

By: Paul Carter, CBE, Leader, Kent County Council

To: Cabinet – 28 April 2014

Subject: **UNLOCKING THE POTENTIAL AND THE STRATEGIC ECONOMIC PLAN**

Classification: Unrestricted

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 and sets out anticipated next steps.

1. Introduction

- 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. Along with the rest of the Strategic Economic Plan, this has now been submitted to Government – the final Kent and Medway chapter is attached as Appendix 1; the full Strategic Economic Plan is available at http://southeastlep.com/pdf/South_East_LEP_%E2%80%93_Growth_Deal_and_Strategic_Economic_Plan.pdf

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

- 2.1. Given the size and complicated nature of the South East LEP, the development of the Strategic Economic Plan has been complex. There has also been a tension between the Government's intention for the Plan to be a strategy document, as opposed to a bid for the Local Growth Fund. Increasingly, the emphasis seems to have been on the latter – so the Plan does set out a series of specific project schedules for the use of the Local Growth Fund.
- 2.2. 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 envelope, 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 has been previously circulated and discussed with Leaders, taking account of a range of funding scenarios.
 - 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). The South East LEP has agreed that all funding for land and property-based interventions has been badged as being part of an independently-managed, partially-recyclable South East Fund (SEFUND).

An outline proposal for how this will work has been included in the draft Strategic Economic Plan, and an indicative pipeline of projects has been included within the devolved bidding allocations. However, it is unclear how far there is a case for a recyclable investment fund (as opposed to an infrastructure forward financing facility or a capital grant pot), so at this stage, the descriptions of pipeline schemes have been fairly high level.

- d) Business finance (£28 million). This is described as 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 Expansion East Kent and Kent's other RGF-funded products.

- e) Sector growth (£6 million). This includes a revenue proposal for a ‘Kent and Medway Growth Hub’ envisaged as a single gateway to business support services provided at district, county and national level, incorporating an element of start-up and generic business support.
- f) Employment and skills (£4.5 million). Government has discouraged LEPs from making requests for skills revenue (and we know that there is very little revenue available). However, the chapter sets out modest proposals for an element of revenue to support careers guidance, jobs matching and brokerage activities.

2.3. In addition, a further indicative allocation of £75 million has been proposed across the LEP to support housing market renewal activity, following proposals put forward by the LEP’s Coastal Communities Group.

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 understood that the total value of bids received amount to about three times the value of funds available, funds will be mostly capital and it appears that the Government’s approach will be weighted towards project-by-project allocations, at least in 2015/16.

3.2. Work is underway to provide Ministers with greater detail on the projects as well as a prioritised list of projects. It will also be important over the next few months to gain greater clarity on the nature of funding sought for the land and property strand (and the Government’s preferred approach), to accompany the further detail on individual schemes.

4. Recommendation

4.1. Cabinet is recommended to note this report and the Kent and Medway chapter of the Strategic Economic Plan.

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