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

**24 June 2011**

**Subject REGIONAL GROWTH FUND, ENTERPRISE ZONES AND**  
**THE LOCAL ENTERPRISE PARTNERSHIP**

**Classification: Unrestricted**

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**Summary:**

Over the past year, the Government has introduced a number of measures to promote local economic growth. These include the creation of the Regional Growth Fund, the designation of a number of number of new Enterprise Zones and the establishment of new regional arrangements following the abolition of the Regional Development Agencies and the establishment of Local Enterprise Partnerships.

This paper sets out the most recent developments in taking forward the Local Enterprise Partnership for Kent, Essex and East Sussex; and updates the Committee on progress in securing Regional Growth Funding and Enterprise Zone designation in Kent.

The Committee is asked to note the report.

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**1. Introduction**

1.1. Immediately following last year's general election, the Government moved quickly to change local economic development policy. In the autumn, it published the Local Growth White Paper, setting out its overall strategy, which focused on:

- Removing the regional tier of government, including the Regional Development Agencies;
- Taking measures to 'rebalance' the economy by promoting private sector job creation in areas most dependent on the public sector for employment; and
- Developing incentives and removing barriers to business growth.

1.2. In accordance with this approach, the Government last year asked local authorities working with business to come forward with proposals for new

Local Enterprise Partnerships as partial replacements for the RDAs. More recently, it has also launched competitions for the creation of new Enterprise Zones and the allocation of Regional Growth Funding.

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

- 2.1. As previously reported to the Committee, the Government approved the establishment of the Kent, Essex and East Sussex Local Enterprise Partnership (LEP) in autumn 2010. Since then, the LEP has established its governance arrangements, including a Board (50% of which is from the private sector) and a smaller Executive Group.
- 2.2. When it was established, the LEP set out a number of joint priorities for the three counties, focused on coastal and rural regeneration, unlocking the potential of the Thames Gateway and strategic transport infrastructure. However, the role that the LEP should play is not defined by Government (nor is it likely to be) and there it is expected that there will be considerable diversity across the country in the types of activities in which LEPs are engaged. In that context, the LEP Executive Group will be considering the role that the LEP could and should play in support of economic development in Kent, Essex and East Sussex at a workshop on 23 June.

## **3. Enterprise Zones**

- 3.1. Following the Budget, the Government launched proposals for the creation of a number of Enterprise Zones. These are defined as specific sites in which businesses will benefit from business rate discounts for five years and simplified planning arrangements, with the future business rate growth retained 'within the LEP area' for a further twenty years. Eleven Enterprise Zones were announced in March (none of which are in Kent), with a competition for a further ten currently underway. The aim of the scheme is to attract demand to sites which would otherwise not attract occupiers in the short to medium term. While the financial incentive associated with business rate discounts is relatively modest (especially for larger businesses), it is anticipated that the Enterprise Zone brand will be significant in indicating Government and local support.
- 3.2. Within Kent, two potential Enterprise Zones have been put forward: the Pfizer site at Sandwich, and the main commercial quarter at Ebbsfleet.
- 3.3. Government has indicated that it will generally only approve one Zone per LEP. The LEP Executive Group will therefore consider which Zone(s) it wishes to put forward to Government on 23 June for final decision in early autumn.

## **4. Regional Growth Fund**

- 4.1. The Regional Growth Fund (RGF) is worth £1.4 billion over three years and has been established to promote private sector growth in areas of high public sector dependency. The RGF operates as a challenge fund, with no ringfencing and no specific geographic eligibility. However, the Fund is very competitive, with private sector leverage and demonstrable private sector job creation the key factors in determining successful bids.
- 4.2. The first round of RGF closed in January. It was widely expected that most of the funding would go to the North and Midlands: in the event, this proved to be the case, and no projects in the South East were successful.
- 4.3. However, Government launched a second round in April, worth over £900 million. The criteria for successful projects remain the same and the next round will remain very competitive. However, we have been encouraged to submit bids from Kent, with an information roadshow attended by Lord Heseltine (the chairman of the RGF panel) taking place in Margate in May.
- 4.4. There is a particular opportunity to develop a package of measures to support business growth in East Kent, linked with the proposal for Enterprise Zone designation on the Pfizer site at Sandwich. At present, work is underway to develop an RGF-funded programme containing elements of direct financial support for business in East Kent, alongside improvements to the area's transport infrastructure.
- 4.5. In addition, there are likely to be other RGF proposals coming forward across Kent. While County Council endorsement of RGF bids is likely to be helpful, there is no requirement on KCC (or the LEP or any other agency) to endorse or prioritise bids, and Government is clear that bids will mainly be considered against 'hard' criteria of private sector job creation, deliverability and commercial leverage.

## **5. Next steps**

- 5.1. The Local Enterprise Partnership will consider Enterprise Zone proposals on 23 June. Following this, the closing date for applications for Enterprise Zone designation and Regional Growth Funding is 30 June. Given this timetable, it is likely that there will be significant developments over the next couple of weeks, and a full verbal update will be provided to the Committee.

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