

**HEART OF THE SOUTH WEST**

# Local Enterprise Partnership

Devon | Plymouth | Somerset | Torbay

# DRAFT PROSPECTUS

February 2011



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Delivering growth and prosperity across Devon, Plymouth, Somerset and Torbay

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This Prospectus sets out our proposal to create the right economic environment to help our businesses flourish and grow. It is a submission from the business community and public sector across Devon, Plymouth, Somerset and Torbay.

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# EXECUTIVE SUMMARY

**The Heart of the South West Local Enterprise Partnership (LEP) has been formed under the leadership of the private sector supported by the local authorities from Devon, Plymouth, Somerset and Torbay to create a powerful economic alliance. Our objectives are to create new jobs, raise productivity levels and increase our average wages.**

With a diverse economy, our area has many strengths, including, outstanding expertise in low carbon energy generation (notably nuclear power and renewables), the defence sector, marine and maritime industries. We have an exceptional landscape and coastline, including two National Parks, providing an unrivalled tourism experience.

We also have two world class universities and excellent further education colleges helping to provide a skilled workforce and a growing knowledge base. Small and micro businesses make up a significant part of our business sector and demonstrate the depth of our entrepreneurial spirit.

Our economy does face a number of challenges however, in terms of lower than average wages, productivity levels and distance from market.

Our dispersed economic geography, with few, but important, urban centres increases our reliance on critical infrastructure and key services. Overcoming significant transport and logistic issues, as well as planning constraints is vital for businesses to thrive and attract new investment. Rapidly accelerating the roll out of superfast broadband is crucial to our future economic success. We have a high dependence on the public sector for employment so there is a very real need for our LEP to address the rebalancing of our economy.

Harnessing the expertise from across the private and public sector in our LEP will create a focused and effective strategic body that will tackle these issues. We will work in tandem with our partners, other LEPs and Government to achieve the best for businesses and residents of Devon, Plymouth, Somerset and Torbay.

Our Next 100 Days of activity is outlined on pages 15 and 16.

# WHY WE ARE FORMING A LOCAL ENTERPRISE PARTNERSHIP

**A functional economic area.** Devon and Somerset is a coherent economic area that lends itself to the formation of a LEP - strategic in scale, yet closely connected. The area shares many common economic characteristics: an economy with a significant proportion of small businesses, prevailing sectors include agriculture, tourism, marine, defence, aerospace, advanced engineering and low carbon energy generation. The area includes many common challenges including poor connectivity, low earnings, 'hot spots' of high public sector dependency and low business productivity. It has an interlocking economic geography of cities, key towns and rural areas.

**Partnership Commitment.** Partners across our private and public sectors are committed to building together an influential and effective LEP. In addition to business organisations, social enterprises and local authorities with a proven track record in economic development and regeneration, we have major international businesses, two outstanding universities and a high performing further education sector, who will each contribute to shaping the economic future of our area.

**Policy commitment.** We welcome and endorse the Government's commitments to localism, private sector led growth and recovery to rebalance the economy. We have the ambition to take on lead roles nationally in aspects of economic development where we can share our particular expertise, such as in low carbon energy generation.

**Shared priorities.** We have agreed common priorities that will define the agenda for our LEP. These include low carbon energy generation, including nuclear power, a drive for improved connectivity, including accelerated rollout of superfast broadband and a common need to grow private sector business activity, productivity, profitability and employment.

**At the Heart of the South West.** We are outward looking and will work with neighbouring LEPs, including Cornwall and the West of England on relevant shared issues, such as influencing EU policy and funding programmes. We sit at the heart of the south west. Our urban centres are vital to the economic future of the whole south west: linked to, and supported by our network of towns and rural communities, which are so typical of this wider area.

# OUR AMBITIONS AND AGENDA

**We will lead the development of a dynamic, profitable and sustainable economy across our area. We believe we have the potential and opportunity to play a stronger role in the national economy, supporting UK growth and private sector-led recovery. We will provide the strategic leadership to achieve:**

- Increased business growth and productivity, improving business profitability and competitiveness on the local, national and global stage.
- Higher average earnings and better employment opportunities for local people.
- A rebalanced economy reducing our dependence on public sector employment
- A more resilient economy, diversifying the economy beyond sectors with limited future growth potential focusing on a range of high growth sectors.
- A transition to a higher knowledge-based, low carbon economy.

**We aim to achieve these outcomes by:**

- Building on our many existing strengths in research development and manufacturing in key business sectors such as marine, aerospace and photonics, world-class educational institutions and our environmental assets.
- A focused approach to the priorities which will drive economic transformation across our area, including ICT connectivity, improvement of skills, and the development of low carbon energy sectors.

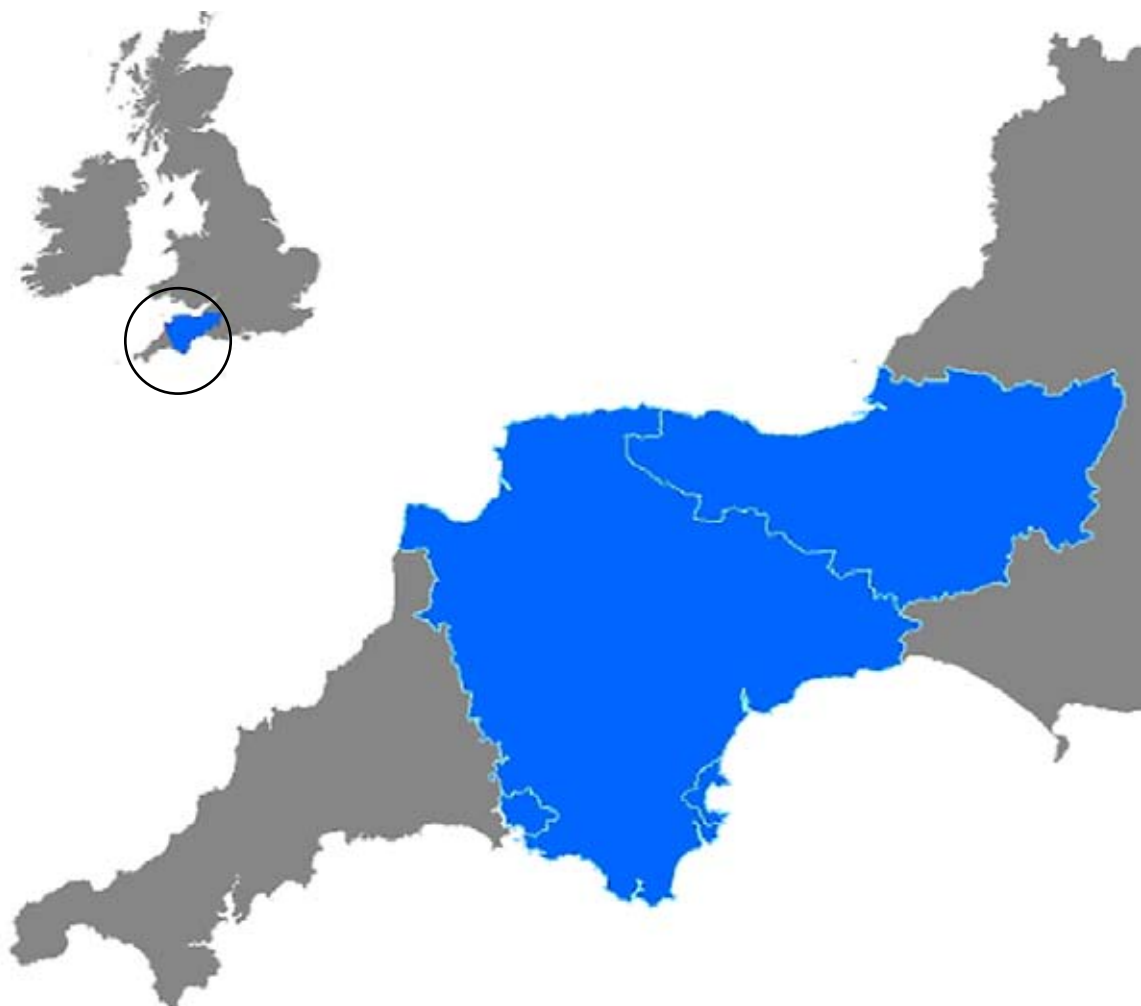
We will harness the potential of our key urban economic centres as drivers of economic growth and recovery, building and strengthening the links between these centres and the surrounding market towns and rural economy that characterise our area. Our LEP will be truly business-led, operating at a strategic level and with the efficiency that modern business demands.

We have a real appetite for change and an ambition to agree the flexibilities and new ways of working with central Government so we can transform the economic fortune of our area.

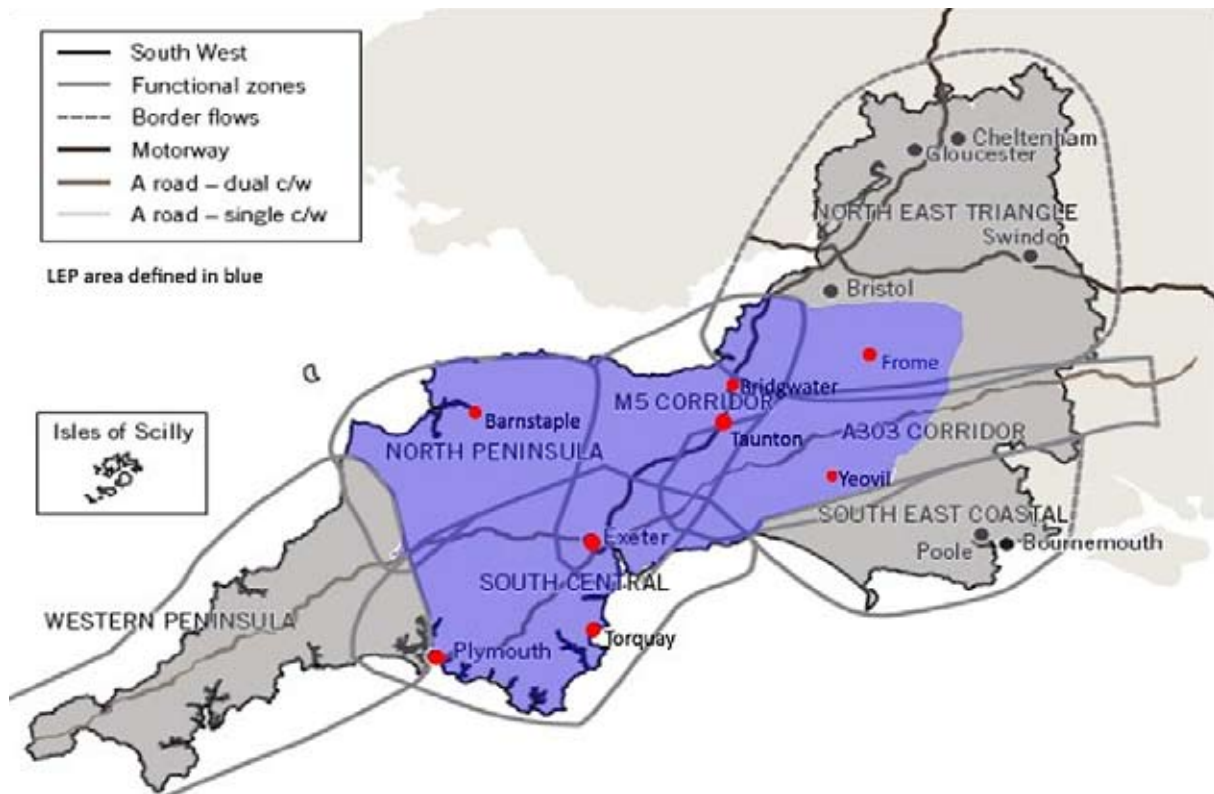
# KEY FACTS

**Covering an area of 10,158 square kilometres, home to more than 1.6 million people, and with an output of £25 billion per year, our area is a significant economic entity.**

More than 10% of our workforce is self employed and we have 63,500 active enterprises based here. We host a number of internationally recognised businesses such as Astra Zeneca, Augusta Westland, Flybe Best Short-Haul Airline 2011, Honeywell Aerospace, Babcock Marine, the Meteorological Office, Spirent, Princess Yachts, Yeo Valley Organics, EDF Energy and IBM, to name but a few.



## Our Economic Geography



We recognise that our functional economic areas stretch beyond our geographical footprint and there are several functional zones within our area, reflecting the nature of our main transport corridors. Developing our understanding of our economic geography will influence and support our strategy development and delivery mechanisms.

Our productivity is significantly below the national average, however. Output per worker for England is over £45,000 but for our economy it is less than £32,000. Our wages are more than 12% below the national average. Distance to market is a significant issue for our economy. For instance, for every 100 miles from London, there is a 0.7% decrease in productivity for key firms. This fact illustrates the critical importance of providing better connections for our area. (Source Boddy et al; Meeting the Productivity Challenge 2: Update 2006).

We have a skilled workforce of some 840,200 economically active people. We are also highly dependent on public sector employment. Some 33% of our workforce is employed in public sector jobs, increasing to 40% in our urban areas.

Our population is increasing above the national average and the majority of this growth is in the over 60's, placing challenges on us in terms of service delivery, whilst also providing business opportunities.



## Our vital statistics at a glance:

	<b>Our Area</b>	<b>National Average</b>
<b>Job Creation</b>		
Public sector employment – Torbay	39.30%	30.70% (UK)
Public sector employment – Taunton	34.90%	30.70% (UK)
Public sector employment – Plymouth	40.10%	30.70% (UK)
Public sector employment – Exeter	39.60%	30.70% (UK)
% of people employed in firms employing over 200 people	25.60%	31.60%
Percentage of people employed in firms employing less than 10 people	24.90%	21.0%
Unemployment Rates – December 2010	2.40%	3.60% (UK)
<b>Productivity</b>		
Output per worker	£32,000	£45,000 (UK)
% premises not receiving 2 Mbps	17.0%	11.0%
Number of people per square kilometre	162	398 (England)
<b>Earnings</b>		
Weekly Wages	£355.40	£405.70 (England)
Gross disposable household income	£13,520	£14,890 (UK)

**These statistics have been obtained from the following sources:**

ONS – IDBR - 2009

ONS Annual Population Survey – Workplace Analysis – July 2009- Jul 2010

ONS Annual Business Inquiry – Workplace Analysis – 2008

ONS Nomis (Job Centre Plus) – December 2010

South West Regional Accounts 2008

ONS – Total GVA England 2008 (Output per worker figure based on ONS Employment Rate – Numerator Jan 2008 - Dec 2008)

Analyses Mason – Next Generation Access

Geographic Areas – Office for National Statistics

ONS Annual Survey of Hours and Earnings – Workplace Analysis – 2010

ONS Gross Disposable Household Income (GDHI) per head at current basic prices - 2008

# OUR PRIORITIES

The priorities for our LEP are based on our agenda for economic growth and employment. They are to:

## Job Creation

- Secure growth in our key urban centres and facilitate job creation across the heart of the South West, ensuring that market towns and rural areas are closely linked to urban growth and also economically successful in their own right.
- Provide support to strong sectors across the area such as tourism, food and drink, and land-based industries to grow employment opportunities through improving business profitability and productivity.
- Encourage investment in potential growth sectors such as marine technologies and low carbon energy generation (notably nuclear power and renewables) that can create and sustain new private sector jobs, rebalancing our economy away from an over-reliance on the public sector. We will give specific emphasis to the marine technologies and low carbon energy sectors.
- Create the conditions for high levels of business start-ups and increase the numbers of jobs in expanding SMEs.

## Productivity

- Coordinate and secure improvements to infrastructure, including superfast broadband and electrification of our rail network, key road improvements and housing, which underpins the success and prosperity of our businesses and communities.
- Promote expected Government changes to the planning system in order to allow businesses to flourish and expand.
- Extend, strengthen and accelerate the transfer of knowledge and innovation from our outstanding universities and educational institutions through to businesses. Particular emphasis will be on encouraging stronger links between our knowledge base and SMEs.
- To enable businesses, and especially SMEs, to deliver higher levels of productivity by improving the economic environment in which they operate. This includes facilitating effective business mentoring mechanisms, promoting business networks, enabling access to finance, supporting skills development and exploring international markets and export opportunities.
- Influence and secure UK and EU funding streams to increase our levels of productivity and deliver our priorities.

## Earnings

- Ensure our workforce is equipped with skills that businesses need, and support the development and delivery of the right skills for our potential growth sectors.
- Achieve higher levels of earnings by improving skills and educational attainment levels, giving individuals across all our communities more choice and access to a wider range of employment opportunities.
- Improve access to higher education for individuals across our area
- Attract inward private sector investment from high growth sectors to encourage higher paid quality jobs.
- Encourage increased levels of indigenous investment to improve the quality and pay levels of existing jobs.

Once the LEP shadow board has been established, the actions and outcomes to achieve each priority will be set out. Examples of the type of outcomes that the shadow board could decide to agree upon are as follows:

## Job Creation

- Sustain a growth agenda which allows businesses to flourish creating circa 50,000 jobs by 2030.
- Create a minimum of 5000 new private businesses by 2030.
- Restructure the economy to rebalance the economy away from public sector employment to private sector led prosperity

## Productivity

- Secure growth in key sectors which contribute to an overall uplift in GVA and bring this in line with the national average by 2015.
- Achieve 85% geographical coverage of superfast broadband across the Heart of the South West by 2018.
- Work closely with the Government with a willingness to be an exemplar area for activities such as innovation and technology transfer and marine technologies.
- Achieve a powerful voice for Devon, Plymouth, Somerset and Torbay and secure new investment for our area

## Earnings

- Bring our average wages in line with the national average by 2015

# OUR PROPOSED STRUCTURE

**The detailed governance arrangements for our LEP will be determined in the coming months, in consultation with a wide range of stakeholders. The arrangements will be consistent with good corporate governance and ensure that:**

- Stakeholders understand the vision and expected outcomes of the LEP
- There is transparency in the decision making processes
- Business is at the heart of strategic decisions
- There is open and inclusive dialogue with all stakeholders

It is expected that the LEP board will be no more than 15 people with a balance of business and public sector, with the chair coming from the private sector. The board will comprise the following:

- Business representation
- Devon County Council
- Higher and Further Education
- Plymouth City Council
- Somerset County Council
- Torbay Council

Business representation will reflect that of the LEP area, in terms of sector and size distribution, and will also lead on shaping the outcomes required around enterprise and skills.

Underneath the LEP board, it is recognised that there are existing strategic and delivery structures that apply across the area. The partnership provides an opportunity for aligning and rationalising these structures to ensure that the economic development structures are efficient and effective. The framework we are proposing will assist effective delivery at an appropriate local level, developing delivery arrangements consistent with functional economic geographies rather than administrative boundaries. This will also include working with other LEPs on shared priorities.

Our proposal is for a lean, focused and business-led partnership that will drive forward our economic growth ambitions through strong leadership and local accountability. Sharing precious resources and saving money are underlying themes to our approach. Recruitment to the board will be undertaken in an open and transparent manner.

The proposed governance structure is set out on page 14.

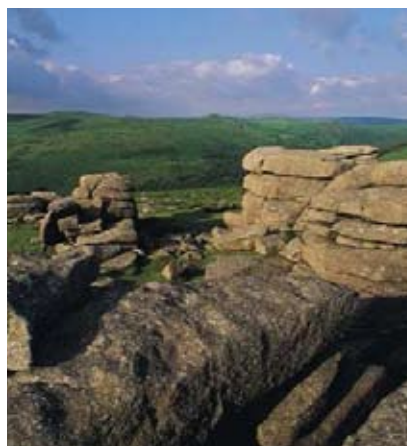
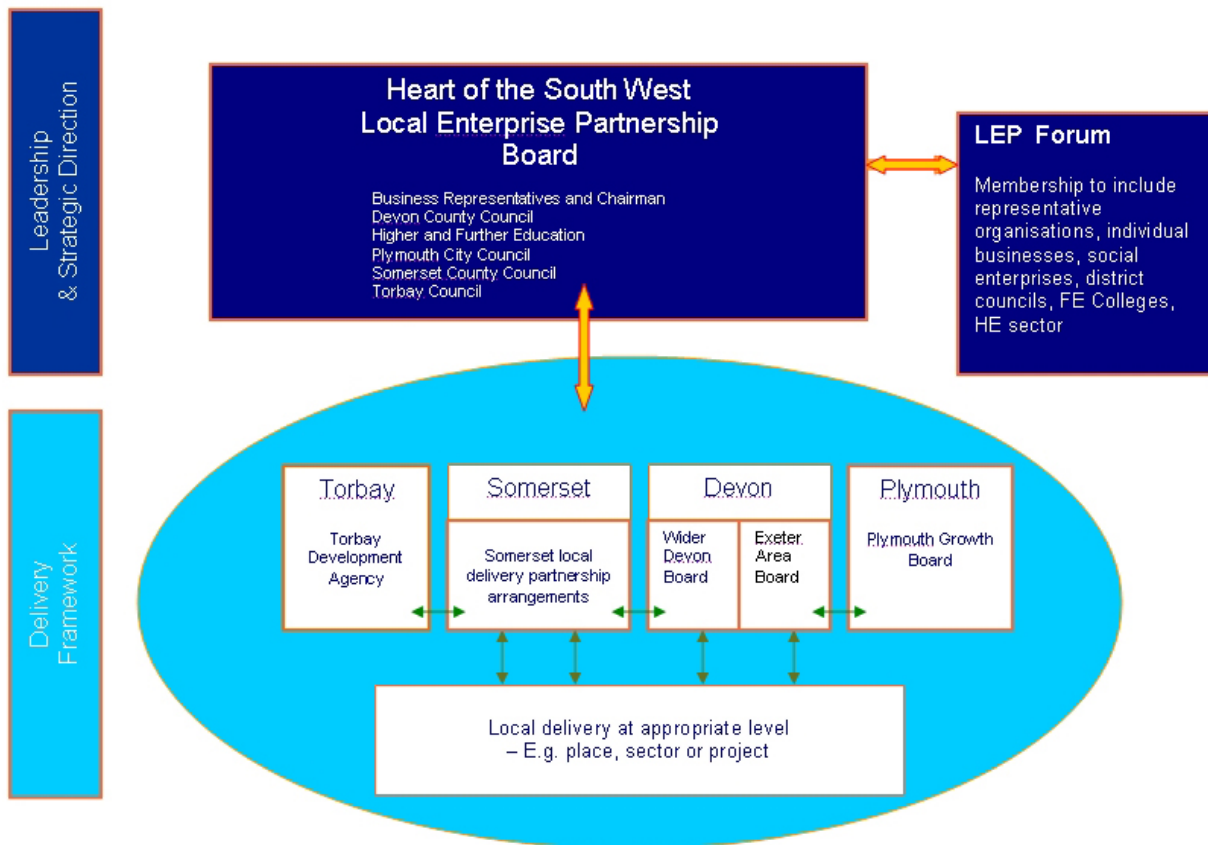
To support the main Board, and recognising that to be successful, the LEP needs to be open to everyone, we will establish an LEP Forum, open to all businesses, organisations, agencies and local authorities. We would expect each of these to form any appropriate grouping. The role of the forum will be to examine and monitor the work of the LEP, and hold the LEP to account. It will meet twice yearly and through its scrutiny role, support and advise the main Board, providing a way for all businesses and stakeholders to engage with the LEP. This arrangement ensures clear communication with the business community, their support agencies and the public sector and promotes networking and collaboration.

In addition to our outline plan, we anticipate that task and finish groups as appropriate may be established to support the main Board. The need for this type of arrangement, and the exact size, number, membership and roles for such groups will be developed over the next few months.

The governance proposal assumes that the LEP is acting as client or commissioner and is not involved in delivery. It also recognises that the Councils or a lead Council will assume the commissioning responsibility and/or accountable body status where required.

The LEP Steering Group will recruit a shadow board which will act as the LEP until the Partnership is formally established and will oversee the activities outlined in the Next 100 Days section on pages 16 and 17. In terms of governance these activities will include:

- Forming the LEP Forum
- Determining relationships between the LEP and
- District Councils
- Employment and Skills Boards
- Further and Higher Education
- Growth boards
- Tourism sector
- Other LEPs
- Determining future secretariat support
- Developing detailed terms of reference for the LEP
- Developing operational procedures for the LEP and the Forum



# NEXT 100 DAYS

**We recognise that we are only at the start of a longer journey and that there are a number of critical actions to complete over the next few months. We need to have a number of important conversations with a range of stakeholders to help us launch our LEP. We are committed to:**

## **Governance and partnership development**

- Establishing the appointment processes for the recruitment of the Shadow Board
- Recruiting and forming a Shadow Board
- Creating and launching an LEP Forum for Devon, Plymouth, Somerset and Torbay.
- Establishing the appointment processes for the recruitment of the LEP Board
- Recruiting and appointing the LEP Board.
- Determining our governance arrangements and the relationship between the LEP and Delivery Organisations, the LEP Forum, District Councils, HE and FE sectors.
- Determining the balance between pan-area, sector-led and local delivery to achieve the most efficient, effective and appropriate arrangements.

## **Central Government Negotiation**

- Attending a National LEP Meeting and Conference to represent our businesses and benefit from an exchange of best practice
- Exploring joint working arrangements and opportunities with other LEPs, and as part of this the creation of a Nuclear Enterprise Partnership, linking to other areas with new nuclear power developments
- Maintaining an ongoing dialogue with appropriate Government Departments and their agencies to secure an orderly transition from a regional structure to a local structure
- Scoping and submitting a bid into the LEP capacity fund

## **Business Planning**

- Establishing a shared and common evidence base, merging the current local economic assessments for our area and adding additional private sector statistics and information to underpin our strategy development and formulation.
- Developing a response to the anticipated BDUK funding opportunity to support the roll out of superfast broadband across our LEP

- Developing a business plan and strategy for growth, which will build on the priorities set out in this Prospectus and existing strategies within the Heart of the South West, to focus our resources on delivering economic prosperity for our area.
- Reviewing applications for future rounds of the Regional Growth Fund.

### **Communications and Joint Working**

- Establishing a communications plan and actively sharing updates and information with all stakeholders on the development of the LEP
- Engaging with District Authorities and existing delivery organisations
- Establishing joint working arrangements with Cornwall and the Isles of Scilly LEP and West of England LEP, and any other emerging neighbouring LEPs. A priority area of common interest is engaging with the EU and influencing new funding programmes.
- Exploring joint working with LEPs and newly forming LEPs across the country on common issues, such as the rural economy and the defence sector.





# ENDORSEMENT

This Prospectus outlines the consensus of the business community on the best approach to achieving the economic ambitions for our area and the contribution we can make to the national economy. It is also fully supported by the public sector.

The Prospectus is endorsed by the following organisations and individuals:

## **Businesses**

## **Business Organisations**

## **MPs**

## **Higher Education and Further Education**

## **Local Authorities**

