HEART OF THE
SOUTH WEST LOCAL
ENTERPRISE
PARTNERSHIP

2014-2020
EU FUNDING
PROSPECTUS
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The Heart of the South West is a significant and diverse economic entity.

It is a unique area which faces a number of challenges – our GDP is 87% of the EU average and contains local (NUTS 3) areas with the lowest GDP in the South West.

We also have important economic transformation opportunities through: sustaining, diversifying and growing key sectors; capitalising on our recognised growth points; building on the strengths of our micro businesses and SMEs; maximising linkages across our knowledge and business base; and enhancing access to markets through high-speed Broadband.

There is a strong track record across the Heart of the South West of delivering innovative and successful EU projects, including the award-winning Renewable Energy for Devon and Connecting Somerset initiatives.

There is, therefore, a compelling case for significant EU and UK investment in the Heart of the South West in the 2014-2020 programming period.

This prospectus outlines the post-2013 EU funding priorities and delivery mechanisms that will allow the Heart of the South West to maximise our economic competitiveness, prosperity and growth, in line with our own Local Enterprise Partnership (LEP) Business Plan as well as national and EU policies. Our proposals will:

- Facilitate successful business start-ups;
- Increase the Heart of the South West’s economic output (GVA);
- Support job creation, increasing the private / third sector employment share in our area;
- Improve the employment rate in the Heart of the South West; and
- Reduce employer-reported skills gaps and shortages.

We look forward to working with the EU institutions, UK Government and local stakeholders to further develop this exciting agenda.
To both address identified weaknesses in our economy as well as to reinforce and build on our competitive advantages and opportunities, we have identified key 2014-2020 investment themes for the Heart of the South West (outlined in Appendix A). Themes have been selected on the basis of:

- Fit with the Heart of the South West Local Enterprise Partnership (LEP) Business plan, as well as local economic development and regeneration frameworks;
- Alignment with EU priorities (the draft Common Strategic Framework and EU 2020 strategy) and UK government growth policies; and
- Deliverability within the 2014-2020 programming period

Our priorities, taken from the Heart of the South West LEP Business Plan, are:

**Stimulating innovation**
The Heart of the South West has an over-reliance on low-skill, low-added value and low-paid business sectors and employment. Our area also displays low-levels of business engagement in R&D and innovation.

We will support the Heart of the South West’s transition to a more knowledge-based and high-value economy by enhancing our research and innovation capacity and infrastructure. Activities will focus on key high-value growth sectors for the Heart of the South West, including manufacturing, the green economy, nuclear and marine.

Investment will lead to increases in:

- R&D spend
- the number of businesses launching new or improved products, processes and services
- GVA, high-growth business start-ups and high-value job creation
- the private / third sector employment share

It will, therefore, support delivery of:

- the national ‘Innovation and Research Strategy for Growth’ and Technology Strategy Board priorities to: promote stronger business – academic linkages; accelerate commercialisation; and focus investment on priority sectors
- Common Strategic Framework objectives to: ‘strengthen research, technological development and innovation’; ‘support the shift towards a low-carbon economy in all sectors’; and to ‘protect the environment and promote resource efficiency’.
- the headline EU 2020 target to invest 3% of EU GDP in R&D by 2020

**Promoting infrastructure to connect with markets**
The Heart of the South West’s peripheral location and its limited connectivity mean that distance to market is a critical competitive issue for our economy.

We will support the roll-out of high-speed (including superfast and ultrafast) broadband infrastructure in the Heart of the South West and, through a demand stimulation programme, capitalise on its role in enhancing business competitiveness as well as in promoting our peripheral area’s access to markets and supply chains.
This will be informed by our excellent track record in developing and delivering innovative and effective broadband programmes, such as the European Commission-recognised Connecting Somerset Programme and the current Connecting Devon and Somerset Programme spearheading the roll-out of superfast broadband in England.

Benefits will include:
- full superfast and increased ultrafast broadband coverage in the Heart of the South West
- increased uptake of highspeed broadband
- uplift in GVA.

Activities will, thus, contribute to fulfilment of:
- UK Government and Broadband Delivery UK commitments to delivering the best Superfast broadband network in Europe by 2015
- the Common Strategic Framework objective to ‘enable access to, and use and quality of, information and communication technologies’
- Digital Agenda for Europe targets to ensure universal access to much higher internet speeds (30 Mbps or above) and that 50% of households to have internet connections above 100 Mbps by 2020

**Driving productivity and enterprise, including securing new business and investment**

Business density in the Heart of the South West is higher than the national average and our area is characterised by a high proportion of micro-enterprises and, in our urban areas, SMEs.

We will foster and harness this significant entrepreneurial spirit, creating the conditions necessary for successful business start-up as well as micro-enterprise/SME resilience and growth in the Heart of the South West. This will include capitalising on market strengths and opportunities in key growth sectors (such as the green economy and nuclear) whilst also sustaining, diversifying and building on our traditional industries (such as agriculture and fisheries).

Investment will increase:
- the volume and value of business transactions
- the number and value of exports
- business start-ups
- GVA and job creation
- the private / third sector employment share
- energy from renewables and energy efficiency, through development of the green economy

As a consequence, it will support:
- the national ‘Plan for Growth’ commitment to ‘make the UK the best place in Europe to start, finance and grow a business’
- the Common Strategic Framework objectives to: ‘enhance the competitiveness of Small and Medium sized Enterprises (SMEs), the agricultural sector and the fisheries and aquaculture sector’; ‘to ‘support the shift towards a low-carbon economy in all sectors’; and ‘protect the environment and promote resource efficiency’.
- EU 2020 headline targets to deliver 20% of energy from renewables and a 20% increase in energy efficiency, as well as the EU ‘Industrial policy for the globalisation era’ priority to improve the business environment, especially for SMEs
**Maximising employment opportunities**

Whilst the overall Heart of the South West employment rate is above the national average, unemployment is rising in our area with long-term (over 12 months) unemployment increasingly rapidly. In addition, graduate retention is a key challenge - the area remaining a significant net exporter of graduates.

We will support access to employment for job-seekers and facilitate self-employment, with a focus on: tackling long-term unemployment; promoting the economic inclusion of disadvantaged groups (such as care leavers and ex-armed forces personnel); and improving graduate retention.

Activities will result in:
- an increased employment rate
- a reduction in the rate of benefit receipt
- increased economic inclusion of disadvantaged groups
- increased graduate retention

In this way, we will aid delivery of:
- UK Government priorities to get Britain working as well as to tackle the causes of poverty and to improve social justice
- the Common Strategic Framework objectives ‘to promote employment and support labour mobility’ and ‘to promote social inclusion and to combat poverty’
- headline EU 2020 targets for 75% of 20-64 year olds to be employed and 20 million fewer people to be in or at risk of poverty and social exclusion

**Developing a high-quality workforce to meet business needs**

The proportion of the Heart of the South West population with a higher education qualification (Level 4 or above) is lower than the national average and access to higher education is a key challenge for parts of our area. In addition, at smaller geographical scales, there are pockets of below average lower-level and intermediate skills. Our employers also report significant skills gaps and shortages – in 2011, around 1,250 employers had a skills shortage vacancy and 11,600 (18%) of employers had a skills gap.

We will support the development of a highly-skilled workforce, addressing both current and predicted business needs and supporting the area’s transition to a more knowledge-based economy.

Expected outcomes will include:
- fewer employer-reported skills gaps and shortages
- raised aspirations and increased access to higher education
- an increased proportion of the population with a higher education qualification (Level 4 or above)

As a result, investment will contribute to:
- the national ‘Plan for Growth’ commitment to ‘create a more educated workforce that is the most flexible in Europe’
- the Common Strategic Framework objective to ‘invest in education, skills and lifelong learning’
- the headline EU 2020 target to ensure that at least 40% of 30-34 year olds have third level education (or equivalent)

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1 Source: Employer Skills Survey 2011
EU Structural Funds, complementing national and local resources, have played a key role in delivering economic development strategies in the Heart of the South West in current and previous programming periods; a foundation on which we can build post-2013.

The Heart of the South West’s ambitions for 2014-2020 EU funding structures and systems revolve around Localism:

- Localised governance – harnessing the strategic insight and capacity of the LEP to set spending priorities for the area
- Localised delivery – utilising existing EU-funding experience and expertise across the Heart of the South West to commission new initiatives
- Local value-added - joining-up EU, national and local investment in the area, thereby maximising its impact

We, therefore, advocate a delivery model which sees the UK Government act as the Managing Authority for Common Strategic Framework (CSF) funds, with a local consortium of LEPs commissioning and overseeing implementation of an agreed and integrated investment plan. This plan could make use of Integrated Territorial Investment, Community-led Local Development and/or another localised mechanism. It would encompass all four CSF funds\(^2\) and include transition funding for Devon, Plymouth and Torbay. This would allow for greater synergy between EU funds and investments in the Heart of the South West – for instance, utilising ERDF and EAFRD to fund innovation activities in key high-value growth sectors, whilst investing ESF to support the development of the associated highly-skilled workforce. In addition, the Heart of the South West LEP would align and deploy its existing resources (e.g. Growing Places Fund, SW Regional Investment Fund and Rural Growth Network), design mechanisms to secure local public and private sector contributions and, where initiatives deliver against national priorities, seek support from existing government budgets / schemes (see Appendix A). This focussed investment of EU, national and local resources would maximise added-value and impact, unlocking economic growth in the Heart of the South West.

For further information on this prospectus and the Heart of the South West LEP, please contact Liz Waugh (Interim Chief Executive) at lep@coastmarcoms.co.uk or on telephone number 01752 847135

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\(^2\) European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD) and European Marine and Fisheries Fund (EMFF)
### APPENDIX A – INVESTMENT THEMES FOR THE HEART OF THE SOUTH WEST LEP

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<tr>
<th>Investment Theme</th>
<th>Potential Match-funding Sources</th>
<th>Links to HOTSW LEP Business Plan</th>
<th>Links to UK Government Strategies</th>
<th>Links to the CSF and EU 2020</th>
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</thead>
</table>
| 1. Stimulating innovation | • HEFCE Quality-Related Research Funding and/or Research Capital Investment Fund  
• Envisaged LEP Deal  
• Growing Places Fund  
• Owner / developer contributions  
• Local Authority contributions  
• SW Regional Infrastructure Fund | • 'Drive productivity and enterprise' objective, notably the 'stimulating innovation' opportunity:  
- Supporting the creation of collaborative innovation networks  
- Encouraging the development of 'innovation Platforms' to support local businesses with growth potential | • 'Innovation and Research Strategy for Growth' priorities to improve the HEI-business interface and to deliver a better environment for commercialising research  
TSB 'Concept to Commercialisation' priorities to: accelerate commercialisation; connect the innovation landscape; and focus investment on priority sectors  
HEFCE ‘Opportunity, Choice and Excellence in Higher Education’ objectives to: enable institutions to undertake excellent research; and ensure that HE plays a full part in supporting economic recovery and growth | • CSF objectives to:  
‘strengthen research, technological development and innovation’;  
‘support the shift towards a low-carbon economy in all sectors’; and  
‘protect the environment and promote resource efficiency’  
Headline EU 2020 target to invest 3% of EU GDP in R&D by 2020  
Innovation Union commitments to:  
- Tackling unfavourable conditions for R&D and innovation  
- Facilitating effective collaborative research and knowledge transfer  
- Involving all actors / regions in the innovation cycle, with a focus on 'smart specialisation' |

Enhancing research and innovation capacity, with a focus on key high-value growth sectors\(^3\). Initiatives could, indicatively, include:  
- Collaborative and open innovation programmes, including strengthening business linkages with the research and knowledge base  
- A Knowledge Transfer Partnership programme, including student / graduate / post-graduate placements as well as staff secondments to and from the knowledge base / SMEs  
- Commercialisation support, including advice and referrals around market assessments, proof of concept /seed funding and intellectual property protection \(\text{ERDF and EAFRD}\)

\(^3\) We envisage the Heart of the South West LEP engaging in a ‘LEP Deal’ with Government, taking on devolved economic development responsibilities and budgets. This would be in line with the precedent set by ‘City Deals’.  
\(^4\) Key high-value growth sectors include manufacturing, the green economy, nuclear and marine
### 2. Promoting infrastructure to connect with markets

Supporting the roll-out of high-speed broadband infrastructure and promoting its take-up, including:
- roll-out of superfast broadband infrastructure to the final 10-15% of premises (EAFRD)
- roll-out of ultra-fast broadband to key urban centres where the market is not prepared to deliver (ERDF)
- a demand-stimulation programme targeted at businesses and residents (ESF and ERDF)

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<tbody>
<tr>
<td>Market contributions to infrastructure roll-out (precedent in current Connecting Devon and Somerset Programme)</td>
<td>‘Promote infrastructure to connect with markets’ objective, including encouraging ambitious aspirations for the roll-out of future ICT infrastructure and maximising take-up to increase productivity.</td>
<td>Department for Culture Media and Sport and BDUK commitments to:</td>
<td>CSF objective to ‘enable access to, and use and quality of, information and communication technologies’</td>
<td></td>
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<tr>
<td>Benefits contributions to demand stimulation</td>
<td>‘Attract new business and investment’ objective, notably building IT capacity to access world markets</td>
<td>• Deliver 2Mbps Universal Service by 2015</td>
<td>Digital Agenda for Europe commitments to:</td>
<td></td>
</tr>
<tr>
<td>BDUK</td>
<td></td>
<td>• Deliver the best Superfast broadband network in Europe by 2015</td>
<td>• Access for all to much higher internet speeds (30 Mbps or above) by 2020</td>
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<tr>
<td>Local Authorities, potentially including tax increment financing</td>
<td></td>
<td>• Provide Superfast broadband to at least 90% of premises in the UK</td>
<td>• 50% or more of European households with internet connections above 100 Mbps by 2020</td>
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### 3. Driving productivity and enterprise, including securing new business and investment

Developing and diversifying key business sectors and supply chains, with a focus on:
- Manufacturing
- The green economy, e.g. renewable energy and adding value to local wood/wool
- Nuclear, maximising Hinkley Point C supply chain opportunities and establishing the area as a new nuclear commissioning centre of excellence
- Marine, e.g. marine sector network and Atlantic Array supply chain
- Tourism, including developing the quality of the offer
- Land-based economy (ERDF, EMFF and EAFRD)

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<tr>
<td>Manufacturing Advisory Service (MAS) contributions</td>
<td>‘Drive productivity and enterprise’ objective, including through supply chain / inter-trading initiatives and improving access to finance</td>
<td>The ‘Plan for Growth’ commitments to:</td>
<td>CSF objectives to:</td>
<td></td>
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<tr>
<td>Coastal Communities Fund</td>
<td>‘Attract new business and investment’ objective, including increasing the numbers of businesses exporting and the value of exports</td>
<td>• Make the UK the best place in Europe to start, finance and grow a business</td>
<td>‘enhance the competitiveness of Small and Medium sized Enterprises (SMEs), the agricultural sector and the fisheries and aquaculture sector’; ‘support the shift towards a low-carbon economy in all sectors’; and ‘protect the environment and promote resource efficiency’</td>
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<tr>
<td>Private sector support, including: income from charges for services; corporate social responsibility contributions from businesses; and resource-based membership body contributions (e.g. Chambers, FSB and EEF)</td>
<td></td>
<td>• Encourage investment and exports</td>
<td>Through development of the green economy, EU</td>
<td></td>
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<tr>
<td>Major development projects, including Hinkley Point C and Atlantic Array</td>
<td></td>
<td>• ‘Backing Small Business’ priorities to:</td>
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<td></td>
<td></td>
<td>• Improve access to finance</td>
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<td></td>
<td></td>
<td>• Support those starting a business</td>
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<td></td>
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<td>• Help new companies</td>
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<tr>
<td>Investment Theme</td>
<td>Potential Match-funding Sources</td>
<td>Links to HOTSW LEP Business Plan</td>
<td>Links to UK Government Strategies</td>
<td>Links to the CSF and EU 2020</td>
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<tr>
<td><strong>Facilitating access to effective business support services, such as:</strong></td>
<td>• GrowthAccelerator</td>
<td>'Maximise employment opportunities' objective, including inspiring people to set up their own enterprises and providing mentoring support</td>
<td>access existing markets</td>
<td>2020 headline targets to deliver 20% of energy from renewables and a 20% increase in energy efficiency</td>
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<tr>
<td>• Business start-up and high-growth programmes</td>
<td>• UKTI support</td>
<td></td>
<td>• Provide targeted support to those that have high-growth potential</td>
<td>The ‘Industrial policy for the globalisation era’ priorities to:</td>
</tr>
<tr>
<td>• Mentoring provision</td>
<td>• Private sector support as above</td>
<td></td>
<td></td>
<td>• Improve the business environment, especially for SMEs</td>
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<tr>
<td>• Access to finance schemes</td>
<td>• Third sector contributions to social enterprise support</td>
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<td></td>
<td>• Promote the restructuring of sectors in difficulty towards future orientated activities</td>
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<tr>
<td>• Internationalisation programme, focussing on high-growth emerging markets and including trade-missions, trade mentors and partnering / joint ventures</td>
<td>• Higher Education Institutions</td>
<td></td>
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<td>• Promote the internationalisation of SMEs</td>
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<tr>
<td>• Social enterprise advice and support, aiding the transition of services from the public to the private sector</td>
<td>• Further Education Colleges</td>
<td></td>
<td></td>
<td>• Enhance the competitiveness of the European tourism sector</td>
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<tr>
<td>(ERDF and EAFRD)</td>
<td>• Rural Growth Network business support initiatives</td>
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<tr>
<td><strong>Creating a competitive physical business environment, addressing market failure in the HotSW, including</strong>:</td>
<td>• HCA assets / investment</td>
<td></td>
<td>As above</td>
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<tr>
<td><strong>Business accommodation schemes, such as:</strong></td>
<td>• South West Regional Infrastructure Fund</td>
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<tr>
<td>• Development of high-quality employment space, including building on the HotSW Rural Growth Network</td>
<td>• Growing Places Fund</td>
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<td>• A purpose built fish processing plant in Torbay</td>
<td>• Owner / developer contributions (precedent in Growing Places Fund)</td>
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<tr>
<td>Regeneration initiatives, for example:</td>
<td>• Envisaged LEP Deal</td>
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<tr>
<td>• Improvements to Ilfracombe sea front and harbour</td>
<td>• Local Authority assets / investment</td>
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<tr>
<td>(ERDF and EAFRD)</td>
<td>• Coastal Communities Fund</td>
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<td></td>
<td>• Rural Growth Network</td>
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5 N.B. Innovation and broadband infrastructure initiatives are included under objective 1 and 2 respectively
### 4. Maximising employment opportunities

#### Targeted employment (including self-employment) support for employers and individuals to:
- Tackle long-term unemployment
- Facilitate the economic inclusion of disadvantaged groups, e.g. care leavers, ex-service personnel, carers, people with disabilities (including those with mental health issues) and individuals facing rural isolation

#### Increasing graduate retention in the HotSW, for example:
- Raising SMEs’ awareness of the benefits of graduate level staff
- Supporting recruitment of graduates
- A graduate employment voucher scheme (ESF and ERDF)

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<tr>
<td>'Maximise employment opportunities' objective, including opportunities to:</td>
<td>'Maximise employment opportunities' objective, including opportunities to:</td>
<td></td>
<td>The 'Plan for Growth' commitments to:</td>
<td>CS objectives ‘to promote employment and support labour mobility’ and ‘to promote social inclusion and to combat poverty’</td>
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<tr>
<td>- Develop a high quality workforce to meet business needs</td>
<td>- Develop a high quality workforce to meet business needs</td>
<td></td>
<td>- Supporting more apprenticeships</td>
<td>EU 2020 headline targets for:</td>
</tr>
<tr>
<td>- Increase the availability and take up of apprenticeships</td>
<td>- Increase the availability and take up of apprenticeships</td>
<td></td>
<td>- Increasing the participation of 16-24 year olds in employment or learning</td>
<td>- 75% of 20-64 year olds to be employed</td>
</tr>
<tr>
<td>Department of Health initiatives</td>
<td>Department of Health initiatives</td>
<td></td>
<td>Department for Work and Pensions’ Business Plan priorities to:</td>
<td>At least 20 million fewer people in or at risk of poverty and social exclusion</td>
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<tr>
<td>Big Lottery Fund</td>
<td>Big Lottery Fund</td>
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<td>- Get Britain working</td>
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<td>Envisaged LEP Deal</td>
<td>Envisaged LEP Deal</td>
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<td>- Tackle the causes of poverty and improve social justice</td>
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<td>Third Sector contributions</td>
<td>Third Sector contributions</td>
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### 5. Developing a high-quality workforce to meet business needs

#### Addressing gaps in lower-level skills through GCSE maths and English (or equivalent) programmes

- SFA contributions

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<tr>
<td>'Maximise employment opportunities' objective, including developing:</td>
<td>'Maximise employment opportunities' objective, including developing:</td>
<td></td>
<td>The ‘New Challenges, New Chances’ priority to support relevant and focused learning programmes and qualifications</td>
<td>The CSF objective to ‘invest in education, skills and lifelong learning’</td>
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<tr>
<td>- A high quality workforce to meet business needs</td>
<td>- A high quality workforce to meet business needs</td>
<td></td>
<td>The ‘Plan for Growth’ commitment to ‘create a more educated workforce that is the most flexible in Europe’</td>
<td>The ‘An Agenda for New Skills and Jobs’ priorities to better match labour supply with demand and to implement life-long learning principles</td>
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<tr>
<td>- The availability and take up of apprenticeships</td>
<td>- The availability and take up of apprenticeships</td>
<td></td>
<td>‘Youth on the Move’ priority to improve educational outcomes</td>
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<tr>
<td>- A culture of life-long learning and career progression</td>
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| Department for Work and Pensions’ Business Plan priorities to: | | | | |
| - Get Britain working | | | | |
| - Tackle the causes of poverty and improve social justice | | | | |

#### Developing demand-led and high-impact technician level (level 3) training programmes, in line with skills gaps and shortages in the HotSW

- National Apprenticeship Service
- Employer Ownership of Skills Fund
- Growth and Innovation Fund
- Coastal Communities Fund
- Envisaged LEP Deal
- Provider contributions

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<td>‘Youth on the Move’ priority to improve educational outcomes</td>
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<td>Supporting development of locally-accessible higher education and promoting high-quality, employer-responsive and innovative provision, for instance: • Encouraging locally-accessible provision • Enhancing progression routes to higher education, e.g. through higher level apprenticeships and work-focused degrees • Developing higher education provision to respond to the need for higher level technical skills and knowledge in key growth sectors, e.g. in the new nuclear and green economy sectors (ESF and ERDF, complementing EDRF, EAFRD and EMFF investment in innovation capacity and key sector / supply chain development)</td>
<td>• HEFCE Catalyst Fund • Employer Ownership of Skills Fund • Growth and Innovation Fund • Envisaged LEP Deal • Provider contributions</td>
<td>As above</td>
<td>Plan for Growth commitment as above HEFCE ‘Opportunity, Choice and Excellence in Higher Education’ objectives to: • understand and respond to the higher-level skills valued by employers, • Support continuous improvement of teaching, learning and assessment • Ensure that higher education contributes to increased social mobility</td>
<td>As above EU 2020 headline target to ensure that at least 40% of 30-34 year olds have third level education (or equivalent) The ‘Youth on the Move’ priority to ‘step up the modernisation agenda of higher education’</td>
</tr>
</tbody>
</table>

**Abbreviations:**

BDUK – Broadband Delivery UK  
CSF – Common Strategic Framework  
EAFRD – European Agricultural Fund for Rural Development  
EMFF - European Maritime & Fisheries Fund  
ERDF – European Regional Development Fund  
ESF – European Social Fund  
FSB – Federation of Small Businesses  
HCA – Homes and Communities Agency  
HEFCE – Higher Education Funding Council for England  
HotSW LEP - Heart of the South West Local Enterprise Partnership  
SFA – Skills Funding Agency  
SMEs – Small and medium-sized enterprises  
TSB - Technology Strategy Board
The Heart of the South West is a significant economic entity – covering an area of 10,158 square kilometres, being home to more than 1.6 million people and having an output of £26.4 billion a year.

The economic geography of the Heart of the South West is diverse, including key urban centres as well as networks of market and coastal towns and deeply rural communities. As a result, our economy displays complex characteristics.

**Summary of challenges and opportunities**

- Low overall population density resulting in a lack of critical mass and an ageing population presenting both opportunities (e.g. in the healthcare sector) and challenges (e.g. availability of labour)
- Low levels of productivity
- Low wage economy with a low proportion of knowledge-intensive businesses/employment as well as low-levels of business engagement in R&D and innovation
- Peripherality and poor connectivity mean that distance to market is a significant issue for our economy
- High business densities and a high proportion of micro businesses and, in our urban areas, SMEs
- Market strengths and opportunities in a number of key growth sectors, such as manufacturing, tourism, the green economy, nuclear and marine
- A number of recognised growth points, such as Plymouth, Torbay, Teignbridge, Exeter and Taunton
- A historically strong labour market that has experienced a short-term deterioration with unemployment high relative to pre-recession norms and hardening. Furthermore, high public sector dependency poses a significant risk to recovery.
- A lower than average proportion of the population educated to Level 4 or above as well as pockets of below average lower-level and intermediate skills. Our employers also report significant skills gaps and shortages

**Demography**

- Overall population density of 164 per km$^2$ – less than two-thirds of the UK average of 255.6 per km$^2$. This lack of critical mass puts many businesses in our area at a competitive disadvantage.
- Densely populated urban centres, with pressures on economic infrastructure. Plymouth, for example, is the second largest city on the south coast of England and, after Bristol, the largest in the South West, with a resident population of 258,700 and a further 100,000 in its travel-to-work area.
- Demographic ageing: according to sub-national population projections, around 21% of the HotSW population were aged 65 or over in 2010 (compared to an England average of 16%) and this is expected to rise to 31% by 2035 (England 23%). Whilst this provides business opportunities (e.g. in the healthcare sector), it also presents real challenges in terms of service delivery and availability of labour.
Productivity and Enterprise

- GDP across the Heart of the South West is only 87% of the EU average and, at smaller geographical scales, there are pockets of extremely low productivity – GVA per head in Torbay being only 68% of the EU average.

- The HotSW lags the UK average on labour productivity (per job and per hour) and in some cases (Plymouth and Somerset) relative positions weakened between 2004 and 2009. Furthermore, this below-average GVA per FTE is evident across the majority of industries.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Ch. 2004-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Devon</td>
<td>GVA/job</td>
<td>82.4</td>
<td>82.7</td>
<td>83.2</td>
<td>83.5</td>
<td>83.8</td>
<td>83.9</td>
</tr>
<tr>
<td></td>
<td>GVA/hour</td>
<td>85.0</td>
<td>85.5</td>
<td>86.5</td>
<td>87.0</td>
<td>87.5</td>
<td>87.3</td>
</tr>
<tr>
<td>Plymouth</td>
<td>GVA/job</td>
<td>84.2</td>
<td>84.9</td>
<td>85.4</td>
<td>85.1</td>
<td>84.5</td>
<td>84.1</td>
</tr>
<tr>
<td></td>
<td>GVA/hour</td>
<td>93.2</td>
<td>93.9</td>
<td>94.4</td>
<td>93.9</td>
<td>92.7</td>
<td>91.7</td>
</tr>
<tr>
<td>Somerset</td>
<td>GVA/job</td>
<td>84.1</td>
<td>84.6</td>
<td>84.9</td>
<td>84.6</td>
<td>84.2</td>
<td>84.0</td>
</tr>
<tr>
<td></td>
<td>GVA/hour</td>
<td>88.4</td>
<td>88.4</td>
<td>87.8</td>
<td>86.8</td>
<td>86.3</td>
<td>86.3</td>
</tr>
<tr>
<td>Torbay</td>
<td>GVA/job</td>
<td>75.0</td>
<td>75.8</td>
<td>76.8</td>
<td>76.6</td>
<td>76.8</td>
<td>76.6</td>
</tr>
<tr>
<td></td>
<td>GVA/hour</td>
<td>78.4</td>
<td>78.6</td>
<td>79.6</td>
<td>80.4</td>
<td>81.1</td>
<td>81.0</td>
</tr>
</tbody>
</table>

HotSW Labour Productivity (GVA per job and hour), 2004-2009, index (UK=100)
Source: ONS

- Business density in the HotSW is higher than the national average, with 598 active enterprises per 10,000 working age population in 2010 compared to a UK average density of 570 per 10,000.

- The HotSW is characterised by a high proportion of micro businesses and SMEs: In 2011, 84.1% of VAT/PAYE businesses in the Heart of the South West were micro-enterprises compared to a UK average of 82.8%. This is particularly pronounced in rural Devon and Somerset (85.1% and 84.9% respectively), whilst urban Plymouth, Exeter and Torbay have a greater proportion of small and medium-sized enterprises than the UK average.

<table>
<thead>
<tr>
<th></th>
<th>0 – 9 (micro)</th>
<th>10 – 19 (small)</th>
<th>20 – 49 (small)</th>
<th>50 – 99 (medium)</th>
<th>over 100 (medium and large)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>82.8</td>
<td>8.3</td>
<td>5.5</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>HotSW</td>
<td>84.1</td>
<td>8.0</td>
<td>5.2</td>
<td>1.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Devon</td>
<td>85.1</td>
<td>7.8</td>
<td>4.8</td>
<td>1.4</td>
<td>0.9</td>
</tr>
<tr>
<td>Somerset</td>
<td>84.9</td>
<td>7.5</td>
<td>5.0</td>
<td>1.5</td>
<td>1.1</td>
</tr>
<tr>
<td>Plymouth</td>
<td>76.8</td>
<td>10.8</td>
<td>7.7</td>
<td>2.7</td>
<td>2.0</td>
</tr>
<tr>
<td>Exeter</td>
<td>73.9</td>
<td>11.7</td>
<td>8.7</td>
<td>3.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Torbay</td>
<td>81.0</td>
<td>9.1</td>
<td>6.6</td>
<td>2.2</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: UK Business Activity, Size & Location, ONS

- Our business community reports that growth aspirations are hampered by the business environment:
  - 51% of respondents to our business survey highlighted key barriers to growth including inadequate infrastructure (such as a lack of suitable premises); and
  - only 13% of respondents stated that they had no difficulty in accessing suitable finance [Heart of the South West Business Survey 2012]
• Only around a third of our businesses currently export and values tend to be low, with only a fifth of exporting businesses seeing export values over £200,000 in 2010. With 15.2% of the workforce employed in export intensive industries, HotSW ranks close to bottom (35 out of 39) amongst LEP areas.

• The HotSW displays low-levels of business engagement in R&D and innovation. HotSW ranks third from bottom of all LEP areas for European patent registrations, with 3.7 patents per 100,000 residents compared with the England average of 10.6. Only 15.6 % of the Devon and Somerset population is employed in the Knowledge Economy, ranking 34 out of 39 LEP areas (England average 22.2%)

• The HotSW has real market strengths and opportunities in a number of key growth sectors, such as manufacturing, tourism, the green economy, nuclear and marine. For example, between 2006 and 2009 manufacturing (focused on advanced engineering), the marine sector and the environmental sector in Devon and Somerset grew in terms of output by 40%, 35% and 19% respectively.

• The HotSW encompasses a number of recognised growth points (such as Plymouth, Torbay, Teignbridge, Exeter and Taunton) with the potential to act as catalysts for economic resilience and growth across the area

**Connectivity**

• Our peripheral location means that distance to market is a significant issue for our economy – productivity falls by around 6% for every 100 miles from London and by 2-3% for the same distance from other major conurbations [Boddy et al ‘Meeting the Productivity Challenge 2: Update 2006’].

• Our area is ranked below average for transport connectivity - major transport corridors are limited to the M5, the constrained A303 corridor and the A30 – and the decision not to electrify rail connections in the Heart of the South West adds to our competitive disadvantage.

• The HotSW experiences significant market failure as regards the roll-out of high-speed broadband - the private sector committed to deliver superfast broadband to only 39% of our business premises and 38% of our homes.

**Employment**

• Unemployment in the HotSW remains elevated compared to pre-recession norms and is particularly concentrated in our urban centres, e.g. Torbay and Plymouth recorded claimant rates of 4.5% and 3.8% respectively, compared to UK average of 3.9% [nomis,ONS].

• Long-term unemployment: the number of individuals claiming for over a year in HotSW has increased rapidly and in May 2012 was 5,330 (one in five claimants) – the highest since July 1999 [nomis,ONS].

• Rebalancing towards full-time private sector jobs presents significant challenges to the HotSW given:
  
  o An over dependency on public sector employment with a share of 21.2% in 2009 compared to an England average of 20.9% [BRES,ONS]. This dependency is particularly pronounced in the
urban areas of Taunton-Deane (31.2%), Torbay (28.4%), Exeter (26.4%) and Plymouth (25.4%).

- High rates of part-time working, highlighting a lack of full-time job opportunities: Over 29% of our working-age population in employment work part-time compared to 26% nationally, with this rising to over 37% in West Devon and East Devon between October 2010 and September 2011 [Annual Population Survey]

- Low wage economy: Average weekly wages in the HotSW are just £355.40 compared to an England average of £405.70 [ONS Annual Survey of Hours and Earnings – Workplace Analysis – 2010]. Furthermore, at £13,520, gross disposable household income is significantly below the UK average of £14,890 [ONS Gross Disposable Household Income (GDHI) per head at current basic prices – 2008].

- Knowledge-intensive employment is significantly lower than the national average (53%) in much of our area and is especially low in West Somerset (36%), West Devon (37%), Sedgemoor (39%), Mid Devon (39%) and Teignbridge (41%). [ONS Business Register and Employment Survey]

**Skills**

- In 2011, around 1,250 employers had a skills shortage vacancy in the HotSW and 11,600 or 18% of employers had a skills gap. In total around 41,000 employees across the HotSW are thought to have a skills gap [Employers Skills Survey 2011].

- At smaller geographical scales, there are pockets of below average lower-level and intermediate skills, for example:

<table>
<thead>
<tr>
<th>Area</th>
<th>% with No Qualifications</th>
<th>% with NVQ1 (Aged 16-64)</th>
<th>% with NVQ2 (Aged 16-64)</th>
<th>% with NVQ3 (Aged 16-64)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sedgemoor</td>
<td>12.0%</td>
<td>79.1%</td>
<td>61.7%</td>
<td>46.8%</td>
</tr>
<tr>
<td>Torridge</td>
<td>8.9%</td>
<td>86.4%</td>
<td>61.8%</td>
<td>40.8%</td>
</tr>
<tr>
<td>England</td>
<td>11.1%</td>
<td>80.3%</td>
<td>67%</td>
<td>50.7%</td>
</tr>
</tbody>
</table>

ONS Annual Population Survey

- In the period January to December 2011, 29.8% of the HotSW’s economically active population aged 16-64 held an NVQ4+ qualification compared to the English average of 32.7%. Rates vary considerably across the HotSW area, with Torridge at 16.4% and South Somerset, North Devon, Plymouth and Sedgemoor all at circa 26%. [ONS Annual Population Survey]

- Access to higher education is a key challenge for parts of our area, with the Higher Education Funding Council for England’s (HEFCE) evidence base (2008) for the ‘New University Challenge’ defining much of Somerset as a national ‘coldspot’ for higher education accessibility

- There is also a significant issue with graduate retention – In 2010/11, around 9,800 young people from the HotSW left Higher Education, but only around 8,100 graduates were employed, making the area a net exporter of around 1,700 graduates per annum