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**By: Kevin Lynes**  
**Cabinet Member for Regeneration and Economic Development**

**David Cockburn**  
**Executive Director, Strategy, Economic Development and ICT**

**To: Regeneration and Economic Development**  
**Policy Overview and Scrutiny Committee**

**1 April 2011**

**Subject: LOCAL ENTERPRISE PARTNERSHIP AND REGIONAL**  
**GROWTH FUND**

**Classification: Unrestricted**

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**Summary:**

The Government has made significant changes to the national framework to support local economic growth, including the establishment of Local Enterprise Partnerships, a Regional Growth Fund and a range of incentive measures

This paper:

- Updates the Committee on the establishment of the Kent Essex and East Sussex Local Enterprise Partnership;
- Sets out progress in accessing the Regional Growth Fund;
- Outlines the potential for other measures currently being promoted by Government to support growth in Kent.

The Committee is asked to note the report.

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**1. Introduction**

1.1. Since the general election, the Government has made a number of major changes to economic development policy. In particular, regional government has been abolished, with the Regional Development Agencies to be wound up in 2011/12. In view of the wider public spending background, there is also a lower emphasis on grant funding and a stronger focus on tax and other incentive measures to stimulate private sector investment.

1.2. In accordance with this strategic approach, the Government has established a number of locally-led Local Enterprise Partnerships (including one for Kent, Essex and East Sussex) and a competitive Regional Growth Fund designed to promote private sector employment. In addition, the Budget announced on 23 March set out the details of a range of incentive measures.

## **2. The Local Enterprise Partnership**

- 2.1. In place of the Regional Development Agencies, Government invited proposals for new Local Enterprise Partnerships (LEPs) in summer 2010. Kent County Council with partners in Essex and East Sussex responded to this with a proposal for a LEP covering the three counties in autumn last year. This proposal was welcomed by Government, and the Kent, Essex and East Sussex LEP was one of the first 24 such partnerships to receive Government backing.
- 2.2. Since then, the LEP has established an Interim Board, which has now met twice, and has approved governance arrangements for the full Board. This envisages a large Board of 44 members (of which 50% will be from business) and a smaller Executive Group of 24.
- 2.3. It is not anticipated that LEPs will be defined in legislation, and it is likely that there will be considerable diversity across the country in the roles and that LEPs take on. However, Government has indicated in the Budget that LEPs will have a role in determining the locations of future Enterprise Zones (see Section 4 below). The Kent, Essex and East Sussex LEP is also in the process of developing a high-level initial work programme, reflecting shared priorities highlighted in the original submission around coastal regeneration, the Thames Gateway, the rural economy and key transport and infrastructure improvements.

## **3. Regional Growth Fund**

- 3.1. The Regional Growth Fund (RGF) is worth £1.4 billion over three years and has been established to promote private sector growth, especially in those parts of the country that are highly dependent on public sector employment. The RGF operates as a challenge fund, with no ringfencing and no specific geographic eligibility. However, private sector leverage and demonstrable private sector job creation will be key criteria for successful bids.
- 3.2. The first round of RGF proposals closed on 21 January. As anticipated, competition was very high and the fund has been substantially over-subscribed. Six proposals were submitted from Kent; at the time of writing we do not know which of these have been successful, although an announcement is anticipated shortly and a further update will be provided to the Committee.
- 3.3. There will be a further opportunity to bid to the Fund in a second round likely to open in April. Competition is again likely to be high and schemes that do not solidly meet the private sector leverage and job creation criteria are unlikely to be successful. However, it is anticipated that the second round will include a greater emphasis on proposals that are co-ordinated with other local measures to promote growth. In this context, there may be significant potential to assemble a package including RGF funding to support economic growth in East Kent following the announcement of the closure of Pfizer at Sandwich, and work is underway to support this.

#### **4. Potential for other measures to support economic growth**

- 4.1. A number of measures to promote growth were set out in the Budget on 23 March. A more detailed note on the Budget and its implications for economic development in Kent is set out in Annex 1. It should be noted that this is very much an initial overview produced immediately after the publication of the Budget, and there may be additional analysis to present to the Committee.
- 4.2. In particular, the Government has brought forward proposals to create a number of Enterprise Zones. Originally developed in the 1980s, Enterprise Zones are clearly-defined areas (usually a number of specific development sites) benefiting from specific business rate incentives and planning flexibilities.
- 4.3. Nationally, 11 areas have already been identified for Enterprise Zones, none of which are in Kent. However, there will be an opportunity to bid for Enterprise Zone status for a further ten locations over the course of the next six months. Local Enterprise Partnerships will have a role in determining Enterprise Zone locations, and the chances of success are likely to be greater where proposals clearly align with those for Regional Growth Funding and other forms of support.
- 4.4. The Government has also embarked on a Local Government Resource Review. This includes investigation of an enhanced business increase bonus scheme, allowing local authorities to retain growth in business rates above a threshold (with the prospect of measures to allow the full retention of locally raised business rates).
- 4.5. Within Kent, work is progressing on the development of the Kent and Medway Investment Fund. Also known as the 'evergreen' fund, this proposal seeks to create a recyclable investment fund that can bring key regeneration sites under local control and attract private sector investment to bring them forward. Similar funds have been established elsewhere in the country (notably in Greater Manchester) and there may be the potential for an element of Regional Growth Fund investment. CBRE are currently working with KCC, Medway Council and the Kent Districts to develop a viable model.

#### **5. Next steps**

- 5.1. Over the short term, developing a co-ordinated approach to securing Regional Growth Fund investment and Enterprise Zone status for key locations in Kent is likely to be a high priority, as will securing RGF support for the proposed Kent Investment Fund. Clearly, national competition will be high, and it will be important that proposals supported by KCC demonstrate high deliverability and strong prospects for private sector job creation.
- 5.2. In addition, work is progressing in determining the priorities and operation of the LEP. This will need to take account of the role that Government envisages that LEPs will have in enabling us to take advantage of economic incentive

measures, although there is likely to be considerable flexibility in determining how the LEP will work locally.

**Report author:**

Ross Gill

Economic Strategy & Policy Manager

Tel: 01622 221312 (7000 1312)

[Ross.gill@kent.gov.uk](mailto:Ross.gill@kent.gov.uk)

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**Background Documents:**

Annex 1: Budget 2011: Summary and relevant issues for Kent