

From: Derek Murphy, Cabinet Member for Economic Development
Simon Jones, Corporate Director of Growth, Environment and Transport

To: Growth, Economic Development and Communities Cabinet Committee 22 January 2025

Subject: Governance Arrangements for Growing Places Funding

Key Decision: 24/00103

Classification: Unrestricted

Past Pathway of report: N/A

Future Pathway of report: For decision by the Cabinet Member for Economic Development

Electoral Division: All KCC electoral divisions

Summary: This report provides an overview of the proposed arrangements for the governance of a new round of Growing Places Funding following the closure of the South East Local Enterprise Partnership.

Recommendation: The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development to agree to:

- LAUNCH a new round of the Growing Places Fund (GPF) capital loan-based funding programme for Kent;
- APPROVE the new governance arrangements for managing the GPF programme;
- ACT as the accountable body for projects within Kent's geographical boundaries that are to receive GPF loan funding; and
- DELEGATE authority to the Director of Growth and Communities to take relevant actions including but not limited to entering contracts and/or other legal agreements as necessary to implement the decision as shown at Appendix A.

1. Introduction

1.1 This paper provides an overview of the proposed governance arrangements for a new round of Growing Places Fund (GPF) capital loan funding for Kent to be

managed by KCC following the closure of the South East Local Enterprise Partnership (SELEP) in 2024.

2. Background

- 2.1 GPF was established by the Ministry for Housing, Communities and Local Government (MHCLG) and the Department for Transport (DfT) in 2011 to unlock economic growth, create jobs and build houses and help 'kick start' development at stalled sites. GPF was distributed to Local Enterprise Partnerships, with the mandate to use their local knowledge to use the funding to grow the local economies.
- 2.2 SELEP (whose geographical boundaries included Kent, Medway, East Sussex, Essex, Southend-on-Sea, and Thurrock) was awarded £49.2m of capital GPF to create a recycled capital loan scheme.
- 2.3 The capital loans were used to support project proposals that would deliver new or safeguard existing jobs, support learners with upskilling and unlock housing and/or commercial floorspace. The eligibility criteria for GPF loans were set by the SELEP Strategic Board¹, and reviewed when loan repayments were repaid to check the eligibility criteria were still fit-for-purpose.
- 2.4 SELEP tasked its local federated boards (including the Kent & Medway Economic Partnership (KMEP)) with advertising the call for GPF applications and assessing the strategic fit of each GPF application. Based on this assessment, KMEP would provide a ranked list of GPF applications to the SELEP Strategic Board for it to consider. The SELEP Strategic Board would make the final decision as to which loans to award, based on the advisory recommendations of KMEP and an Independent Technical Evaluator analysis.
- 2.5 Once loans were issued, the SELEP Accountability Board would have responsibility for the oversight of the loans and could agree to extend loan terms if they felt that was warranted.
- 2.6 Since 2011, SELEP, supported by KMEP, has provided £26.467m of capital loans to projects within Kent. Details of the Kent projects funded by SELEP are shown in Appendix 1. This information includes photographs from the round 2 and 3 projects, the delivery organisations, and the number of jobs, homes and commercial units that have been delivered.

3. The closure of the South East Local Enterprise Partnership

- 3.1 In August 2023, the Government confirmed that it had decided that all functions of LEPs were to be transferred back to local authorities from April 2024. Consequently, the SELEP Accountability Board met in February 2024 to agree the disaggregation on a per-capita basis of GPF to the six-constituent county and unitary authorities, following SELEP's closure.

¹ The SELEP Strategic Board consisted of the 6 Leaders of the county and unitary councils, 5 business representatives from Kent & Medway, 4 business representatives from Essex, Southend, and Thurrock, 3 East Sussex business representatives, and co-opted members representing universities, colleges, and Social Enterprise.

- 3.2 The SELEP Accountability Board agreed that £14.802m of GPF would be disaggregated to KCC with the purpose of using the recycled loan funding in line with the original aims of the scheme. Medway Council has also been allocated a separate allocation of £2m which it will retain for local projects in Medway.
- 3.3 This £14.8m sum is currently committed to ongoing loan projects in Kent. However, a number of repayments from these live projects are due to be made by 31st March 2025. This provides a significant opportunity for the reinvestment of this funding into new capital projects within Kent that will contribute to economic growth.
- 3.4 The dissolution of SELEP means that new governance arrangements for GPF in Kent must be agreed prior to launching a new funding round.

4. Future Arrangements for GPF

- 4.1 As part of the LEP transition arrangements, KCC has taken on the role of Accountable Body for the £14.802m of GPF that has been disaggregated in its area. Proposed future governance arrangements for the Kent GPF are set out below.
- 4.2 The success of the new round of funding will be dependent on supporting projects and initiatives that have the potential for the biggest local impact and that support objectives and priorities agreed by key stakeholders in the county. KMEP² is the formal Local Growth Board for Kent & Medway and the only forum which brings together private-sector business leaders, further education principals, higher education vice-chancellors, and all local council leaders (from county, unitary and district authorities) to support local economic growth. KMEP is also responsible for oversight of the Kent & Medway Economic Framework, the agreed economic growth strategy for the functional economic region. As such, KMEP would be well placed to act as the advisory board to KCC on the ongoing re-allocation of GPF in Kent.
- 4.3 KMEP board members have a broad range of knowledge, expertise, and skills, provided from both the public and private sector perspectives, which would be helpful in assisting KCC with making the most informed decisions on which investments will produce the most beneficial impact economically. The KMEP board also has over a decade of experience in GPF loan assessments.
- 4.4 The proposed new governance arrangements would see KMEP acting as an Advisory Board to KCC in a similar way to how the Investment Advisory Board provides recommendations to the Council with regard to allocation of the Kent & Medway Business Fund.
- 4.5 It should be noted that Medway Council has determined that it will allocate its own share of the GPF within its boundaries, so Medway Council will not have a role in KMEP discussions on allocating KCC's GPF share.

² [Home | KMEP](#)

4.6 Proposed new governance arrangements would work as follows:

Repayments are made on existing GPF loans, allowing a new call for projects to be made.

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Eligibility Criteria must be agreed:

- KMEP to meet and recommend eligibility criteria for the GPF call for projects to the KCC Cabinet Member for Economic Development*.
- KCC Cabinet Member for Economic Development to formally decide on eligibility criteria based on KMEP and KCC officer advice.
- The eligibility criteria would consider the loan value, term, interest rates, as well as the strategic fit and technical assessment criteria.

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Call for projects launched:

- KMEP to launch and advertise the call for projects, via its website, KCC's website, and other dissemination channels including local media.

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Applications received and assessed:

- KCC officers (Economy, Finance) to receive GPF applications, and undertake assessment of each bid against the eligibility criteria.
- Due diligence checks commissioned / undertaken on prospective applicants to prevent fraud or conflicts of interest.
- Independent Technical Assessment carried out (details tbc)
- Applications that fail due diligence checks are not presented to KMEP

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Applications ranked in priority order:

- The KCC officer assessments to be presented to KMEP, alongside the application, for their review.
- KMEP to discuss each application and then produce a ranked priority list for KCC to consider alongside commentary to explain their rationale.

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KCC to make the final decision on which GPF projects to award funding to, based on KMEP's recommendation. Following consultation with the section 151 officer, the Director of Growth and Communities to take relevant actions including but not limited to entering contracts and/or other legal agreement as necessary to implement the decision.

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GPF loans monitored:

The GPF loans would be monitored on a quarter basis, with this information reported back to the KCC Cabinet Member, GEDCCC, and KMEP.

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Repayments are made on the loan, allowing new projects to commence.

4.7 KMEP's conflicts of interest's policy will remain in place to ensure that projects are assessed fairly.

4.8 **Appendix 2** sets out the proposed high-level terms and conditions for the new round of GPF and eligibility criteria against which loan applications will be considered.

5. Monitoring

5.1 KCC's economy team, with support from Finance and Legal will be responsible for monitoring ongoing and new loan projects.

5.2 Where successful applicants submit a change request, such as an extension to their loan term, it is proposed that the KCC Cabinet Member for Economic Development is given the decision-making power to approve any such material requests. This information would be reported back to KMEP and GEDCCC for their information.

6. Strategic Alignment

6.1 The development of the new GPF governance arrangements and its future implementation supports the following local priorities and strategies:

Kent & Medway Economic Framework:

- Action Area 2: Focusing support to business on measures that will increase long-term productivity and resilience.
- Action Area 3: Attracting and welcoming investors to Kent and Medway
- Action Area 4: Supporting the conditions for growth
- Action Area 6: Investing in Kent and Medway's skills infrastructure.
- Action Area 10: Understanding our infrastructure needs and developing new solutions.
- Action Area 13: Ensuring that everyone who wants a job can find work.
- Action Area 16: Embedding economic opportunity at the centre of local regeneration.

Framing Kent's Future: Priority 1: Levelling Up Kent

- To support the Kent economy to be resilient and successfully adapt to the challenges and opportunities it faces over the coming years.
- To see significant improvements in the economy, connectivity, educational attainment, skills and employment rates and public health outcomes for deprived communities in coastal areas so that they improve faster than the rest of Kent to reduce the gaps.

Government priorities: Invest 2035: Industrial strategy has been launched by the Government for consultation, which sets out to create more good jobs in every part of the country.

Securing Kent's Future: The new governance arrangements propose that a management fee and interest on the loans is charged to cover the costs to KCC associated with running the GPF programme.

7. Options considered and dismissed, and associated risk

- 7.1 Returning the funding to central government and not running a new GPF scheme. This was discounted as it would miss a significant opportunity to allocated recycled loan funding to new schemes in Kent in support of economic growth.
- 7.2 Retaining the funding for KCC to use for economic growth programmes (such as No Use Empty commercial) rather than enabling external organisations to apply for funding. This option was discounted as KCC-run schemes and programmes can still apply for the new round of GPF (and will be encouraged to do so) but other strategically important projects promoted by partners and stakeholders will also be able to apply for funding to propose projects that contribute to the priorities of the Kent & Medway Economic Framework. All the GPF projects (both internal and external) will have the same ambition, which is to boost economic growth through the realisation of new jobs, learners, houses, or commercial floorspace.

8. Financial Implications

- 8.1 The maximum amount of GPF money available for reinvestment in a new round of funding from 25/26 onwards is £6,470,000 with further amounts to be repaid from current projects in subsequent financial years. This is subject to the repayments being made in line with existing repayment schedules (shown in **Appendix 3**).
- 8.2 KCC is due to receive some residual funding following the closure of SELEP which will support the set-up stage of the programme (i.e. legal costs). Work is currently underway with finance to assess the full operating costs (staffing, due diligence, legal fees etc.) of running the scheme. It is proposed that a management fee and an appropriate rate of interest on the loans are charged to future GPF applicants to fully recover the cost to KCC of operating the scheme. This will enable the GPF programme to retain its value and remain in place as an evergreen fund.
- 8.3 Were any projects to fail, any bad debt would be a loss to the fund, rather than KCC but robust application assessments and loan agreements will mitigate this risk as far as possible to ensure that the fund is protected for future reinvestment.
- 8.4 **Appendix 3** provides the repayment schedule for GPF loans.

9. Legal implications

- 9.1 KCC's legal team are supporting work to develop the new loan agreement templates and other associated terms and conditions of the scheme to ensure that the funding is used in line with its original purpose and that any financial risk to KCC is minimised in the event of any projects defaulting on their agreed responsibilities.
- 9.2 This work is examining existing processes used for the KCC-run No Use Empty and Kent & Medway Business Fund schemes to see if the same robust

processes can be followed to ensure an efficient approach. Processes will also verify that projects are in line with subsidy control rules. Additionally, the options of security against the loans will be assessed and would form part of any loan agreements where the assessments conclude that a sufficient level of risk exists to warrant security.

10. Equalities implications

10.1 An EqIA is in attached.

11. Data Protection Implications

11.1 Loan applications to KCC will be treated as commercially sensitive. Personal data will be redacted where necessary before sharing application details with KMEP for consideration.

11.2 Loan beneficiary organisations will be required to sign loan agreements that set out their responsibilities regarding data protection requirements with the delivery of their projects and how monitoring reports provided to KCC should treat personal data.

12. Conclusions

12.1 The £14.8m GPF due to be returned to KCC following the closure of SELEP provides a significant opportunity to launch a new round of capital loan funding to support the county's local growth priorities and boost the economy through unlocking economic growth in Kent. The proposed new GPF governance arrangements will enable the continuation of the GPF programme in support of a range of new initiatives that will create jobs and workspace and develop key sectors in the county.

13. Recommendations

13.1 The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development to agree to:

- LAUNCH a new round of the Growing Places Fund (GPF) capital loan-based funding programme for Kent;
- APPROVE the new governance arrangements for managing the GPF programme;
- ACT as the accountable body for projects within Kent's geographical boundaries that are to receive GPF loan funding; and
- DELEGATE authority to the Director of Growth and Communities to take relevant actions including but not limited to entering contracts and/or other legal agreements as necessary to implement the decision as shown at Appendix A.

14. Appendices

Appendix A: Proposed Record of Decision

Appendix 1: GPF Loans made by SELEP to Kent projects between 2011 and 2024.

Appendix 2: The eligibility criteria recommended by KMEP for KCC's consideration.

Appendix 3: GPF Repayment Schedule

Appendix 4: EqIA

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