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To: Regeneration and Economic Development Policy Overview and Scrutiny Committee - 19 January 2012

Subject: Growing Places Fund and Regional Growth Fund

Classification: Unrestricted

Summary:

Over the past year, the Government has introduced a number of new funding mechanisms for economic growth from which Kent can benefit. This paper updates the Committee on progress in taking forward Regional Growth Fund investment in East Kent and the potential for funding through the Growing Places Fund.

1. Introduction

1.1. Following the abolition of the Regional Development Agencies and a range of specific funding programmes, the Government has refocused its investment in local economic development on a limited number of funding streams intended to promote (as the main priority) business growth and job creation. The Policy Overview and Scrutiny Committee considered the policy background and asked for regular reports on progress.

2. Regional Growth Fund

2.1. Regional Growth Fund is a £1.4 billion national fund to support the creation of private sector jobs in areas considered to be heavily dependent on the public sector. The fund is allocated on a competitive basis, and two bidding rounds have so far taken place.

Expansion East Kent

2.2. Kent has been successful in securing £40 million RGF investment in the **Expansion East Kent** programme, reflecting in particular the success of the work of the Sandwich Economic Development Task Force following the Pfizer exit announcement. The successful bid consists of two elements:

- £5 million to support **enhancements to line speed** on the Ashford – Ramsgate rail route;
- £35 million to provide **grants and loans to businesses** seeking to invest in projects that will create jobs in East Kent.

- 2.3. It is intended that the business grants and loans scheme will be launched in March 2012. A preliminary 'launch' event took place in Margate in November and there have already been over 100 registrations of interest for potential projects to come forward once the scheme is up and running. In the meantime, significant work is underway to establish the programme. In particular, a panel of public and private sector experts chaired by the Leader (and including the Cabinet Member for Regeneration and Economic Development) has been established to provide oversight of the establishment and marketing of the programme. This group is a precursor to the Expansion East Kent Investment Board that will be established once the scheme is launched.
- 2.4. In order to access Regional Growth Fund monies, the Government has set out a number of conditions. These include a requirement on the recipient organisation (i.e. KCC) to procure an independent assessment of the organisation's proposed processes for issuing and administering grant. A procurement process is currently underway, and it is planned that KCC will be in a position to enter into a contract with Government in February.
- 2.5. Work is also in progress to establish the specific grant criteria. The rules surrounding public assistance to business are complex and are governed by European and national regulations to prevent state aid distorting the market. It will be important that the process of applying for a grant or loan is as simple as possible for the applicant, and activity is currently focused on establishing a single 'gateway' for applicants supported by clear advice and information. A series of commissions have been drafted for independent project appraisal, scheme marketing and programme management, and these services will be procured over the coming months.
- 2.6. Kent County Council will be responsible for administering the scheme. Under the conditions of our grant from Government, all the RGF investment must go directly to businesses, with administration funded from other sources. KCC's Regeneration Fund has now allocated up to £1.7 million over three years to support running costs, equating to approximately 4.25% of programme value.

Short-term assistance at Discovery Park

- 2.7. RGF funds will not be available before March. However, in the shorter term, a number of spin-outs from Pfizer are currently actively seeking venture capital and other finance and would benefit from limited public sector assistance to fund operating costs before they become fully established. There are currently around 20 start-up businesses that have acquired or are in the process of acquiring intellectual property from Pfizer, or are intending to provide technical or research services. The success of these businesses could make a major contribution to Discovery Park's future, although the short-term costs to new businesses are high.
- 2.8. KCC has made £200,000 available to support a grant scheme for new innovative enterprises at Discovery Park. It is intended that this will be

launched in January, operating as a flexible fund offering grants of up to £20,000 per business.

Future Regional Growth Fund opportunities

- 2.9. The Government announced in November that the Regional Growth Fund is to be expanded by a further £1 billion, providing additional opportunities to apply. The criteria for applications have yet to be published, although it appears likely that there will be a bidding round in the spring.

3. Growing Places Fund

- 3.1. Growing Places Fund is a £500 million national pot jointly funded by the Department for Transport and the Department for Communities and Local Government. Funding is allocated on a formula basis by Local Enterprise Partnership areas, with the South East LEP receiving £32.5 million. This equates to approximately £14.3 million for Kent and Medway were the formula to be applied more locally.
- 3.2. The Government's intention is to use the Growing Places Fund to establish a series of local recyclable funds which can invest in projects that will unlock jobs and/ or housing and generate a return (for example through developer contributions or future rental incomes). Funding will be deposited with a single accountable body for each LEP in this financial year and the Government intends that initial investments in projects that are 'oven ready' will be made as soon as possible.
- 3.3. The South East LEP Board agreed in December that Essex County Council will formally act as the accountable body, with a competitive process initiated to identify potential projects. A call for projects in Kent began in early December, coordinated by KCC, and more detailed expressions of interest have been invited by the LEP. Decisions on the first phase of projects to go forward will be made by the LEP Executive Group in February.
- 3.4. Should the Growing Places Fund prove successful, it is possible that Government will extend it further, although no announcements have yet been made.

4. Recommendations

- 4.1 The Committee is recommended to note the contents of this report.

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