to support our growth ambitions	✓	✓	✓	✗	✗	✓	✓
Capitalising on our Distinctive Assets	Specialist Marine Sites	Facilitating sites and premises needed for marine sector development	✓	✗	✓	✓	✓	✗	✓
	Science/Innovation Infrastructure	Developing our innovation infrastructure to support our transformational and smart specialisation opportunities	✓	✗	✓	✓	✗	✓	✓
	Maximising our Environmental Assets	Securing growth opportunities within environmental limits	✗	✓	✓	✓	✗	✗	✗

Figure 29: Implementation of 'Business' Priorities

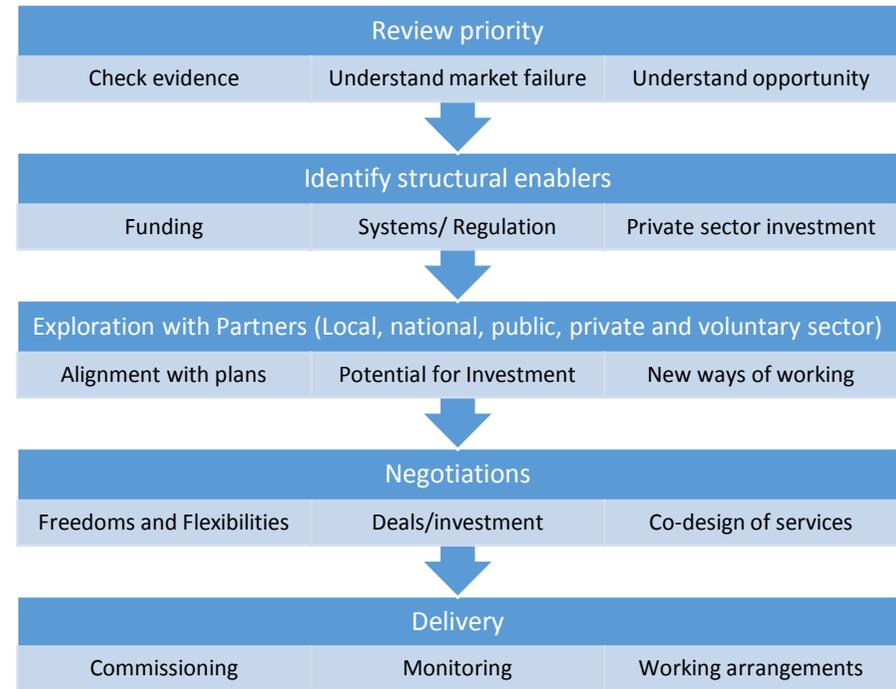
	Priority	Description	Private Sector	Influencing Mainstream Expenditure	Local Government	EUSIF	City Deal	Hinkley Programme Activities	15/16 Growth Deal
<b>Creating the Conditions for Growth</b>	Simpler, more accessible business support, tailored to our needs	A growth Hub to: a) helps businesses find the support they need; b) encourages businesses to take-up support c) ensures services are relevant and responsive d) is trusted	x	✓	✓	✓	✓	x	✓
	Improving access to finance	Helping businesses: ✓ To find products and services they need; ✓ To get ready to secure investment ✓ By providing grant/loan products to address market failure	✓	✓	x	✓	✓	✓	x
	Stimulating enterprise and growth	Encouraging enterprise, new business start-ups and growth of existing businesses	x	x	✓	✓	✓	x	✓
<b>Maximising Productivity and Employment</b>	Reaching new markets (on-line, supply chains, public sector)	Helping our businesses to reach new market opportunities in the Heart of the SW and beyond.	x	x	✓	✓	✓	✓	x
	Globalisation (exports and inward investment)	Supporting businesses to export and attracting inward investment	x	✓	✓	✓	✓	✓	✓
<b>Capitalising on our Distinctive Assets</b>	Innovation through Smart Specialisation	Exploiting competitive advantages through innovation.	x	✓	✓	✓	✓	✓	✓
	Building on our Capacity for innovation	Helping all businesses (regardless of sector) respond to the challenges of creating new products and services	x	✓	✓	✓	x	x	x

Figure 30: Implementation of 'People' Priorities

	Priority	Description	Private Sector	Influencing Mainstream Expenditure	Local Government	EUSIF	City Deal	Hinkley Programme Activities	15/16 Growth Deal
<b>Creating the Conditions for Growth</b>	Employer Engagement and Ownership	Creating the conditions where our employers are fully engaged with the skills agenda	✓	✓	✗	✓	✓	✗	✓
	Skills Infrastructure and Facilities	Investment in skills infrastructure and facilities to support economic growth	✓	✗	✗	✗	✗	✓	✓
	Accessibility to Education/employment (transport, careers advice and digital inclusion)	Supporting access to education, training and job opportunities for all.	✓	✓	✓	✓	✓	✓	✓
<b>Maximising Productivity and Employment</b>	Moving People into Employment	Supporting people into work, in particular the young and those out of work the longest	✗	✓	✗	✓	✓	✓	✓
	Supporting people to progress to better jobs	Supporting people to progress in work to a better job	✗	✓	✗	✓	✓	✗	✗
	Improving workforce skills	Improving the skills of the workforce to drive up performance within businesses and average wages	✓	✓	✗	✓	✗	✓	✓
<b>Capitalising on our Distinctive Assets</b>	Enterprise and Business Skills	Improve the capacity of new and existing business owner/managers to overcome barriers to growth	✗	✗	✗	✓	✓	✗	✗
	Technical and Higher Level Skills	Ensuring people have the skills required to benefit from or participate in our transformational opportunities	✓	✓	✗	✓	✗	✓	✓
	Maximising the skills and employment opportunities aligned to our transformational opportunities	Ensuring people in the Heart of the SW are able to access employment and skills development opportunities arising from transformational projects	✓	✓	✓	✓	✓	✓	✓

### Maximising Resources

Over the life of the plan, our challenge is to achieve the delivery of our priorities, by whatever means are available. Therefore, as we move to deliver our priorities we need to have a clear understanding of the existing delivery environment (central and local), so that we can align funding and activity with our priorities. An outline of the process for doing this is shown below.



# Part 4: Governance and Partnership Arrangements



Photo Courtesy of Plymouth Marine Laboratory

## Introduction

In this section we outline how our structures work and will develop to ensure good governance and management as we take forward our strategic objectives and grow into new functions.

## Governance

The purpose of our Governance is to create a framework that empowers the partnership but sets out clearly defined boundaries of operation, given the complex and large geography of our delivery activities which vary in scope and coverage. Since some delivery activities will span more than one LEP area, delineating roles and responsibilities for each of the partners, the degree of involvement of private and public sector and the mechanisms for accountability is critical.

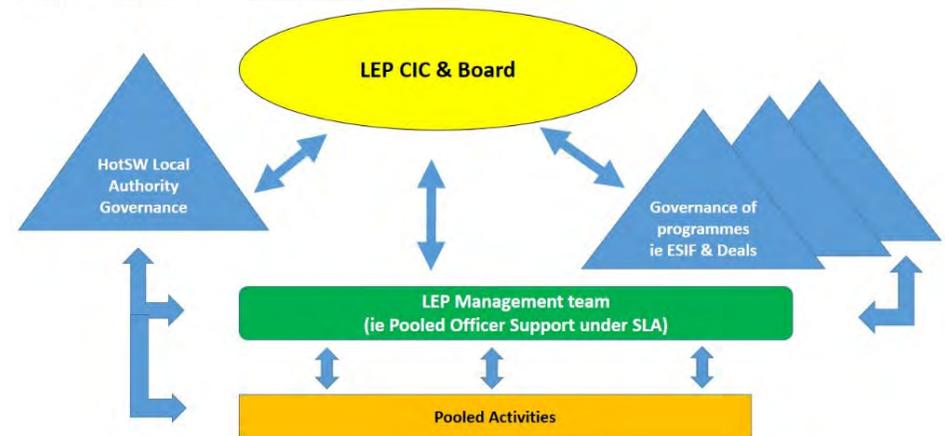
Partners have considered carefully the appropriate governance arrangements, sought expert advice from Whitehall colleagues, Foot Anstey Solicitors, INLOGOV and established key design principles for the agreed governance model. The governance model will:

- Provide visible, transparent, effective and accountable political leadership through a commitment to growth made to the public, to central government and to businesses;
- Enable all partners, including the private sector, to play their part in fully committing and contributing to the growth strategy and improving the local economy;
- Ensure strong governance across the different delivery activities which are defined by the economic scale at which growth can be promoted most effectively; and

- Demonstrate strong political commitment to joint decision making and readiness to pool local financial and staff resources in order to deliver.

Figure 31: LEP Governance Structure

### LEP Governance Structure



The governance model is already being implemented; it has three core elements as outlined in the diagram above:

- The Heart of the SW LEP CIC;
- Local Authority Collaboration; and
- Individual Governance Arrangements for EUSIF and Deals with different geographies.

### The Heart of the South West LEP CIC

The LEP Board has established a Communitality Interest Company to take forward its activities and its governance is therefore as specified within the Companies Acts and the Company's memorandum and articles of association (M & A).

The LEP Board has agreed the detail of the M & A; the company has been registered and board members of the LEP have now become directors of the CIC. Members for the company are drawn from the Private Sector, Local Authorities, Higher Education and Further Education. The Board is constituted from the membership – the Chair and the majority of members are from business. The new company board of directors held its first meeting earlier this month and reviewed the SEP and Growth Deal – giving its approval to these being taken forward and submitted on 31st March.

On the board, Local Authority representation is by the portfolio holders for economic development of the four upper tier authorities, and two directors nominated by the Districts in Somerset and Devon. The M & A also recognises the importance of being engaged with the wider business and general community in the HotSW and so any individual business, representational organization, charity or member of civic society can become a 'stakeholder' and attend formal CIC member meetings as set out in the M&A.

Stakeholders will also be recognised as members of the **Heart of the SW LEP Business Forum** to contribute to the success of the LEP. Around 300 such organisations are currently stakeholders and members of the Business Forum, including many business representation groups such as the largest Chambers of Commerce, bringing thousands of the area's businesses into the reach of the LEP (and visa versa). The members of the Business Forum Executive which lead activities are represented and

engaged in all levels of the LEP's delivery governance structure (see below). In addition, the LEP Board and Business Forum Executive have agreed that the Business Forum and its members will:

- act as a "two way communication and engagement channel" for the LEP
- be a "think tank" where the LEP has specific topics it would like quick feedback on
- provide the functions of a Task and Finish Group for the LEP on agreed projects.

The Business Forum is currently actively working to support the LEP's aim's through a number of activities around:

- a Business Barometer
- Business Support/Access to Finance/Bid support/Export support/Entrepreneur Hubs
- International Links for business with:
  - China
  - Africa
  - India
  - Republic of Ireland
- Regional Links and Regional Supply Chain
- Marine Innovation
- Planning
- Infrastructure including Broadband, Roads and Footpaths
- Rural Affairs

### Local Authority collaboration

This will be delivered through a pooled LEP / Local Authority management and support team (under pinned by three Service Level Agreements between the LEP and the Local Authorities) so that decisions to drive growth across the whole area can be taken quickly and effectively and

plans carried through. This has been established and has been operating since September 2013.

Leaders and Chief Executives from the Local Authority members have agreed to commission a Joint Committee to have accountability for the management of relevant pooled economic development activities in the Heart of the South West LEP area and Growth Deals specific to the Heart of the South West area. As mentioned below, the need to await for enabling legislation, for a Joint Committee, has meant that this has not been able to progress and therefore in the interim, Local Authority leaders / Portfolio holders meet in a similar cycle to LEP board meetings to review priorities and Business cases are being prepared for the pooling of economic development and growth related activities to underpin the delivery of the strategy once that commences.

The Management team comprises an expert delivery team, drawn from partners to support the Board. It is accountable through the LEP Chief Executive to the Board, and will oversee a portfolio of Growth Deal projects delivering the Deal programme once agreed. The management team ensures strategic and operational connectivity across the LEP's activities and Deal programmes as well as managing synergies with other key initiatives, including, People, Place and Business themes. The management team may establish (or close) Task and Finish groups to aid it in its pooled work. For example, recent HotSW area groups include:

- Technical officers group for research
- Technical officers group for EU funding and commissioning

As well as drawing on committed resources (under-pinned by SLAs) from Counties and Unitaries the team also works with other partners to align resources. For example, in developing this document we have been able to draw on staff seconded to the LEP from:

- District Councils
- The business community
- The education sectors

#### [Individual Governance arrangements for ESIF and Deals with different geographies](#)

The governance for the delivery of the ESIF, Growth Deal 2015, and any future deal or programme involving a different geography will be constituted as appropriate for each programme. They will follow similar design principles with governance group memberships drawn from partners in the relevant geographical area to be the public and accountable face of each partnership. For example, the Plymouth City and SW Peninsula Deal is to create our first Joint Committee. It has not proved possible to replicate Health and Wellbeing arrangements for the establishment of this Joint Committee; enabling legislation is now awaited which BIS is taking forward. In the meantime we have established a shadow Joint Committee with representatives from Cornwall and Heart of the South West public and private sectors.

For delivering any programme of work solely related to Hinkley it is implementation governance would be across the West of England LEP area and Heart of the South West and would engage with the HDSF; for the ESIF implementation we will need to comply with the business processes agreed for sub-national delivery of the national programme, with a LEP area partnership committee drawn from a wider constituency as prescribed. Each implementation structure will have published criteria for membership, terms of reference, and codes of conduct, and will report to the LEP board. Governance and management arrangements for the Growth Deal 2015 can be found in that (accompanying) document.

### *Leadership of delivery and Special Interest Groups:*

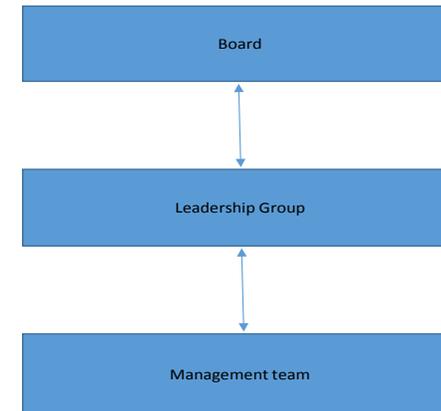
The management team ensures strategic and operational management across the LEP's activities and Deal programmes and manages synergies with other key initiatives.

The spread of activities is now so wide that it is not practical or effective for the whole board to provide an over-view of every activity in these themes. During development of the SEP and to oversee development of implementation plans and delivery of activities in each theme, we have established three leadership groups focused around the themes of People, Place and Business, that draw in appropriate partners. Each of the three leadership groups is led by a LEP board director and the LEP board delegates delivery oversight to them based on specific terms of reference agreed at the board. They may establish their own sub-groups or task and finish groups as needed. Each Leadership group has a majority of business members to ensure that 'business remains at the heart of the LEP'. This has been implemented over recent months and provides a more useful basis for accountability and engagement.

The LEP will manage delivery through our three themes of People, Place and Business – with delegated responsibility from Board, to Theme Leadership Group to Management team as set out in the governance arrangements above. A small number of LEP Special Interest Groups (SIGs) have also been established – these are advisory and cross cutting across more than one theme; they are a series of sounding and advisory groups that the three themes can draw on as needed – they do not need to be led by a LEP director but their membership must include at least one LEP director. That said for a SIG to be recognised by the LEP its

establishment will need formal agreement by the LEP board. SIGs going forward currently include:

- Social Enterprise (already established)
- Low carbon (already established)
- Rural (to be built on the existing RGN board)



### *Conflicts of Interest*

There is a clear process in place to ensure that any Board, Leadership Group member or management team member with a conflict of interest is excluded from discussion on any item where that conflict comes into play. This is always documented in relevant Minutes. Terms of Reference will be drawn up for new governance groups which will include Codes of Conduct drawn from Nolan Rules.

## Governance Track Record

The LEP is a young partnership but its constituent members have a successful history of working together on LEP area wide activities, delivering multi million pound projects and supporting urban, rural and coastal communities. In addition to the Plymouth and SW Peninsula City Deal referenced above, Plymouth, Torbay, Devon and Somerset were founding members of **Connecting Devon and Somerset (CDS)** which is managing the delivery of a multi-million £ contract with BT (involving £33m of government funding and £20m of local funding. CDS also now contains North Somerset and BANES as full partners.

The CDS partnership were successful in becoming one of BDUK's first pilot programmes and have been used as a reference for subsequent programmes across the country. In addition to this capital funding CDS also manages a parallel ERDF programme to encourage take up of broadband infrastructure. The partnership is formally constituted with underpinning contractual partnership agreements between the members – it is formally directed by a board drawn from the members and business (inc the LEP) and managed on a day to day basis by a management team funded by the members as part of these agreements.

This model of governance of delivery is seen as a proven and practical alternative to a Joint Committee in the event that enabling legislation is slower in being put in place or more expensive to administer than currently anticipated.

As we deliver our Strategic Economic Plan over the next few years we expect to add to the already impressive list of projects and programmes that have been conceived, managed and delivered in partnership in the Heart of the South West.