

Making a difference



Foreword from Karl Tucker – HotSW LEP Chair

We're very proud of our achievements in 2019/20, much has changed since the end of the financial year but we believe our progress in creating the conditions for growth and productivity has been beneficial to the area's resilience and providing a sound platform for a rapid response to the economic crisis of COVID-19.

“ Looking forward, our Route Map to Recovery following the pandemic is the main focus of our activity. We'll build on the intensive intelligence gathered for the HotSW area and we are on course for publishing a detailed action plan in September.

In 2019/20 we undertook a board effectiveness review and over the next 12 months we will implement the findings and recommendations of this review.

Just before the lockdown we were on course for publishing our Local Industrial Strategy and now the Government is reviewing these plans nationally and addressing how they can adapt to the new economic opportunities and challenges. Clarity over the Government's proposed future funding mechanism, the UK Shared Prosperity Fund (UKSPF), to replace EU and Growth Deal is eagerly awaited to allow for the much needed investment in the Heart of the South West area.

The LEP is working with the Heart of the South West Economic Resilience and Opportunities Group that addresses and mitigates economic shock. Much of the

findings of this group has been used to define the Route Map to Recovery, and we're now re-looking at the potential effects of Brexit if no deal is in place before the 31 December deadline.

Since last summer we've been working up a list of pipeline projects that would give optimum economic stimulus, when the new funding mechanism becomes available. At the time of writing, we've just received notification of £35.4m funding for a number of projects that are "shovel ready", some of which were included on our pipeline and can be accelerated and some other new projects that have been identified, all of which can be completed by January 2022. We see this as an initial stimulus in advance of more investment coming forward to allow us to really reach our potential.

In 2019 the Great South West proposition gathered momentum and this year, with our partners in Dorset and Cornwall and the Isles of Scilly LEPs, we're working with our MPs through the APPG to lay the foundations for generating £45bn of economic benefit and becoming the leading region for the green and blue economy.

Despite the eventful political landscape and economic shocks that have transpired since March 2019, we've achieved a great deal already and are making firm plans for the future as we pull together to build back better.

Planning & progressing



Introduction from David Ralph – HotSW LEP Chief Executive Officer

I hope you have all managed to stay safe and well through these very challenging times to us all and to our economy in dealing with the Covid-19 outbreak. Without question, the last few months have been extremely challenging to most of us whether you have been directly affected by the virus or not. Its consequences will be far reaching and I hope in recent months HotSW LEP has played its part in minimising the economic damage and setting out a plan for recovery. We remain fortunate in the South West the incidence of the virus has remained low but the economic impact is stark.

2019/20 was the 4th of our 5 year Growth Deal capital funding programme which has seen a total investment fund of over three-quarters of a billion pounds in some 69 capital and revenue projects that are improving infrastructure, business growth and skills across the Heart of the South West.

With 40 schemes already complete, economic benefits will continue over the coming years as investment in infrastructure leads to development. 5 Growth Deal projects started on site and 14 were completed this year.

“ The total public/private investment is some £590m and will enable some 22,600 jobs and 18,900 homes by 2025.

Our Annual Performance Review from Government rated us Good for delivery and governance which triggered our funding for the final year of the programme. In advance of a possible CSR, Government is closely monitoring LEP delivery ahead of possible further investment.

In order to establish greater ownership of our delivery we are taking greater direct responsibility in commissioning and overseeing delivery. Over the past 12 months, the HotSW Growth Hub was brought in-house, enabling the service to be more agile to the changing needs of the business community which has been crucial in our response to the pandemic. In 2019/20 the Growth Hub had new engagements

from over 2050 businesses which was 20% more than targeted.

We have established the Skills Advisory Panel, securing the Institute of Technology and a retraining pilot and delivered the Careers Hub across our school settings. We are closely involved in the delivery of the West Somerset Opportunity Area.

We appointed a new inward investment manager who is working on the Photonics HPO that will give targeted promotion for the HotSW area to international businesses, clearly defining the commercial opportunity available to them and developing the Inward Investment Support Project as an incentive for businesses to invest in our area.

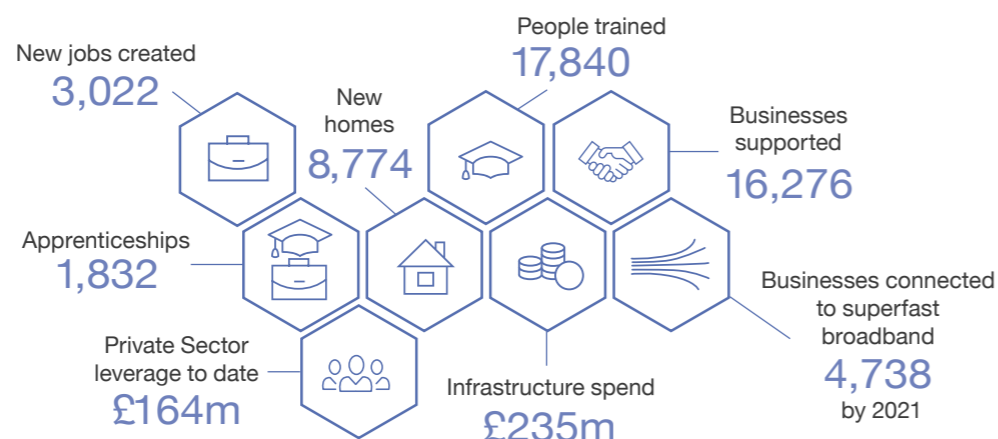
We have also made progress on the South West Energy Strategy, Digital Plan and our Natural Capital programme. We submitted our Local Industrial Strategy as planned to Government in the summer but are still awaiting Government sign-off due to delays caused by the General Election and COVID-19.

We have continued to broker the importance of regional identity through the Great South West publishing a our Prospectus – Securing Our Future, and through the Great South West APPG lobbying for recognition and support.

The election returned a small number of new MPs for the Heart of the South West and we've sought to strengthen our relationship with all of the HotSW MPs to form an effective local voice that is increasingly being heard in Westminster and Whitehall.

Lobbying for major transport priorities has made progress with construction starting on the new sea wall at Dawlish; a preferred route being announced for the A358; two A303 schemes: Sparkford to Ilchester dualling and the Stonehenge Tunnel progressed to Development Consent Order examinations; construction started on the Forder Valley Link Road in Plymouth and a new timetable was introduced across Great Western network with faster journey times from the South West to London, and improved frequency of services.

LEP Impact to 2020



Planning & progressing ...continued

Other notable achievements include:

- A Tourism sector deal agreed in June 2019. We're working with DMOs and our LEP partners to extend the shoulder season and drive up digital use in the sector
- The South West Institute of Technology was formally announced to equip the British workforce with skills across key sectors
- **High Streets Funding** for Yeovil, Taunton, Plymouth, Barnstaple, Bideford, Paignton Newton Abbot have been confirmed
- The quarterly Business Bulletin established providing valuable data sets and insights into the current economy
- Progress in our sector development in Nuclear, Marine, Aerospace and Digital – detailed in our sector lead updates further on in this report.

After six years as LEP Chair, Steve Hindley's tenure came to an end and we welcomed our new Chair, Karl Tucker, who has been a LEP Board Member since 2017. We also welcomed Sarah Cook, Vice President at Leonardo, as a new Board Member, bringing expertise in the aerospace sector.

As we look back on our achievements of 2019/20 we have a strong track record of delivery and thought leadership that will enable us to re-start, revitalise and grow the economy and increase prosperity for all.

Forecast of LEP Impact to 2025



Heart of the South West in numbers



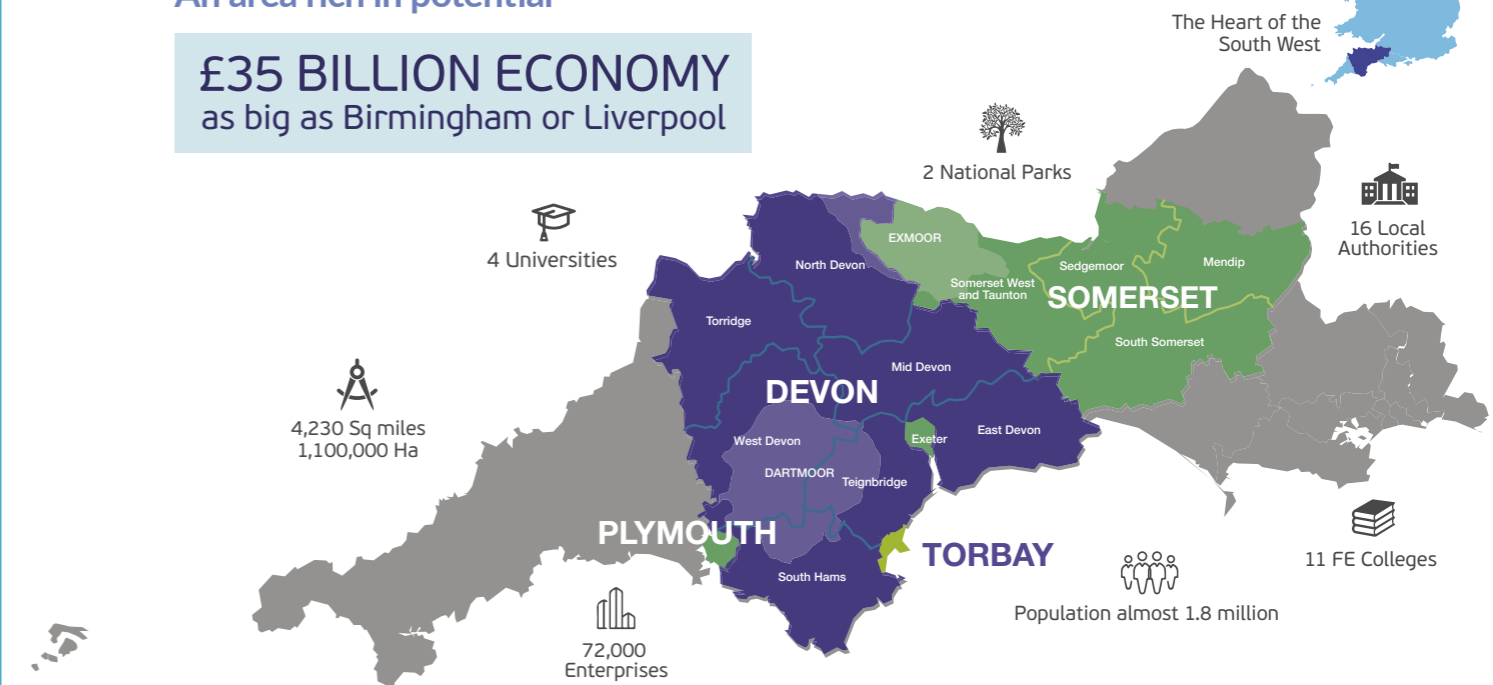
69 projects
46 complete
23 underway

The Heart of the South West's £35bn economy and 1.8m population is equivalent to that of a major UK city.

In 2019/20 employment continued to be amongst the highest in Europe though the COVID-19 crisis will undoubtedly make an impact on this. Our challenge is to harness the area's potential to ensure a robust response and recovery and so build productivity and prosperity for all. Clean and inclusive growth remains the over-arching theme and the area's Productivity Strategy and the Local Industrial Strategy we have worked on with Government provide solid foundations for the recovery work that will dominate the immediate future.

An area rich in potential

£35 BILLION ECONOMY
as big as Birmingham or Liverpool



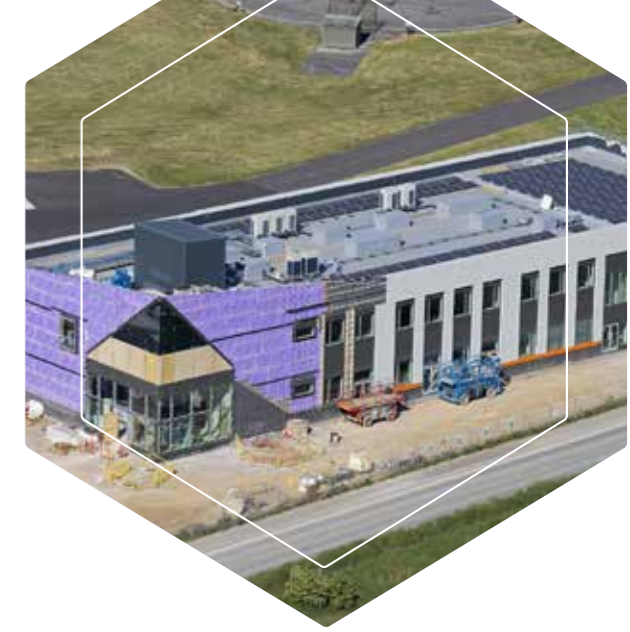
Changes since 2014...

Headline productivity growth is encouraging but this recent acceleration still leaves the annual increase consistently below the level of 2000-08; typically 1-2% now compared with 3-4% per year pre-financial crisis. This means the gap with the rest of the UK remains significant which results in lower incomes across the Heart of the South West.

	Heart of the SW vs 2014	UK vs 2014
Economy <small>Real GVA 2015 prices</small>	+5.5%	+7.6%
Population	+3.1%	+2.8%
Employment <small>Jobs full time equivalent</small>	+5.8%	+6.5%
Productivity <small>Nominal GVA per hour worked</small>	+12.6%	+9.8%
Wages <small>Average earnings per week</small>	+12.2%	+12.8%

Case Studies

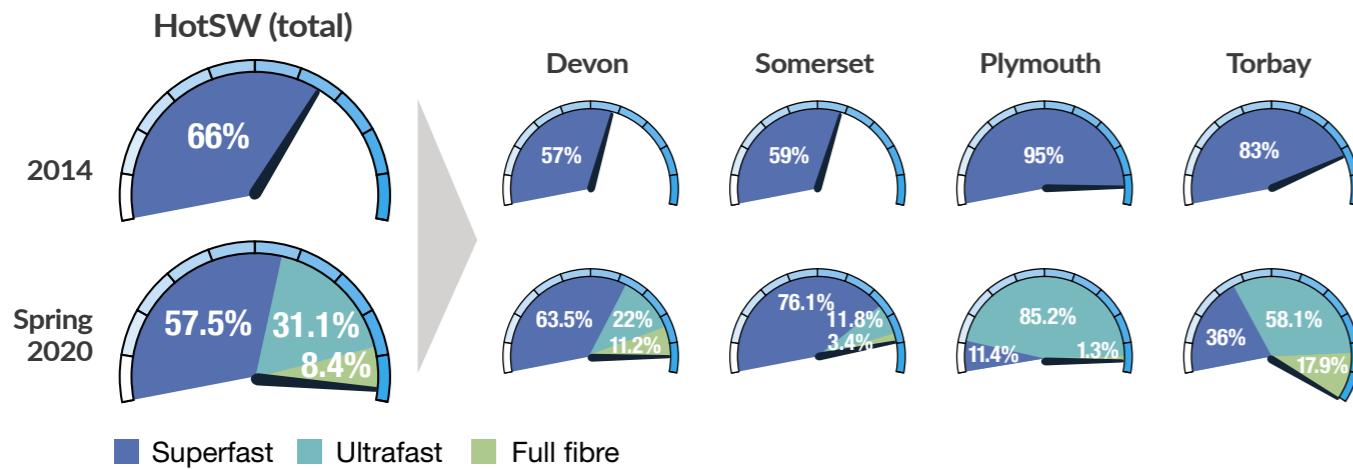
The LEP invests funding secured from Government in a range of projects across the area, supporting job creation and business growth.



iAero

The iAero Centre in Yeovil, a Somerset County Council led project, partly funded with £3.83m from the LEP's Growth Deal, will be a focal point for innovation and advanced engineering, creating new opportunities for the next generation. It will provide 2,400m² of high-quality office, workshop and collaboration space and specialist business support services. With Leonardo Helicopters as a driving force, iAero will facilitate innovation and collaboration in the local aerospace supply chain, supporting its ongoing competitiveness in a global market. Skilled people with new capabilities and technology will evolve, working on some of the most exciting and challenging projects of our time. iAero will aid the LEP's vision of delivering transformational clean and inclusive growth, helping to "build a better future" through technology programmes that create sustainable, greener air vehicles as solutions to the needs of modern society.

Broadband Speed Improvements*



* Based on number of premises connected. Source: Ofcom Connected Nations Report, Spring 2020

Heart of the South West Investment Programme

With an investment fund of over three-quarters of a billion pounds, the LEP manages a programme of 69 capital and revenue projects that are improving infrastructure, business growth and skills across the Heart of the South West.

Nearing completion, in its last year of delivery, our Growth Deal with Government is amongst the most successful in the country, with 40 schemes already complete and 22 on target for delivery in 2021 with benefits coming through until 2025. There are 7 Growing Places Fund Projects with 6 of these complete, 1 underway.

Fund	Government Award	Match Funding	Total	Progress	Expected outputs
Growth Deal	£239.1m	£351.1m	£590.2m	46 projects complete 22 projects in delivery 1 project in the pipeline	69 projects completed 22,641 new jobs 18,911 new homes
Growing Places	£22.6m	£48.4m	£71m	3,022 new jobs 8,774 homes built	56,789 people trained 30,872 businesses supported
Rural Growth Network Pilot	£2.9m	£15.1m	£18m	17,840 people trained 16,276 businesses supported	
ESIF	£89.14m	£76m	£165.14m		
TOTAL	£353.74m	£490.6m	£844.34m		

Unlocking Growth Fund – Devonport Market Hall

Construction at the Devonport Market Hall, partly funded by £0.5m from the LEP's Growth Deal, started in March 2019 and is due to be completed in November 2020. Work includes excavation of the plot next to the existing Market Hall building, and a 1,250m² new extension. The striking addition will house Europe's first Immersive Dome with video and performance media, a Café area and function rooms available for private functions, training and workshops.

Work on the existing building includes renovating the screen of heritage windows which has a rejuvenating impact on its overall look. The roof has had extensive works carried out to ensure that it is structurally sound and watertight, and up to date interior facilities have been installed. The existing indoor flagstones will be used on the exterior areas of the building and its external finishes will create a functional yet fun place to work and visit.



Torbay Western Corridor

The Torbay Western Corridor improvement project is a £17m highway enhancement strategy which has significantly increased the capacity of the north-south route running along the western side of the Torbay conurbation.

The LEP has contributed £8.25m towards this work, which has involved widening sections of the route, introducing sections of dual carriageway, improving the capacity of key junctions and providing new dedicated facilities for pedestrians and cyclists. The improvement has been constructed in a number of stages, the final one being completed in early 2020.

The Western Corridor provides an alternative to the congested sea front route, and links Torquay, Paignton and Brixham to the strategic road network via the South Devon Highway which was completed in 2015. The additional capacity provided by the Western Corridor improvements is facilitating significant growth of employment and housing, together with expansion of South Devon College.



Gravity Link Road

Gravity is the name for the major development planned for the site of the former Royal Ordnance Factory site at Puriton, just to the east of Bridgwater. Gravity is part of the multi-site Heart of the South West Enterprise Zone, and its 635 acre scale means that it has the scope to be one of the most significant economic growth points in the South West. The strategic design code and landscape masterplan have been developed, and site marketing is under way, including responding to DIT as a potential location for a Gigafactory.

Gravity is situated close to M5 Junction 23, and direct access into the site is being provided by construction of a new link road, removing traffic from the villages of Puriton and Woolavington. The link road is a £10.3m project, with the LEP contributing £3.94m from the Growth Deal and it will include a cycle route along its length. The new road is set to be opened in Spring 2021, by which time remediation of the development site will also be substantially complete and development can commence.

Work is underway to establish a simplified planning regime for the site through a Local Development Order based on clean and inclusive growth, and restoration of the former rail access to the Gravity site is under active consideration as an integral part of the future sustainable transport solution.



Constructing Futures

Constructing Futures Devon Ltd (CFDL) is a trading arm of independent charity Devon Communities Together, and provides real-site learning opportunities for construction apprentices and students from South Devon College by purchasing dilapidated properties and bringing them up to modern standards, to be sold on the open market.

The learners are able to experience all aspects of property renovation, with a large mixture of skills and trades being undertaken. Over the course of the last financial year, 203 learners benefited from working on our sites under the guidance of their trainers.

The benefits of working on real sites as opposed to only in college-based workshops are huge for the young apprentices and students, allowing them to experience a real working environment, as well as being motivated to seeing their hard work come to fruition.

To give the learners another new experience, the team also undertook some void works for Teign Housing, whereby the young people completed renovation works to prepare social housing properties for new tenants.

In March 2020 all work on CFDL sites was paused, in line with Government guidelines. Until that point however, CFDL was delighted to have sold its first renovated property to a couple of local young first-time-buyers, with the second property also sold. The CFDL team also embarked on its third property - its most challenging yet; a conversion of a larger dilapidated property into two separate dwellings, with an extensive renovation required.

CFDL was delighted to receive two awards from Skipton Building Society's Community Giving Programme during 2019/20, in recognition of the high quality of the properties and the achievements of the young learners.



Leadership Groups

Skills Advisory Panel (formerly the People Group)

Over the past 12 months, work has accelerated around our people and employment research and delivery programme, as both project investment and programme capital secured in 2019 has been released to the area.

Following its establishment in Spring 2019, the Skills Advisory Panel (SAP) completed its first year of activity, working closely with the University of Exeter. Bringing together local employers, skills providers and local partners, the SAP initially agreed and reiterated the area's evidence base, and then has moved forward with a range of topic specific 'deep dive' projects on topics of particular importance to the Heart of the South West. These have begun with an examination of issues linked to the future of work and on the ongoing impact and needs arising around social mobility. Work also began in year on the area's Skills Strategy, a five-year rolling plan which will set out the needs and priorities of the Heart of the South West to be finalised later this year.

Elsewhere, the HotSW Careers Hub entered its second year of operation, and had a further year of success. Expanding to cover 123 schools in year from an original 80 and increasing the size of its more intensive supported hub schools to 60, the Careers Hub became the second largest such project in England in 2019/20. This was accompanied by a rapid improvement in overall achievement, with the area a national leader by March 2020 in both school uptake of work experience and employer engagement. The HotSW Cornerstone network was felt to be a particular area of strength, bringing together 12 regionally and national significant employers to inform and support education business partnership across the area.

The HotSW Digital Skills Partnership (HotSW DSP) also had another successful year following its inception year. Bringing together 30-40 local digital partners, the DCMS sponsored partnership continued to feed into national policy development, as well as inform and secure additional local project activity. In year, this included the provision of an additional digital education role to be taken forward in 2020, and a joint project through the NESTA innovation programme to support older people into work. The partnership also delivered its element of the Digital



Skills Innovation Fund, providing support in year to 150 individuals to digitally upskill from basic to professional level digital skills. More detail on the DSP's achievements are provided later in this report.

More widely, work continued around the area's project complement, including the Institute of Technology (IoT) and the European Social Fund. The South West Institute of Technology began formal delivery in September, with capital works ongoing across four sites around the area to bring forward a suite of new technical skills centres for the 2021 academic year. Ongoing work with the Managing Authority around the European Social Fund also saw the balance of the area's funding allocated, with a final £20m of project applications received and opt in extension agreed in year. Work continues to bring these final projects to contract.

Finally, delivery work was concluded on the final round of Growth Deal 3 projects related to the FE Skills Capital Programme, with nine projects ultimately invested in delivering around 20,000 skills opportunities to date, and due to deliver a further 30,000 over the next five years. In total, this also enabled leverage of around £100-120m across the skills landscape.

Place

The Place Leadership Group's work over the last year has included development of Place elements of the Local Industrial Strategy, including energy, infrastructure and Natural Capital.

The Growth Deal Transport Programme has seen the delivery of fifteen completed projects, with another nine currently under construction. In addition, the three major A303/A358 projects are included in Highways England's Roads Investment Strategy and have been actively supported by the LEP through Development Consent Order examination. On the rail network the Network Rail strategic planning study for the Waterloo to Exeter route has been completed and the studies for the Bristol to Exeter and Dorset routes are underway. Two station projects – Cullompton and Wellington – have been successful in securing development funding in the first round of "Reversing Beeching".

The Natural Capital advocacy document was adopted in February 2020 and the Place Group is working to put together a pipeline of potential 'demonstrator' projects to help people to understand the importance and potential of this area of work, with the aim of embedding it within all strands of work across the HotSW LEP. The Heart of the South West is renowned for its natural capital which not only substantially contributes to quality of life and wellbeing, but is a vital part of sectors such as agriculture, our local food systems and the visitor economy. The natural capital concept considers economic development's effect and opportunity on renewable and non-renewable assets in the environment. The LEP has been working with all related stakeholders and partners to learn from what is already happening, seeking to champion, and develop further best practice for future economic development, which will be shared on the LEP website, and through our network.

The HotSW LEP, together with Cornwall and Isles of Scilly and Dorset LEPs, developed and adopted a new South West Energy Strategy with a common vision to create an energy future that is low carbon and more affordable, maximising and retaining benefits in the region. Taking forward the economic generating opportunities from this strategy will be a key part of the LEP's work in the coming years. To inform this work the Energy Strategy Working Group has been established to gather information on what is currently happening, what is being planned and what aspirations there are for the future. As part of this work there will be a need

to consider how the current constraints of the National Grid can be addressed at a local and regional level. There is also a need to look at the potential of an EV charging network and how this would work within the HotSW's very different urban and rural settings.

The Place Leadership Group has also undertaken a review of available employment land within the LEP area and, working with planners, is seeking to identify ways in which shortfalls could be addressed to ensure adequate supply to secure growth and Inward Investment.

Letters of support for towns submitting applications to the Future High Streets were submitted with the bids. The following towns were successful in being invited to the next stage: Barnstaple, Bideford, Newton Abbot, Paignton, Plymouth City Centre, Taunton and Yeovil.





Business

Following agreement by the HotSW LEP Board during 2018, the year started with the decision to bring the Growth Hub 'in-house'. Relevant transfer arrangements were put in place and a Service Level Agreement with Devon County Council was signed off in February 2020, with delivery commencing on 25th February 2020.

The LEP identified the need for a scale-up service and, following a procurement, contracted with 'Inspire', created by The Wessex Association of Chambers of Commerce. The Inspire Elite model delivers a programme of one-to-one support and peer-to-peer networks with a strong ecosystem of partner organisations providing specialist guidance. Launch events were held in Yeovil and Honiton and were attended by over 250 businesses, stakeholders and support providers. Inspire delivers bespoke support around an initial diagnostic, action planning and quarterly review process, alongside a programme of workshops covering a diverse subject area including business growth.

Against this backdrop, preparations for the UK's departure from the EU continued. The HotSW Growth Hub was recognised by the Department for Business, Energy, Innovation and Skills (BEIS) and the national Growth Hub network for leading the way in putting together comprehensive online resources to direct businesses to Brexit preparedness support and guidance. As 2019 drew to a close, further funding was provided for the Growth Hub to facilitate the EU Exit Resilience Support Service. This service consisted of two strands: business readiness and business intelligence. Business readiness delivered a number of activities including events, workshops and webinars; additional support from Trading Standards and specialist training for Chamber of Commerce staff. While business intelligence delivered activities including economic baseline assessments, impact modelling, telephone surveys and a weekly collation of business intelligence.

An opportunity arose to be a part of a BEIS funded Regional Entrepreneurship & Acceleration Programme (REAP) Lite, delivered by the Massachusetts Institute of Technology (MIT) Business School. Following a successful application in November 2019, HotSW is one of only six LEPs and combined authorities involved in this pilot as part of BEIS' Business Basics programme. The focus is on the adoption of innovation to raise firm-level productivity. REAP will become an important part of our innovation strategy as we look to the future.

Finally, 2019 – 2020 proved to be HotSW's most successful year to date for inward investment. 30 investments by foreign owned businesses was an increase of 8 on the previous year, making HotSW one of the most successful LEP's in the South West, bucking the national trend. This year will see the launch of the new HotSW Inward Investment Support project to increase Foreign Direct Investment (FDI) in the area. A programme of support includes a £900,000 grant scheme from August 2020 to existing and newly located FDI businesses to help them grow and create new employment opportunities.



Working in partnership

Marine

In January 2020 the South Coast Marine Cluster rebranded to Maritime UK South West, affiliating with the umbrella national cluster, Maritime UK. This has created greater national linkage and traction examples of which are working as part of the National Maritime Covid taskforce, attracting the national maritime awards to Plymouth in 2020 and negotiating a national lead role for innovation for the South West.

Cluster marketing activity is now well established with a series of online and physical events, and an established sector newsletter is in place which has helped to disseminate support during the Covid crisis.

The Cluster now attracts wider financial support: with funding coming from the three Great South West LEPs, research and businesses partners. The cluster has three areas of focus. The first of which, offshore renewables, has seen what is likely to be the beginning of significant investment in floating offshore wind in the South West approaches.

A business plan to maximise regional benefit from the sector is being prepared for the South West along with a second phase £30m bid into the Strength in Places fund. The cluster Autonomy and Geospatial Data Leadership Group was created and has brokered and promoted several bids including the Smart Sound 5G test site, the Plymouth Innovation Hub, Electric Autonomous Ferries and the Department for International Trade High Potential Opportunity.

The cluster also established the South West Aquaculture Network which is well supported and now has an agreed action plan and strategy in place.





Nuclear

Supply Chain

The HotSW LEP together with the West of England Combined Authority and the Welsh Government have each contributed £0.5m to the Hinkley Supply Chain Service that is delivered by SWMAS, Somerset Chamber and Business West. The contract commenced in March 2017 and ran until February 2020; with an extension of a further year agreed until February 2021. An independent evaluation of the economic impact of the project was undertaken in March 2020 and revealed that the programme has supported at least c£10.5m gross GVA to date. It has supported an estimated 221 gross jobs in 37 businesses, and illustrates that the impact on a per business basis can be significant, highlighting the scale of the HPC-related contract opportunities. It is estimated that the supply chain development strand has delivered a gross benefit: cost ratio of circa 7:1 against the public investment associated with that activity. For the HotSW LEP area 407 individual suppliers have won 514 contracts valued at £308,067,414.

MEH Innovation Factory

The HotSW LEP commissioned a study to better understand how a supply chain integration facility could support a local supply chain to potentially build the capability to win valuable contracts during the Mechanical Electrical, Heating and Ventilation phase of the HPC construction. The project is gaining traction with a number of key stakeholders including the project developer and Tier One Contractors who are keen to develop it to the next stage of feasibility.

Nuclear Sector Deal

The HotSW LEP has continued to work with Government and the High Value Manufacturing Catapult – Nuclear Advanced Manufacturing Research Centre to submit a business case for a £10m National Supply Chain Business Competitiveness programme. If successful £1.9m of that will continue to support the new nuclear supply chain and will be delivered locally.

Inward Investment

The Nuclear South West Inward Investment Contract is delivered by the Hinkley Supply Chain Team and is funded by HotSW LEP, West of England Combined Authority, Somerset County Council, Sedgemoor District Council and Somerset West & Taunton Council. Other stakeholders including GFirst LEP, National College for Nuclear, South West Nuclear Hub and Dorset LEP have contributed to marketing material and research. The project to date has supported 44 inward investment projects into the programme area, with a pipeline of potential interested other organisations. Thirty of these inward investments represents Foreign Direct Investments. Last year the South West delivered more than half of the Department for International Trade (DIT) target for UK nuclear investments.

The Nuclear South West Team attended a number of events to generate enquiries and a secure pipeline, and presented at the 2020 Civil Nuclear Showcase, organised by DIT. The region also hosted a Delivering Sector Knowledge visit for overseas posts, where representatives from over 20 different countries were in attendance. In October 2020, 200 delegates from the UK and overseas attended the Nuclear South West Showcase and Conference held over two days in Somerset.

Skills

EDF Energy and HotSW LEP have jointly funded for two years this post to help maximise the opportunities for the local workforce within HPC and other advanced engineering sectors. The manager came into post in August 2019 and has been working with industrial partners, colleges and independent training providers to put into place training interventions, apprenticeship and sector based work academies to support recruitment into areas where there are critical skills gaps. This includes supporting a hub and spoke model for Welding Centres of Excellence and Construction Operatives.





Aerospace

Inward Investment

The HotSW LEP attended the Paris Air Show with South West Aerospace in June 2019, where some promising leads were developed from overseas companies interested in investing in the region. It is hoped that one of those potential investors could support the LEP's ambitions to develop sustainable and smart aviation.

Smart Aviation

Progress is being made on developing a Smart Aviation Cluster, harnessing the unique qualities and expertise of key assets to create a significant eco-system that would support the LEP's clean energy ambitions. Partners include University of Exeter, Exeter College, The Met Office, Exeter Airport, Leonardo Helicopters and many others. Output from this work to date has included consolidating an inward investment proposition to bid to the DIT's High Opportunity Potential process and securing interest for a future collaboration with a blue-chip engineering company.

iAero Building

Construction started midway through 2019 of the iAero Building in Yeovil. This is an Innovation and Collaboration Centre which will see SME's working with industrial primes to tackle high value design challenges leading to commercialisation of technologies to respond to greater adoption of digital technologies, artificial intelligence and working towards de-carbonisation. The centre is due to be operational in early 2021.

South West Aerospace Strategy

The South West Aerospace brand provides an umbrella brand for all six of the south west LEPs to come together to collaborate on helping to deliver national aerospace strategy and the Aerospace Sector Deal within the region. This is essential as the south west cluster is acknowledged as the second largest and important within Europe. To that end the LEP has worked with key aerospace industrial primes to establish a strategic approach for the region that will provide the route map for collaboratively supporting the sector.

Digital Skills Partnership

In 2019/20 the Heart of the South West Digital Skills Partnership (HotSW DSP) worked with partners including Google, Freeformers and Lloyds Bank to deliver face-to-face digital skills sessions to over 850 businesses. The DSP recognises that raising digital careers aspiration in young people is an essential part of the region's future digital capability. Over the last 12-month period the DSP presented to over 1500 young people through year group assemblies and careers events (including parents) about the demand for digital capability across all sectors and the benefits in particular of working in the Technology sector. Subsequently, the HotSW DSP has been selected to pilot a project with the National Digital Skills Partnership School Group and the regional Careers Hub to run a project to increase the number of pupils at KS4 choosing digital subjects.

The partnership has also delivered Digital Momentum, one of four projects funded through the Department for Digital, Culture, Media and Sport's £1m Digital Skills Innovation Fund. The project set out to work with 150 individuals who were from groups underrepresented in our region's digital sector; women and those living in deprived wards. In total over 12 months the program helped 194 individuals retrain, prepare for or advance a career in Data Science, IT, Cyber Security, Digital Knowhow for Startups and Basic Digital Skills. 160 of those taking part were women and 59 individuals were unemployed at the time.



European Funding

The Government guarantee on European Structural and Investment Funds meant good progress was made in contracting remaining monies under the European Regional Development Fund, the European Social Fund and the European Agricultural Fund for Rural Development. Together these are worth £122m to Heart of the South West – allocations are in Euros so subject to exchange rate fluctuations. Each Fund is managed by a separate Government department and the LEP works with Government and local partners to ensure these are invested in local priorities. Projects must be contracted by end December 2020 and monies spent by end December 2023 at the latest.

At the end of March 2020, £138.3m has either been contracted or provisionally allocated to projects under appraisal which compares with £108.9m at the end of March 2019. The over-programming comes from strong demand under EAFRD where £37.8m of projects and applications are seeking funding from an allocation of £15.5m.



ANNUAL FINANCIAL STATEMENT 2020



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Introduction

Welcome to the Heart of the South West LEP's Annual Financial Statement for April 2019 – March 2020.

The Heart of the South West (HotSW) LEP is a strong and dynamic business-led partnership between the private sector, local authorities, universities and colleges. The LEP seeks to lead and influence economic growth, job creation and prosperity across the Heart of the South West area covering Devon, Plymouth, Somerset and Torbay.

Our vision is for a dynamic, highly prosperous region with high living standards and an outstanding quality of life, and our mission is focused on raising productivity and ensuring prosperity for all. The LEP does this through:

- influencing Government policy and decision-making to create the conditions for economic growth in the HotSW region, including for example, investment in the strategic transport routes connecting the area to the UK and internationally
- managing an investment portfolio of £264m of Government funds and working with Government to shape the investment of a further £122m of European Structural & Investment Funds in the area. Total investment across these programmes including match funding is over £790m.

The LEP does this through close working with a broad partnership across business, local authorities, universities, colleges and the National Parks. This support and contribution is highly valued.

More details of the LEP's investments, policies and governance can be found at <https://heartofswlep.co.uk/> and the LEP will set out more detail around achievements and challenges at its Annual General Meeting.

2019/20 Financial Report

The following table shows the income and expenditure for the year on the core operational budget held by the HotSW LEP.

HotSW LEP Core Operational budget					
	2018-19		2019-20		Notes
	£m	£m	£m	£m	
Income					
Grant from Government	0.700		0.700		1
Local area match funding	0.135		0.150		2
Additional local area contributions	1.000		0.661		3
Cashflow interest	0.337		0.358		4
		<u>2.172</u>		<u>1.869</u>	
Expenditure					
Salaries & expenses	0.522		0.469		5
Admin & office costs	0.119		0.171		
Service level agreements	0.540		0.671		6
Governance	0.007		0.014		
Enabling fund	0.000		0.150		7
LEP review	0.019		0.119		
Operational delivery	0.238		0.307		
		<u>1.172</u>		<u>1.901</u>	
Surplus of (Deficit) for the year		<u>0.727</u>		<u>- 0.032</u>	

Notes to the accounts

The restatement of 2018/19 is a simple reclassification of spend to align to the latest operating model. The surplus remains unchanged.

- 1) As part of the Strengthened LEPs report (July 2019) Government announced additional capacity funding of £200,000 per LEP. This was received in 2018/19 and 2019/20 on top of the standard £500,000 core funds.
- 2) As part of the grant offer from central government, there is a requirement to receive cash contributions from the local authorities within the LEP boundary, this is known as match funding. The income received in 2019/20 was £150,000, although much more is received in the form of provided back office support.

- 3) The £661,000 relates to additional revenue contributions from Plymouth CC to go towards the running costs of the LEP. This is in response to the LEP supporting their capital programme from the Growth Deal as part of funding exchanges.
- 4) Interest earned on Growth Deal project funds held by the LEP.
- 5) There is a decrease in the salaries in the two years due to from 2018/19 including costs of the previous Chief Executive remaining in post during the first two months of tenure to ensure an effective handover.
- 6) The Local Authority Service Level Agreements deliver back office and project support.
- 7) Enabling fund – a repayable fund used in 2019/20 to accelerate delivery of the Enterprise Zones. Repayments are due to start during 2021/22.

The following table details the movement in the core operational reserve. Between financial years. This reserve is held to fund the future running costs of the LEP (as detailed in the forward budget scenarios on page 26).

HotSW LEP Operational Reserve		
	2018-19	2019-20
	£m	£m
General reserves		
As at 1 st April	1.343	1.796
In year draw from reserve	(0.010)	0.000
Transfer between reserves	0.000	0.019
Surplus/Deficit for the year	<u>0.463</u>	<u>-0.208</u>
As at 31st March	1.796	1.607
Earmarked reserves		
As at 1 st April	0.347	0.519
In year draw from reserve	(0.124)	(0.163)
Transfer between reserves	0.000	(0.019)
Surplus/Deficit for the year	<u>0.296</u>	<u>0.176</u>
As at 31st March	0.519	0.513
Total reserve as at 31st March	<u>2.315</u>	<u>2.120</u>

2019/20 Detail

A. Growth Deal

This statement shows the movement in the year on the Growth Deal funding held by the HotSW LEP.

The following tables show only the LEP investment in projects, not the total cost which will include match funding. More details on individual projects are available at <https://heartofswlep.co.uk/projects/>

HotSW LEP Growth Deal Budget				
	2015-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m
Income				
Grant from Gov't	100.11	36.132	9.986	13.146
Expenditure				
LGF	50.924	29.041	26.425	27.841
Surplus of (Deficit) for the year	50.645	6.070	-16.419	-14.695

HotSW LEP Growth Deal Budget					
		2015-17	2017-18	2018-19	2019-20
		£m	£m	£m	£m
Expenditure					
GD01	Yeovil Western Corridor capacity upgrade	0.471	1.619	3.863	0.000
GD02	Torbay Western Corridor	2.496	4.018	1.735	0.000
GD03	Bridge Road, Exeter	5.300	0.000	0.000	0.000
GD04	Derriford Transport Scheme	3.329	6.830	0.079	0.000
GD05	A382 widening, Newton Abbot	0.503	1.438	0.894	2.367
GD06	Torquay Gateway	0.941	0.068	0.014	0.000
GD07	Huntworth Roundabout Bridgwater	1.910	0.000	0.000	0.000
GD08	A361 Portmore to Landkey Stage 1	0.332	0.428	(0.003)	0.000
GD09	Derriford Hospital Interchange	1.400	0.000	(0.079)	0.000
GD10	Taunton Rail Station Enhancements	0.049	0.000	0.000	2.135
GD11	Torquay town centre access	0.224	0.000	0.068	0.000
GD12	Roundswell Phase 2, Barnstaple	0.293	1.344	(0.005)	0.000
GD13	A38 Deep Lane junction, Sherford	2.000	(0.016)	(0.073)	0.000
GD14	A379 Newcourt junction, Exeter	0.886	(0.061)	(0.007)	0.000
GD15	A39 Heywood Road junction, Bideford	0.000	0.000	0.000	0.070

GD16	Marsh Barton, Exeter, New Railway Station	2.294	0.741	0.024	0.184
GD18	Plymouth Northern Corridor traffic signals	1.050	0.020	0.970	0.059
GD19	Plymouth Eastern Corridor cycle network	0.393	0.701	0.800	0.424
GD20	Plymouth Charles Cross and Exeter Road	0.000	0.000	1.082	1.017
GD21	Bridgwater College Hinkley Skills Capital	5.146	0.000	0.000	0.000
GD22	Plymouth College Stem Centre (city college)	5.430	0.000	0.000	0.000
GD23A	HPTA - Bicton	0.300	0.000	0.000	0.000
GD23B	HPTA - South Devon	0.211	0.000	0.000	0.000
GD23C	HPTA - Petroc	0.291	0.000	0.000	0.000
GD23D	HPTA - Exeter College	0.961	1.039	0.000	0.000
GD23E	HPTA - National College for Nuclear	0.000	2.102	0.855	0.040
GD23F	HPTA - Yeovil College	0.384	0.252	0.000	0.000
GD24A	Somerset Energy Innovation Centre Pt 1 (1b)	1.343	0.000	0.000	0.000
GD24B	Somerset Energy Innovation Centre Phase 3	0.000	2.239	2.865	0.000
GD25	Exeter Science Park Environmental Futures Campus	2.498	0.000	0.000	0.000
GD26	Somerset College Centre for Engineering	0.596	0.000	0.000	0.000
GD27	Plymouth Science Park Phase 5	3.000	0.000	0.000	0.000
GD29	Somerset Flooding	5.423	1.056	1.687	1.337
GD31	Broadband	0.000	0.686	0.000	0.692
GD32	Electronics and Photonics Innovation Centre	0.000	0.000	0.000	3.000
GD33	Oceansgate/South Yard Phase 1	1.470	0.000	0.000	0.000
GD34A	UGF - YIC2	0.000	0.289	0.152	0.000
GD34B	UGF - Highbridge	0.000	0.233	0.000	0.000
GD34C	UGF - Wiveliscombe	0.000	0.045	0.007	0.446
GD34D	UGF - Devonport	0.000	0.000	0.130	0.358
GD34E	UGF - Claylands	0.000	0.000	0.000	1.213
GD34F	UGF - Caddisdown	0.000	0.000	0.000	0.179
GD34G	UGF - Wells	0.000	0.000	0.132	0.624
GD34H	UGF - Pathfields	0.000	0.000	0.075	0.147
GD36	Exeter Science Park Open innovation Building Environmental Futures Campus	0.000	0.000	0.000	0.734
GD37	Exeter Science Park - SPC Phase 2	0.000	1.851	2.647	0.000
GD38	J25 M5 at Henlade	0.000	0.730	0.000	4.728
GD40	Tiverton Eastern Urban Extension	0.000	0.356	0.838	0.000
GD43	Youth Construction Skills Project	0.000	0.574	0.000	0.000
GD44	South Devon College Hi Tech Centre	0.000	0.459	7.675	0.000
GD45	iAero (South) Centre	0.000	0.000	0.000	2.009
GD48	Taunton Toneway Corridor Capacity Improvements	0.000	0.000	0.000	0.404
GD49	Huntsspill Energy Park	0.000	0.000	0.000	3.940
GD50	Plymouth Central Railway Station	0.000	0.000	0.000	1.212
GD51	North Devon Innovation Centre Roundswell	0.000	0.000	0.000	0.522
		50.924	29.041	26.425	27.841

B. HotSW Capacity Projects

Capacity projects are in part funded from the LEP's core operational budget; this statement shows the movement in the year on those capacity projects' budgets. Remaining funds will be invested in subsequent years.

HotSW LEP capacity projects budgets			
	Income	Expenditure	Surplus
	£	£	£
Project			
Enterprise Zone – EED	35,000	31,273	3,757
Enterprise Zone – Gravity	65,000	51,169	13,831
Enterprise Zone – Oceansgate	29,500	22,518	6,982
GSW and Rural Productivity Commission	120,065	120,065	0
Transport Excellence Grant	85,500	65,135	20,365
Energy Strategy	100,000	96,453	3,547
Nuclear South West	1,828,316	1,757,089	71,227
Inward Investment	415,581	310,559	105,022
South Coast Marine Cluster	196,767	152,477	44,290
Technical Assistance for ESIF	82,066	40,150	41,916
Growth Hub	3,444,414	3,269,289	175,125
Local Transport Board	131,579	131,579	0
Digital Skills Partnership	75,000	75,000	0
Rural Growth Network	2,962,000	2,962,000	0
Career Hub/Enterprise Advisor Network	965,723	965,723	0
Career Learning Pilot	687,673	687,673	0

C. European Structural and Investment Funds

The HotSW LEP, along with other local partners, advises Government on investment of £122m of European Structural and Investment Funds. Investment decisions and project management are conducted by the Government departments responsible for each of the three funds. Monies are to be contracted by end December 2020 and spent by end December 2023. Government has previously confirmed through the EU exit process that projects contracted under these Funds will be underwritten by HM Treasury, meaning the European funding amount is protected. A summary of the position in the LEP area is shown below.

The LEP area met the Performance Reserve targets which apply to ERDF and ESF, unlocking the full allocation for the area and calls were held in 2019/20 to commit remaining funds.

As part of managing allocations across LEP areas, Government announced that remaining monies would be amalgamated into national reserve funds for each programme with areas able to apply for funding under calls run from the reserve funds. Note that post the final round of ERDF calls in December the LEP area had committed a total of £59.4m or 95% of its allocation, though since then one application was unable to proceed leading to the position below. Further information from Government on the detail of the reserve fund are pending.

	European Regional Development Fund	European Social Fund	European Agricultural Fund for Rural Development
Total HotSW notional allocation ¹	£62,097,723	£44,381,182	£15,540,333
Contracted	£45,077,103 (73%)	£31,047,984 (70%)	£13,018,213 (84%)
Projects at assessment, appraisal or contracting stage	£11,708,256	£12,637,730	£24,871,936
Total contracted + assessment/appraisal/contracting	£56,785,439 (91%)	£43,685,714 (98%)	£37,890,149 (244%)

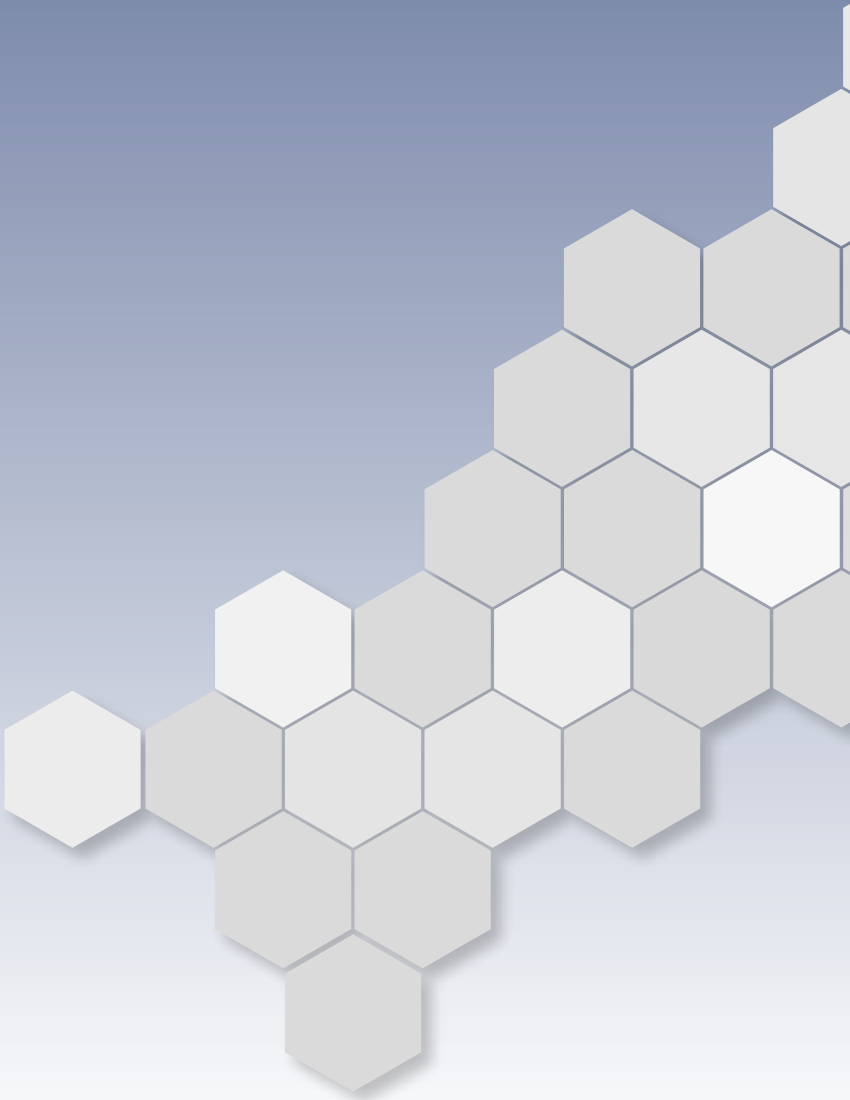
¹ ESIF monies are allocated in Euros so the £Sterling equivalent can alter with exchange rate changes

Future Funding

The LEP have set out a two year forward budget. Given that Government funding is to be confirmed until March 2021, two possible scenarios are presented below:

HotSW LEP Core Operational budget				
	2020-21		2021-22	
	£m	£m	£m	£m
Expenditure				
For operations				
Salaries & expenses	0.504		0.504	
Admin & office costs	0.109		0.097	
Provision for revenue exchange	0.072		0.000	
Enabling Fund	0.150		0.000	
		0.835		0.601
For delivery				
Thought Leadership	0.053		0.053	
Opportunities delivery	0.195		0.195	
Inward Investment delivery	0.017		0.017	
Business, People & Place delivery – capacity	0.764		0.738	
Transparency & governance	0.038		0.038	
		1.067		1.041
Total planned expenditure		1.902		1.642
Funding				
2a. Funding - assuming 1x core funding from Govt and giving LEP 2 year forward funding				
Operating core grant	0.500		0.000	
Area annual contributions	0.165		0.165	
Interest	0.200		0.090	
		0.865		0.255
Additional area contributions	0.769		0.000	
Use of reserves	0.658		0.907	
		1.037		0.907
Funding shortfall (surplus)		0.000		0.480
2b. Funding - assuming no core funding from Gov't				
Operating core grant	0.000		0.000	
Area annual contributions	0.165		0.165	
Interest	0.200		0.090	
		0.365		0.255
Additional area contributions	0.769			
Use of reserves	0.768		0.407	
		1.537		0.407
Funding shortfall (surplus)		0.000		0.000

* **Post balance sheet** – The above table is based on reasonable assumptions known at February 2020. The impact of the global Covid-19 pandemic and the subsequent government enforced lockdown will impact on the finances, for example the bank of England base rate has dropped to 0.1% from 0.75%. Other effects are not yet quantifiable, but travel and events will be impacted. This may present additional costs to accommodate necessary changes but also opportunities for saving as new flexible ways of working are embedded.



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