

EXETER CITY COUNCIL
SCRUTINY COMMITTEE – ECONOMY

14 NOVEMBER 2013

**UPDATE ON THE HEART OF THE SOUTH WEST LOCAL ENTERPRISE PARTNERSHIP AND
ITS EUROPEAN STRUCTURAL AND INVESTMENT FUND STRATEGY**

1. PURPOSE OF REPORT

- 1.1 To update Members on the priorities of the Heart of the South West Local Enterprise Partnership (LEP) and to note progress that has been made by the LEP to develop its Strategic Economic Plan and in particular the European Structural and Investment Fund Strategy (ESIF) for the period 2014 – 2020 required to secure a potential injection of some £118 million investment into Devon and Somerset.

A representative of the LEP is attending the committee meeting and this paper serves as background to a discussion about the LEP and the potential for working with it to address the city's economic development priorities.

2. BACKGROUND

- 2.1 The LEP area covers the counties of Devon and Somerset, and includes Torbay and Plymouth. It is home to more than 1.6m people and has an output of £28 billion per year.
- 2.2 LEPs are strategic partnerships formed under the leadership of the private sector, and are supported by local authorities and educational institutions with the intention of creating a powerful economic alliance. It aims to lead and influence the economy encompassed by the administration areas of Devon, Somerset, Plymouth and Torbay by improving economic growth and job creation. The Heart of the South West LEP was formed in June 2011 and is one of 39 LEPs created since the Government's Local Growth White Paper was published in October 2010.
- 2.3 After a recent review of the LEP structure and operations, the LEP has decided that:
- the Board moves from an informal partnership to a Community Interest Company
 - the LEP improve its engagement with Devon and Somerset district councils, which has resulted in a nomination from each county area becoming a board member of the LEP, the nomination from the Devon Districts Forum is Cllr Paul Diviani. A Somerset representative has yet to be nominated
 - the LEP board is balanced with an additional two candidates from the private sector, to be recruited
 - the next chair of the Board be found by recruitment and be remunerated, rather than unpaid

The diagram in Appendix 1 shows the current governance structure of the LEP. The above changes will be tabled for formal approval at the next LEP board meeting on 21 November, where the governance structure will be updated.

- 2.4 The LEP has an established Business Forum which is open to all businesses and organisations from across Devon and Somerset. The Business Forum is intended to act as a 'critical friend' to the LEP, canvassing business opinion on LEP priorities and advising on issues.

2.5 In addition to the Business Forum, a range of ‘special interest’ and ‘technical’ groups have been established. These groups cover a variety of current and future challenges and to provide the LEP with sectoral advice, the latest business intelligence, future challenges and opportunities facing the area’s economy.

2.6 The LEP’s special interest groups are:

- **Social Enterprise**, to receive ideas and feedback from Social Enterprises on how the LEP can help develop the sector
- **Low Carbon**, to assess opportunities for attracting Government funding and nurture new programmes that require LEP support
- **Transport**, to input views on transport priorities, shape the LEP’s response to consultations on policy and facilitate partnership working
- **Planning** – where necessary bring planning authorities, applicants and consultees together in respect of important major applications and comment in order to influence proposed changes to national planning policy and legislation

2.7 The LEP technical groups are:

- **Water and environment**, to advise the LEP on issues related to major applications
- **Skills**
- **Funding**

The Skills and Funding groups are still evolving and are in the process of refining their remit and Terms of Reference. At this stage the groups are not open to all, but have Business Forum representation.

Each Technical Group will report back to the Board with their recommendations, before consulting with the wider business community. Due to the nature of the Technical Groups, most of this work is undertaken by local authority officers, with assistance from the universities and central government departments.

2.8 The LEP has adopted the following draft vision, that the Heart of the South West is **a destination of choice to live, work, learn, visit and invest** and have identified three core aims to take the vision forward:

- **Creating the conditions for growth** – the enabling landscape e.g. infrastructure, connectivity, workforce skills and business support
- **Maximising employment opportunities** – inward investment, business competitiveness, higher value jobs and career ladder skills
- **Building on our distinctiveness** – smart specialisation, major projects and our natural environment

The above vision is yet to be finally agreed by the LEP Board.

3. DRIVERS AND BARRIERS FOR GROWTH

3.1 Throughout the summer of 2013 the LEP consulted businesses and local authorities to give them the opportunity to inform the development of the Strategic Economic Plan and future business support projects.

The LEP has set out its assessment of the economy within the LEP area and not surprisingly refers to it as complex and at times disparate in nature; it considers that the performance of the economy sometimes masks particular problems and opportunities at a much smaller scale, a point the City Council has frequently made about due recognition not being given to the economic opportunity the city represents.

3.2 From the consultation process the following drivers and opportunities for growth were identified:

- the existing knowledge base and innovation infrastructure – a strong knowledge base with world-leading research and innovation activity
- urban growth – urban centres possess many of the ingredients for growth
- environment – an important driver for growth that is influential to the region
- growth beyond our borders – growth may come from working with neighbouring LEPs
- growth of the energy/low carbon sector – benefits from major infrastructure projects, most significant being Hinckley C
- growth of the marine sector – through activities proposed within the Plymouth City Deal
- virtual connectivity – essential improvements in the broadband infrastructure

The following barriers to growth were identified:

- persistent productivity gap – continues to be lower than the UK average with wide variations within Devon and Somerset
- transport connectivity and accessibility – distance and time from markets
- micro-businesses, SME's and enterprise – low SME start up activity
- broadening our market horizons – lack of consumer demand
- demographic aging – the LEP has an higher than average aging population, which is likely to rise
- workforce skills – lack of certain skills in some parts of the LEP
- employment and social inclusion – LEP area masks pockets of deprivation and social exclusion

3.3 These barriers and drivers of growth are providing the context for the development of the ESIF Strategy and the Strategic Economic Plan. The LEP board has agreed that a 'Balanced Model' for delivery would give the greatest outcome, driving growth through a mixed approach, balancing opportunities for high growth with the need to address wider productivity gaps. This aspect of the approach will no doubt provoke the important debate about focussing on areas where success is proven and more likely rather than attempting to spread resources thinly with lesser impact.

4. EUROPEAN STRUCTURAL AND INVESTMENT FUND STRATEGY (ESIF)

4.1 Earlier this year the government announced that the European Regional Development Fund, European Social Fund and part of the European Agricultural Fund for Rural Development will be combined into the ESIF Growth Programme covering 2014–20.

The majority of this new funding stream will be devolved to the 39 LEPs and will be made available to encourage enterprise, innovation and skills, to boost local economies and sustainable long-term growth. The LEPs are required to set out how they will spend this new funding stream in their ESIF Strategy. Alongside this, LEPs are required to develop a Strategic Economic Plan to determine their overall growth priorities through a Growth Deal with government.

- 4.2 A series of consultation events have been held across the LEP area to engage with the business community to support the development of the Strategic Economic Plan and the ESIF Strategy for the Heart of the South West.

The LEP had to submit the first draft of its ESIF Strategy to Government by 7 October 2013. The final document is due for submission to government January 2014, aimed at accessing the allocated share of EU funds with final agreement expected in February 2014 and the new programme to start mid 2014.

The ESIF Strategy will also link into the LEP's Strategic Economic Plan, which is currently being developed, and the first draft will be submitted by Christmas 2013. The ESIF is seen by the LEP as one of several funding channels that will support the implementation of its Strategic Economic Plan for growth with other channels including the Growth Deal, the Regional growth Fund, Local Authority, Unitary and private sector investment plans.

- 4.3 The draft Strategic Economic Plan and indeed the ESIF Strategy has been broadly broken down into three themes: Place; Business; People.

The LEP have identified an extensive range of priorities setting these out as the programme for growth. The LEP and its partners have agreed to support those activities that will:

- create jobs that are sustainable and more skilled than our present stock
- support business competitiveness
- capitalise on the unique opportunities existing in our area

Appendix 2 sets out the LEP priorities as currently defined and broken down into the three themes. There are 15 activities to be the focus of the ESIF, which are highlighted in bold.

5. IMPACT ON EXETER

- 5.1 The overall development programme for the city's economy is geared to the creation of some 26,000 jobs over the next 12-15 years. There are specific activities and projects which are important to achieving that objective, which could also benefit the wider area, with Exeter being recognised as a regional economic and cultural hub. It is hard to determine at this stage if the ESIF Strategy can play an important role in this development and if the city is able to access funding for specific measures and investments as at this stage. The current draft document is as yet too generic and should draw out the more distinctive opportunities to be supported.
- 5.2 When Exeter prospers, the wider region benefits. Over 45% of the city's 94,000 employees commute in from outside the city boundary. There is a real need to further support the creation and growth of businesses to address the key issue of diversification to create higher quality employment, attract and retain high calibre employees and importantly raise overall wage levels to create a more sustainable economy. Embracing this opportunity is a priority for the City Council and with the recent commissioned report looking at how to develop a knowledge-based economic development strategy for the city, Exeter can play an even greater role which will benefit the wider area and the LEP.

- 5.4 Looking forward, Exeter and the wider economy will benefit from focussing on building upon the exciting platform which has been created towards developing a knowledge economy, based on attracting and growing science and technology organisations and creating high quality employment opportunities in and around the city. This should be recognised by the LEP and within documents produced by the LEP.
- 5.5 The City Council along with East Devon and Teignbridge District Council will be submitting a combined response to the draft ESIF Strategy.

It is suggested that the City Council will wish to see the following taken into account within the final version of the ESIF Strategy and to press the case with the LEP:

- city centre development - developing the Bus/Coach station site into a quality extension of the existing city centre to include an arrival gateway based on a retail, office, housing and leisure mix, which adds to the experience of visitors, the reputation and competitive position of the city, the attraction of further investment and the attractions and retention of high calibre employees
- transport improvements in and to the city – initiatives to improve road and rail access, to ease congestion into the city and through the development of existing and new park & ride facilities
- development of the knowledge-based sector in the wider Exeter economy and support for the Met Office super computer investment to provide the basis for a ‘world class’ centre for environmental science, prediction and services
- encourage HE & FE institutions to work collectively together to provide training and educational opportunities to relevant developments in the economy
- support for the development of Exeter Science Park and Sky Park and the role they can play within the LEP economy
- develop and reinforce the distinctiveness and marketing of the city and the area to attract investment
- recognise that the natural and cultural heritage is an important driver of our economy, branding and distinctiveness
- clarify how the Plymouth City Deal will benefit the wider area
- supporting the introduction of broadband into parts of the city not currently able to use it

6. RESOURCE IMPLICATIONS

- 6.1 There are currently no financial or resource implications for the City Council, apart from staff time to contribute to the consultation process and to discuss potential investment opportunities with the LEP.
- 6.2 Officers will continue to work with the LEP to try to ensure the economic development priorities of the city and its wider economy are recognised by their inclusion in the Strategic Economic Plan and in the ESIF Strategy. Inclusion in these documents is a prerequisite for the opportunity to secure funding support towards realising those priorities from Government and the EU.

7. RECOMMENDATION

- 7.1 That Members comment on the emerging priorities of the LEP as expressed in their draft European Structural and Investment Fund Strategy.
- 7.2 Progress with the LEP's strategic plans and funding bid documents be reported back to future meetings.

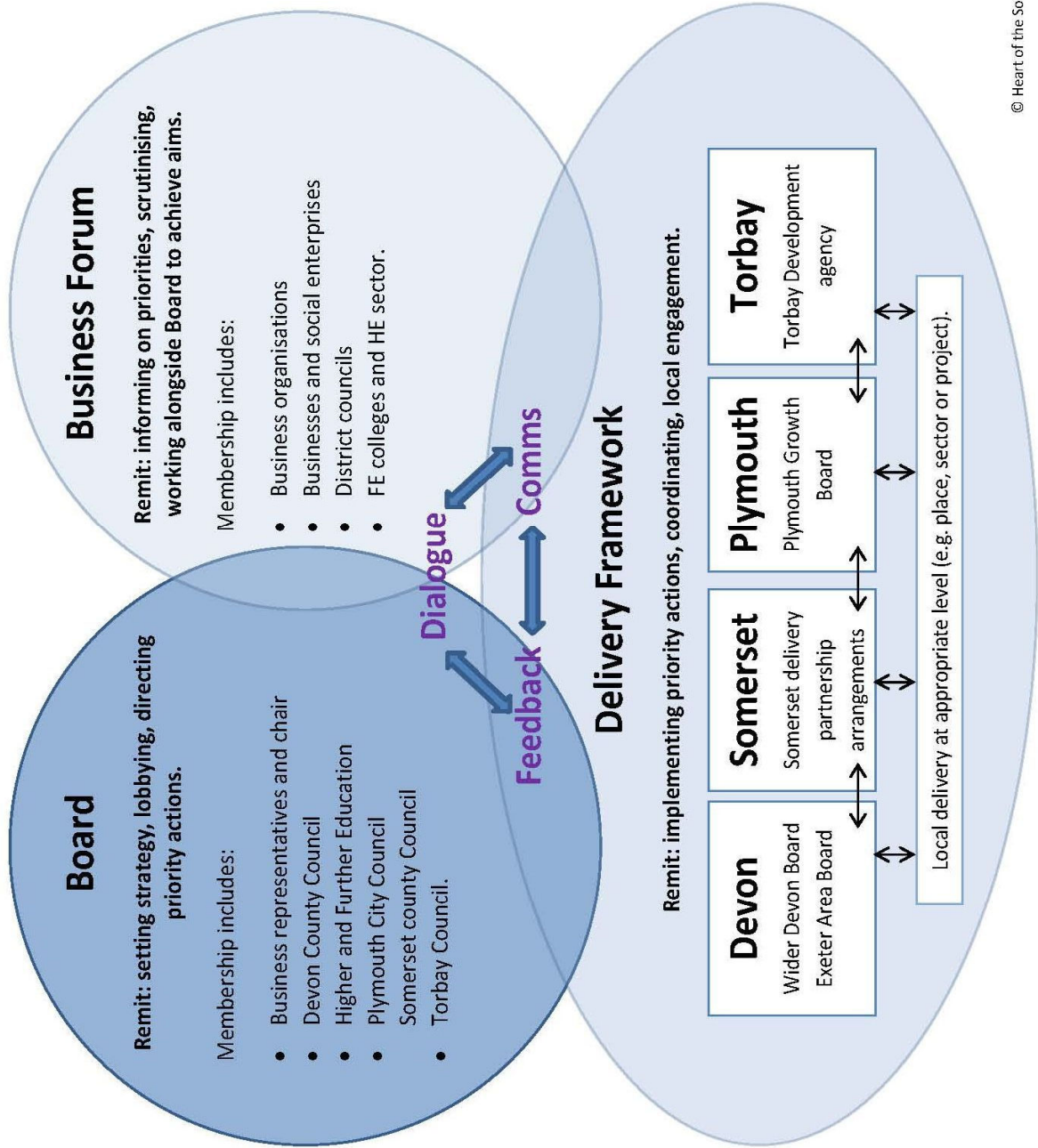
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Local Government (Access to Information) Act 1985 (as amended)
Background papers in compiling this report:-
None

APPENDIX 1

HOSW LEP governance structure

Heart of the South West Local Enterprise Partnership – Governance Diagram



APPENDIX 2

Heart of the South West LEP emerging priorities from the draft Strategic Economic Plan

Bold indicates priorities to be taken forward with European Structural Investment funding.

Themes	Creating the conditions for growth	Maximising employment opportunities	Building on our distinctiveness
Place	<ul style="list-style-type: none"> • Unblocking development opportunities • Unlocking funding (public & private) • Developing a pipeline of oven ready strategic infrastructure & transport projects & improving resilience • Working with partners to protect & enhance environmental assets 	<ul style="list-style-type: none"> • Improving connectivity • Workspace for enterprise & growth • Infrastructure that supports year round employment • Maximising potential of growth centres • Education and skills infrastructure 	<ul style="list-style-type: none"> • Opening up key sites for specialist development • Development of specialist research, innovation & skills infrastructure • Creation of Growth Zones linked to key development opportunities • Low carbon technologies & infrastructure
Business	<ul style="list-style-type: none"> • Make support to start, grow & develop businesses relevant & easier to find • Make it easier for businesses to access public sector procurement opportunities • Provide a single Access to Finance platform 	<ul style="list-style-type: none"> • Ensuring national delivery meets local needs • Supporting businesses to reach new markets • Supporting businesses to innovate through working smarter • Attracting businesses to locate & invest 	<ul style="list-style-type: none"> • Transformational innovation – creating an eco-system around key smart specialisation opportunities
People	<ul style="list-style-type: none"> • Ensuring the skills needs of growth sectors / opportunities are understood and planned for • Skills infrastructure is aligned to demand • Develop an effective mechanism for engagement of employers in skills and employment sites • Collaboration & partnership working between public, private and voluntary sector on most difficult social problems 	<ul style="list-style-type: none"> • Raising aspirations & supporting those most excluded from the labour market • Employment support for the long term unemployed, inactive and youth unemployed • Improving skills to progress in work • Improving technical & higher level skills 	<ul style="list-style-type: none"> • Leadership, management & enterprise skills • Developing our R&D talent, aligned to smart specialisation • Attracting higher level skills