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To: Growth, Economic Development and Communities Cabinet
Committee - 15 April 2014

Subject: Strategic Economic Plan and the Kent and Medway Growth
Deal

Classification: Unrestricted

Electoral Division: All Divisions

Summary

On 31 March, the South East Local Enterprise Partnership submitted its final Strategic Economic Plan to Government. This contained a proposed 'Kent and Medway Growth Deal', setting out a request for funding from the Government's Local Growth Fund as well as a series of other measures to help unlock economic growth.

This report outlines the content of the Strategic Economic Plan and the funding request as it relates to Kent, and sets out anticipated next steps.

Recommendations:

The Growth, Economic Development and Communities Cabinet Committee is recommended to note this report.

1. Background

- 1.1. Last year, the Government asked Local Enterprise Partnerships to prepare Strategic Economic Plans for their areas. These are intended to set out LEPs' visions for economic growth and their proposals for the use of the new Local Growth Fund, which was announced as a 'single pot' of funding worth over £2 billion nationally in 2015/16. LEPs were asked to submit draft Strategic Economic Plans to Government before Christmas, with final Plans submitted by 31 March.
- 1.2. At the same time, work has been progressing to revise *Unlocking the Potential* as Kent and Medway's plan for growth, and a draft of this was prepared before Christmas and submitted as an annex to the draft Strategic Economic Plan. Within the 'federated' model adopted by the South East LEP, which sees substantial devolution to Kent and Medway Economic Partnership and its equivalents in Essex and East Sussex, it was agreed last year that the development of *Unlocking the Potential* and the Strategic Economic Plan should run in parallel, with Kent and Medway's 'Growth Deal' appearing as a chapter within the Plan.

2. The final Strategic Economic Plan and the Kent and Medway Growth Deal

- 2.1. The full Strategic Economic Plan is a large document, reflecting the size and complexity of the South East Local Enterprise Partnership area. The Kent and Medway Growth Deal appears as a chapter in the Plan, and is attached as Annex 1 to this report, while the full Plan is available at http://southeastlep.com/pdf/South_East_LEP_-_Growth_Deal_and_Strategic_Economic_Plan.pdf.
- 2.2. As they have emerged, the proposals contained in the Strategic Economic Plan have been discussed with the former Economic Development Cabinet Committee, as well as with Kent and Medway Economic Partnership, Business Advisory Board and Kent Council Leaders.
- 2.3. Across Kent and Medway, Essex and East Sussex, the Strategic Economic Plan seeks £1.1 billion from the Local Growth Fund. For Kent and Medway, it sets out proposals to secure £501.5 million in Local Growth Fund investment over six years (approximately £80 million per year), to unlock 49,000 homes and 60,000 jobs by 2021. The proposals within the Plan include:
- a) Transport investment (£359.6 million over six years). This accounts for about 72% of the bidding funding request, reflecting both the scale of the Department for Transport's contribution to the overall pot and the importance of transport schemes in unlocking growth. A schedule of proposed schemes appears within the document attached as Annex 1.
 - b) Skills capital investment (£29.3 million). This reflects the allocation within the overall Fund for capital investment in further education, currently managed by the Skills Funding Agency, linked with emerging pipeline proposals.
 - c) Land and development (£74.2 million). This includes the establishment of a recyclable investment fund operating across Kent and Medway, Essex and East Sussex, as well as potential mechanisms for forward funding infrastructure provision where this will help to unlock growth.
 - d) Business finance (£28 million). This includes a 'Finance for Innovation' scheme, providing loan and equity finance to businesses with innovative potential, especially within key growth sectors, building on the success to date of the existing Expansion East Kent, TIGER and Escalate programmes.
 - e) Sector growth (£6 million). This includes a proposal for a 'Kent and Medway Growth Hub' as a single gateway to business support services provided at district, county and national level.
 - f) Employment and skills (£4.5 million). Government has discouraged LEPs from making requests for revenue funding for employment and skills activity (and we know that there is very little revenue available through the Local Growth Fund).

However, the chapter sets out modest proposals for an element of revenue to support careers guidance, jobs matching and brokerage activities.

- 2.4. In addition, a further indicative allocation of £75 million has been proposed across the LEP to support housing market renewal activity, especially in coastal Kent.
- 2.5. As well as the bid for Local Growth Fund investment, the Strategic Economic Plan also includes a number of requests for specific flexibilities from Government, where these will help to deliver further economic growth. These include:
 - Devolution from the Highways Agency of funding and management of specific schemes where this would result in lower costs and faster delivery;
 - Regulatory flexibility from the Highways Agency to permit the construction of a new Junction 5a on the M2, enabling the expansion of Kent Science Park;
 - The flexibility to operate Kent and Medway's Local Growth Fund settlement as a programme, rather than a series of scheme-specific grant agreements, allowing KCC and its partners the freedom to bring forward schemes as match funding availability and the market allows;
 - Greater powers to reduce the flow of vulnerable households into areas already experiencing severe concentrations of deprivation, especially in parts of Margate and other coastal towns;
 - Local determination of part of the Adult Skills budget to respond to employer demand.

3. Next steps and prospects for success

- 3.1. It is anticipated that the Government will announce funding allocations for 2015/16 in the summer, following a period of negotiation with the LEP. It is of course likely that the total value of bids into the Local Growth Fund will be substantially in excess of funds available, and the South East LEP is in competition with LEPs in other parts of the country.
- 3.2. At present, it is unclear how the Government will allocate funding. However, as part of its federated approach, the LEP has decided that where possible, funds and decision-making will be devolved to Kent and Medway and the other constituent parts of the LEP.
- 3.3. In parallel with our funding negotiations with Government, further work will need to take place over the coming months in providing further details of our project and programme proposals; this is currently underway.

4. Recommendations

- 4.1. The Cabinet Committee is recommended to note this report.

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