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**To: Economic Development Cabinet Committee -20 September 2013**

**Subject: STRATEGIC ECONOMIC PLANS AND FUTURE FUNDING FOR GROWTH**

**Classification: Unrestricted**

**Electoral Division All**

### **Summary**

As previously reported to the Cabinet Committee, work is underway to prepare *Unlocking the Potential*, a new growth plan for Kent and Medway, which will set out the county's ambitions, opportunities and challenges for economic growth and replace the existing Regeneration Framework as our main economic strategy.

At the same time, the Government has asked the Local Enterprise Partnership to prepare a 'Strategic Economic Plan' setting out a programme for the use of future Government and other funding. This is likely to be an important document in enabling Kent to access future investment and it will be important that it reflects the priorities set out in *Unlocking the Potential*.

This paper sets out:

- a) The **funding** that is likely to be made available for economic growth over the next few years;
- b) The role that the *Unlocking the Potential* and the **Strategic Economic Plan** will play in helping to access this as well as setting out broader ambitions; and
- c) The development of stronger **governance arrangements** for the South East LEP to ensure that local accountability is improved.

### **Recommendation**

The Cabinet Committee is recommended to CONSIDER this report.

## **1. Funding for growth: New sources of investment**

- 1.1. In recent years, Kent County Council, working with partners, has been successful in securing substantial investment to meet the county's economic growth priorities, Since 2010, this has included almost £10 million to deliver superfast broadband (plus £20 million from the private sector) and over £60

million from the Government's Regional Growth Fund to help businesses access finance, and we have also been successful in accessing further investment from the Homes and Communities Agency, Environment Agency and other bodies, despite general public sector austerity.

- 1.2. Looking to the future, it is likely that there will be at least one further round of Regional Growth Fund. However, the Government's current emphasis is on two new forms of funding which have been made available to Local Enterprise Partnerships: firstly, the **Single Local Growth Fund** (or Single Pot) and secondly, a new **European Structural and Investment Funds** programme. Both of these present opportunities for Kent, which the following paragraphs set out.

#### Single Local Growth Fund

- 1.3. The Single Local Growth Fund (SLGF) will be worth £2.02 billion in 2015/16, of which £1.12 billion will come from the Department for Transport, including the funds which have already been allocated to Local Transport Bodies. This nominally equates to about £150 million for the South East LEP overall, or about £65 million for Kent and Medway – although there is an opportunity to secure more than this with strong project proposals:

<b>SLGF funding 2015/16 (and potential future annual amount)</b>			
<b>Source</b>	<b>England £ million</b>	<b>SE LEP £m (<i>approx. nominal</i>)</b>	<b>Kent &amp; Medway £m (<i>approx. Nominal</i>)</b>
Transport			
- Local Authority Transport Majors	819	62	27
- Local Sustainable Transport Fund	100	8	3
- Integrated Transport Block	200	15	6
Skills			
- Further Education capital	330	25	11
- ESF match funding	170	13	6
New Homes Bonus	400	30	12
<b>Total</b>	<b>2,019</b>	<b>152</b>	<b>66</b>
Capital	1,449	109	47
Revenue	570	43	19

- 1.4. Some of this funding is already committed, and the New Homes Bonus element already belongs to local authorities anyway. However, the Government has suggested that around £2 billion per year may be available through the SLGF up to 2020/21: the bulk of this is likely to come from the Department for Transport and will mostly be allocated on a competitive basis, with the proportion that is already committed diminishing over time. So potentially, the Fund could be an important pot of future funding, especially for transport capital schemes. Formally, the SLGF is not ringfenced, although clearly contributing departments will want their priorities reflected in its use,

and there will be restrictions on the use of some elements (such as the skills funding which will be committed as match to the European Social Fund).

### European Structural and Investment Funds

- 1.5. The LEP has also been allocated €185.9 million (approx. £165 million, or £23.6 million per year) in European Structural and Investment Funds between 2014 and 2020. This is a substantial allocation and is separate from and additional to the funds that Kent and Medway also receive through Interreg.
- 1.6. The LEP's allocation is indicative, in that all funding will continue to be held by central Government and projects will be appraised, approved and monitored by DCLG. However, LEPs (or panels appointed by them) will have a role in considering project applications.
- 1.7. Based on current Government guidance, it is anticipated that the European funding will be divided between:
  - European Regional Development Fund (£82.5 million) for business support, innovation, low carbon development and potentially access to finance schemes; and
  - European Social Fund (£82.5 million) for access to employment, social inclusion and lifelong learning.
- 1.8. All European funds require match. The Government has put forward a number of packages which would provide central Government match to draw down European funds for an enhanced local service in relation to business support, skills and social development. Work is underway to examine whether or not these are likely to represent good value.

## **2. The Strategic Economic Plan and *Unlocking the Potential***

- 2.1. The Government has asked LEPs to each prepare a **Strategic Economic Plan**. This will provide the basis for the allocation of the competitive element of the Single Local Growth Fund, and is also intended to provide a wider vision and commitment to growth, including aligning local authority spend and demonstrating effective collaboration. The Strategic Economic Plan should also set out a high level assessment of the value for money of the interventions proposed, and the Government has invited LEPs to set out 'asks' of Government within their Plan, reflecting the City Deal format. At the same time, the South East LEP has also been asked to prepare strategies for future European funding, setting out how the £165 million allocation will be used.
- 2.2. While the LEP has appointed consultants to draw a high-level strategy together, the South East LEP is very large and diverse, and substantive delivery will take place at county and local level. It will therefore be important to ensure that the Strategic Economic Plan reflects Kent's opportunities and

ambitions and builds on our wider economic vision. Work is already underway to develop ***Unlocking the Potential***, a new growth plan for Kent and Medway, which will both set out Kent's priorities for the Strategic Economic Plan and outline longer term ambitions.

- 2.3. A draft of *Unlocking the Potential* is being prepared and substantial work will need to take place in the autumn to define and articulate Kent's priorities. A presentation on current progress will be given to the Cabinet Committee.

### **3. Developing the Local Enterprise Partnership**

- 3.1. When it was established, the South East LEP was envisaged as a 'light touch' strategic partnership. However, the Government has increasingly placed additional responsibilities onto LEPs - including the requirement to prepare the Strategic Economic Plan – and the LEP will be a significant conduit for future Government funding.
- 3.2. In this context, the LEP is discussing changes to its governance arrangements which will see decision-making and resource allocation powers devolved further to local areas. While the details of this have yet to be resolved, the Kent Leaders agreed in July to establish a new 'Kent and Medway Economic Partnership' to act as a devolved LEP board for the county.
- 3.3. It is anticipated that the new Kent and Medway Economic Partnership will consist of the Leaders of KCC and Medway Council, six District Leaders, 11 business representatives and one representative each from the further and higher education sectors, and will replace the existing Kent Economic Board.
- 3.4. An initial meeting of the new Partnership is likely to take place in October, with the Partnership having a key role in directing the emerging *Unlocking the Potential* and Kent and Medway's input into the Strategic Economic Plan.

### **4. Recommendations**

- 4.1. The Cabinet Committee is recommended to NOTE this report and the presentation to be given to the Committee, and to COMMENT on Kent's future economic priorities.

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