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To: **Economic Development Cabinet Committee - 14 June 2013**

Subject: **UNLOCKING KENT'S POTENTIAL:
DEVELOPING A GROWTH PLAN FOR KENT**

Classification: **Unrestricted**

Summary

In March, the Economic Development Cabinet Committee considered a paper outlining proposals for a refresh of *Unlocking Kent's Potential* to develop a new strategy for economic growth. Since then, initial consultation has taken place with business and with District Leaders.

However, the Government has recently proposed devolving some economic development funds and has asked Local Enterprise Partnerships to prepare growth plans setting out future investment priorities. This presents a potential opportunity for Kent, to which the refreshed *Unlocking Kent's Potential* will need to respond.

This report sets out progress to date in developing *Unlocking Kent's Potential* and explains how it is being taken forward in the light of changing Government policy and the evolution of the South East Local Enterprise Partnership.

The Cabinet Committee is recommended to note this report and to receive further reports as the consultation draft of *Unlocking Kent's Potential* is prepared.

1. The need to revise *Unlocking Kent's Potential*

- 1.1. In 2009, Kent County Council, with the endorsement of the former Kent Partnership, published *Unlocking Kent's Potential*, the county's framework for regeneration. *Unlocking Kent's Potential* set out an assessment of the challenges and opportunities facing the county and led to a series of delivery plans and strategies, including *Growth without Gridlock*, *Better Homes* (the Kent and Medway Housing Strategy) and the Kent Environment Strategy.
- 1.2. *Unlocking Kent's Potential* remains KCC's core economic policy document, directly informing the Economic Development business plan. Over the past four years, KCC with its partners has been successful in delivering many of its stated priorities. In particular, *Unlocking Kent's Potential* set a clear goal of building a better relationship between the public and private sectors, an aim which has been substantially achieved through much stronger business partnerships, a refocusing of KCC's role towards the provision and commissioning of direct services to business and success

in securing major sources of public funding (including £55 million from the Regional Growth Fund) to support private sector growth.

- 1.3. Since *Unlocking Kent's Potential* was produced, there have been significant changes in the policy context. Many of the strategies and plans that were developed with Government at the time (such as the Local Investment Plans and the Regional Economic Strategy) are no longer extant, while new sources of investment have emerged. At the same time, the economic context has changed radically, with much of the work on the original *Unlocking Kent's Potential* taking place just as the economy entered a deep recession.
- 1.4. Kent Leaders therefore decided before Christmas to prepare a refreshed version of *Unlocking Kent's Potential*, recognising the changing policy context and business environment. It was envisaged that the refresh would be accompanied by an analysis of the county's economy, set out the challenges and opportunities for Kent over the next 10-15 years and outline priorities in relation to three key themes of:
 - Unlocking infrastructure;
 - Unlocking business growth; and
 - Unlocking skills
- 1.5. Following consideration by the Kent Leaders and by the Cabinet Committee in March, the concept of a refresh of *Unlocking Kent's Potential* has been discussed with business (through Kent Economic Board and Business Advisory Board) and sub-county partnerships. Further work has also been taken forward in considering the potential challenges, opportunities and solutions relating to each of the key themes, a summary of which is set out in Annex 1.
- 1.6. Since March, a series of announcements have been made by Government. Taking these into consideration has meant some delay in bringing forward a consultation draft, but it will be important in ensuring that *Unlocking Kent's Potential* is effective in acting as a basis to support a Kent 'deal for growth' with Government.

2. The Heseltine Review and the Government's response

- 2.1. Last year, the Government commissioned Lord Heseltine to carry out a review of growth policy. In his report, Lord Heseltine recommended substantial devolution of powers and resources in support of local economic development.
- 2.2. The Government published its response to the Heseltine Review in March. This set out a series of proposals which included:
 - The creation of a new **Single Local Growth Fund** (otherwise known as the 'single pot') from 2015. The size and content of the fund will be announced in the Spending Review on 28 June. While it may be quite limited, it is expected to include elements of housing, skills and transport budgets and will be allocated through Local Enterprise Partnerships.
 - Asking LEPs to develop **multi-annual Growth Plans**. These plans would form the basis for negotiations between LEPs and central Government over the allocation of the Single Local Growth Fund. The Growth Plans are likely to be substantive documents setting out specific proposals for investment as well as a 'coordinated approach to spatial planning'.

- Aligning priorities for the future use of **European funding** on the basis of the Growth Plans agreed by the LEPs.

2.3. In addition, the Government's response encourages local authorities within LEPs to pool strategic economic development spend and functions and to account for the use of Single Local Growth Fund monies through the establishment of more formalised decision-making structures (such as joint committee arrangements).

3. Responding to the Government's proposals

3.1. The Government's response to the Heseltine Review holds out the prospect of significant devolution. However, the decision to channel resources via Local Enterprise Partnerships presents some challenges for Kent. In particular, the South East LEP (of which Kent is part, along with Essex and East Sussex) covers a very large area and was originally established as a light touch partnership to progress a limited number of shared priorities, not as a funding and investment planning body. It is likely to be difficult for the LEP to develop a credible single growth plan over such a large area and to prioritise resources in the way anticipated by the Government.

3.2. Recognising this risk, the LEP is considering the adoption of a new, '**federated**' **model**, which will see most powers and resources devolved to Kent and Medway, Essex and East Sussex. This would essentially create a *de facto* LEP for Kent and Medway, allowing substantive strategy and resource prioritisation to take place locally, while a loose South East-wide partnership could continue to support joint work on a limited number of shared priorities. Work is currently underway to establish how a federated model will work in Kent, and it is anticipated that a further report will be brought to the Economic Development Cabinet Committee in the autumn.

3.3. Meanwhile, it will be important for the revised version of *Unlocking Kent's Potential* to respond to the opportunities set out in the Government's response to the Heseltine Review, so that regardless of future LEP governance structures, Kent has a current growth plan in place which will clearly state the county's priorities and enable us to secure the best possible settlement from the new Single Local Growth Fund and European funding sources.

4. Timetable and next steps

4.1. Alongside the publication of the Spending Review, the Government may publish guidance on the content of Growth Plans in late June. At the same time, work is underway to prepare an initial draft of *Unlocking Kent's Potential* for consideration by Kent Council Leaders on 24 July.

4.2. Following early discussions with the Kent Districts, Business Advisory Board/ Kent Economic Board, it is then anticipated that a draft consultation version of *Unlocking Kent's Potential* will be brought to Economic Development Cabinet Committee on 20 September and Kent Council Leaders on 24 September. Full consultation can then proceed in the autumn, before the final strategy is adopted in the New Year.

5. Recommendations

5.1. The Cabinet Committee is recommended to note the contents of this report and to agree to receive a further report including a draft consultation version of *Unlocking Kent's Potential* at its next meeting on 20 September.

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ANNEX 1:
Proposed key themes for *Unlocking Kent's Potential*:
Potential opportunities, challenges and solutions

The following tables summarise the headline opportunities, challenges and possible solutions for Kent which could be explored further in *Unlocking Kent's Potential*.

Some of the potential solutions would require separate negotiation with central Government. In some cases, similar solutions form part of agreements between Government and groups of local authorities negotiated as part of the 'city deals' process.

Theme 1: Unlocking infrastructure	
<p>Challenges</p> <ul style="list-style-type: none"> • Delivering growth in weak market conditions • Gap between Community Infrastructure Levy requirements and viability blocking development • Long-term strategic transport infrastructure demands (including the need for nationally significant infrastructure) • Delivering public service infrastructure requirements (e.g. schools, community facilities) 	<p>Potential solutions?</p> <ul style="list-style-type: none"> • Borrowing against business rate receipts to bring forward major priorities (e.g. at Swanscombe) • Development of shared priorities for strategic spatial planning and major sites • Oversight and 'commissioning' of the Homes & Communities Agency in Kent, building on our existing relationship • Local coordination or management of funding streams to unlock sites – potentially creating an 'investment fund' for Kent and Medway • Incentives to accelerate house building (building on the Local Authority Mortgage Scheme and linking with national initiatives such as HomeBuy) • Responding pragmatically to changing external funding rules and priorities • Developing new opportunities for the private financing of infrastructure
<p>Opportunities</p> <ul style="list-style-type: none"> • Strong county/ district relationships in infrastructure planning • Better coordination of CIL and NHB (within and across districts) • Kent Leaders' Housing Strategy in place and range of new housing finance solutions • Public funding (Growing Places Fund, Local Infrastructure Fund, Broadband Delivery UK, etc) • Excellent relationship with the Homes and Communities Agency • New solutions to local infrastructure provision 	
Theme 2: Unlocking business growth	
<p>Challenges</p> <ul style="list-style-type: none"> • Banks remain reluctant to lend to SMEs • Chronic shortage of risk capital for young businesses with growth potential • Sharp local challenges following the closure of major employers (e.g. Sheerness, Dungeness, Sandwich) • Complex and often confusing business 	<p>Potential solutions?</p> <ul style="list-style-type: none"> • Kent and Medway Business Growth Hub – linking local and national financial and support products in a coordinated offer • Expanding the existing Regional Growth Fund loan offer to include equity products • Supporting export and trade • Making better use of Kent's university

<p>support offer</p> <ul style="list-style-type: none"> • Need to increase value-added and productivity to sustain Kent's economic position over the long term 	<p>base – backing innovation through stronger business-university links and financial and other support for R&D</p> <ul style="list-style-type: none"> • Making sure that we offer the most attractive deal to businesses with the potential to create jobs and increase value – retaining Assisted Area designation and maximising other local incentive packages • Building on the sector-focused approach to supply chain opportunities
<p>Opportunities</p> <ul style="list-style-type: none"> • Public-sector backed access to finance schemes – Expansion East Kent, TIGER in North Kent and (maybe) Escalate in West Kent • Strong business voice and business commitment through Business Advisory Board and Kent Economic Board • Successful delivery of High Growth Kent and district-based business support products • Highly successful inward investment activity through Locate in Kent • Close export markets and increasing focus on raising export potential 	
<p>Theme 3: Unlocking skills</p>	
<p>Challenges</p> <ul style="list-style-type: none"> • Tightening labour market in the long term (despite current challenges of unemployment) • Demand/ supply mismatches in key areas, especially in engineering and manufacturing • Lack of coordination of skills offer linked with business need • Localised skills and employment weaknesses • Raising participation age 	<p>Potential solutions?</p> <ul style="list-style-type: none"> • Better labour market information through a closer business relationship • More innovative approaches to further education and funding – bringing business to the heart of provision • County-backed Employer Ownership Scheme, supporting businesses in accessing skills to meet demand • Integrated careers service • Provision of skills funding information to business through the Kent & Medway Business Growth Hub – helping to reduce confusion in the market • Linking universities' focus on innovation with employer skills demands
<p>Opportunities</p> <ul style="list-style-type: none"> • Rising school attainment • Greater investment in vocational skills through the Skills Centre network and expanded school provision • Strong and coordinated local delivery of apprenticeships • Strong higher education presence 	