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To: Economic Development Cabinet Committee

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Subject: GROWING PLACES FUND

Classification: Unrestricted

Summary:

Growing Places Fund provides loan finance via Local Enterprise Partnerships to bring forward infrastructure where this will unlock homes and jobs. Subject to final appraisal, the South East LEP has allocated £16 million to support projects in Kent.

In order to draw down this funding, KCC will need to enter into a credit agreement with Essex County Council as the accountable body for the LEP. This will require a Key Decision to be taken, and this has been notified in the Forward Plan to take place in August. However, in preparation for this, work is underway to complete final appraisal on all the Kent projects and ensure that the draft credit agreement minimises the risks to KCC.

This report sets out:

- a) The background to the Growing Places Fund and the projects to which funding has been allocated;
- b) The work that is currently underway to appraise the Kent projects and to consider the draft credit agreement;
- c) Proposed arrangements for monitoring the delivery of the Kent Growing Places Fund projects and the repayment of loans to the overall Fund.

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

1. Introduction: Growing Places Fund

- 1.1. The Growing Places Fund (GPF) was launched by the Government in late 2011. £500 million has been made available in an initial tranche, which has been allocated to Local Enterprise Partnership areas on a formula basis. This means that the South East LEP (covering Kent, Essex and East Sussex) has received £32.5 million.

- 1.2. Formally, GPF is unringfenced capital grant. However, the Government's intention is that it should be used to create local recyclable funds which can provide funding for infrastructure where this will unlock jobs and housing.
- 1.3. To deliver GPF locally, the South East LEP Board agreed in December that:
 - a) Essex County Council shall act as the accountable body for the overall South East allocation (as the LEP is an informal partnership, it cannot itself receive grants);
 - b) The £32.5 million allocated to the LEP area shall be treated as a single fund, recycled over time;
 - c) However, to minimise the risk to the accountable body, and to maximise local control, individual loan agreements will be entered into between Essex County Council as accountable body and the relevant upper-tier authority. This will mean that subsidiary agreements will be required where projects are being delivered via third parties.
- 1.4. The full amount of GPF funding has now been provided by Government and is currently held in an interest-bearing account with Essex County Council (with all interest accruing to the Fund).

2. Growing Places Fund projects

- 2.1. Following a call for projects in January, the LEP Board decided in March to allocate funding to the following schemes:
 - **Dartford Northern Gateway:** Development of business incubator space, delivering an estimated 100 jobs. Indicative GPF allocation: £2.5 million
 - **Dartford Town Centre:** Demolition of the former Co-op store to allow for the relocation of Dartford Borough Council's offices and the eventual redevelopment of Station Quarter. Delivers 120 jobs and 37 homes. Indicative GPF allocation: £900,000
 - **Ebbsfleet Valley:** Improvement works to Southfleet Road, opening up access to Eastern Quarry and Station Quarter North, ultimately unlocking 1,500 homes. Indicative GPF allocation: £4 million
 - **A28/ Matalan Roundabout:** Highway improvements at Great Chart, Ashford, opening up employment and housing opportunities at Chilmington Green and directly releasing 2,300 homes. Indicative GPF allocation: £3.6 million
 - **Live Margate:** Contribution to housing market renewal programme in Margate and Cliftonville, delivering 275 homes. Indicative GPF allocation: £5 million.
- 2.2. This means a total of £16 million available to projects across Kent, which is just under half of the amount available throughout the LEP area, representing a generally good deal for Kent.

3. Taking the projects forward

- 3.1. The indicative allocations to individual projects have been made on the basis of initial appraisals considering strategic fit with the goals of the LEP, deliverability within the next three years, housing and job outputs and ability to repay. However, all allocations have been made subject to the completion of full appraisal to the satisfaction of both the borrowing authority (Kent County Council) and the accountable body for the Fund overall (Essex County Council).
- 3.2. All projects are currently undergoing **full appraisal** to a standard format agreed with the LEP. KCC has appointed DTZ to support the appraisal of the five Kent projects. In particular, DTZ have been asked to sign off all appraisals to confirm that they have been satisfactorily completed to Treasury standards and to reach assurance that loan repayment conditions will be met. It is intended that all appraisals will be complete by week beginning 9 July.
- 3.3. Once completed, all appraisals will be considered by the accountable body as part of the accountable body's due diligence process.
- 3.4. Meanwhile, a draft **credit agreement** has been drawn up between Essex County Council (as the accountable body) and the upper-tier borrowing authorities. This is currently being considered by KCC Legal. Once agreed, it is anticipated that KCC's credit agreement with Essex County Council will form the basis for subsidiary loan agreements between KCC as the primary borrower and individual project delivery organisations (such as developers) where appropriate.
- 3.5. Following the conclusion of all project appraisals and the finalisation of the primary credit agreement and subsidiary loan agreements, a further report will be prepared recommending that KCC enters into a series of agreements with Essex County Council to draw down GPF funding. This will form the basis for the **Key Decision**, scheduled in the Forward Plan to be taken in August by the Cabinet Member for Regeneration and Economic Development.
- 3.6. In borrowing GPF funds, KCC will be incurring risk. The nature of this risk will depend on the individual projects and will be fully considered in the appraisal process and within the Key Decision report. However, the key risk to KCC is that the GPF loan will not be repaid by the subsidiary borrower, although KCC will remain responsible to the accountable body for repayment to the Fund. Passing on the conditions within the standard credit agreement to subsidiary borrowers will mitigate against this risk.

4. Management and monitoring

- 4.1. Management of loan issuance and repayment and the monitoring of outputs will be undertaken by the Economic Development division and a programme manager will be appointed to liaise with individual projects and with the accountable body. The costs of this will be covered from existing resources.

4.2. The performance of the Kent projects will be reported regularly to Cabinet Committee. It is not envisaged that the LEP will have a role in the day-to-day monitoring of GPF performance, although the LEP Board will maintain a strategic overview of the Fund overall.

5. Future GPF allocations

5.1. Since March, a second tranche of approximately £15.9 million in GPF funding has been awarded to the South East LEP area. This has not yet been allocated to projects, although the LEP Board will consider at its next meeting on 22 June how a further call for projects should be managed.

6. Recommendations

6.1. The Cabinet Committee is recommended to consider this report and the work currently underway to enable KCC to borrow GPF funds to bring forward projects in Kent, subject to a Key Decision to be taken in August.

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Supporting documents:

None