

By: Mark Dance, Cabinet Member for Economic Development

To: Growth, Economic Development and Communities Cabinet Committee - 8 July 2014

Subject: Unlocking the Potential and Strategic Economic Plan: Update

Classification: Unrestricted

Past Pathway of Paper: None

Future Pathway of Paper: None

Electoral Divisions: All

Summary:

Earlier this year, the South East Local Enterprise Partnership submitted two documents to Government: the Strategic Economic Plan and a European Structural and Investment Funds Strategy. These strategies could potentially unlock significant future funding for economic growth, and since their submission, further work has been underway to prioritise projects and funding requests.

This report updates the Board on progress since the submission of the Strategic Economic Plan and the European Structural and Investment Funds Strategy. It explains the next steps in the potential allocation of funding, recognising the 'federated' model operating in the South East LEP area. It also sets out a proposal for the final revision of *Unlocking the Potential*, the economic strategy for Kent and Medway, in the light of anticipated funding announcements.

Recommendation:

Members of the Growth, Economic Development and Communities are recommended to NOTE this report and the anticipated next steps.

1. The Strategic Economic Plan and the Local Growth Fund

Background

- 1.1. Following Lord Heseltine's review of growth policy in 2012, the Government asked each Local Enterprise Partnership to prepare a six-year Strategic Economic Plan, setting out a local vision for growth and priorities to unlock employment and housing. At the same time, the Government established the Local Growth Fund, a capital fund worth £2.4 billion nationally in 2015/16 (and potentially into future years) into which LEPs could bid to deliver the priorities set out in their Strategic Economic Plans.

Progress to date

- 1.2. The South East LEP submitted its final Strategic Economic Plan to Government on 31st March, following initial feedback on a draft Plan submitted at Christmas. The Plan included a specific chapter for Kent and Medway – *Unlocking the Potential* – the draft contents of which have previously been discussed by the Regeneration Board, Cabinet Committee and Cabinet.
- 1.3. The Strategic Economic Plan set out proposals for £1.1 billion in Local Growth Fund support over six years, with a request for £501.4 million for Kent and Medway. Around 70% of this request was for transport projects (primarily highways schemes that will unlock sites for housing and employment), with additional requests for access to finance for business (building on the Expansion East Kent, TIGER and Escalate schemes), the creation of a recyclable land development fund and investment in the further education capital estate.
- 1.4. The Government has since indicated that the Local Growth Fund is likely to be initially restricted to capital investment in transport infrastructure and direct measures to unlock sites, and a strong emphasis is being placed on spend in 2015/16. We have therefore been asked to prioritise all those transport and site-based schemes that will start in 2015/16 and to prepare high-level business cases for each. Following discussions at Kent and Medway Economic Partnership Board, this work has been done and the prioritised list of schemes is set out in Annex 1. In summary, this yields a total funding request for projects starting in 2015/16 as follows:

Local Growth Fund request for 15/16 start (£m)¹		
	Total scheme value	LGF requested
Transport	350.64	197.93
Non-transport	850.45	61.00
Total	1,201.09	258.93

- 1.5. In addition to these projects, around £330 million will be available nationally from the Local Growth Fund in 2015/16 to support capital investment in the further education estate. Full guidance is awaited from the Skills Funding Agency setting out how this will be administered. However, in the meantime, the Strategic Economic Plan identifies projects to the value of £10.75 million in Kent and Medway which can spend in 2015/16, the largest of which is the development of the new further education campus at Ashford.

Next steps

- 1.6. It is anticipated that the allocation of Local Growth Fund to transport and site-based schemes will be announced in mid-July. However, the allocation process is competitive and the Government has indicated that the Fund is around three

¹ Note that these figures relate to total project spend, not just to spend in 2015/16 (i.e. some projects starting in 2015/16 will also require funding in subsequent years).

times oversubscribed, based on the proposals set out in LEPs' Strategic Economic Plans. Lobbying therefore remains important, and the LEP, KCC and the Kent and Medway Business Advisory Board are active in making the case for the county's priority schemes. A meeting of the business members of the LEP Board took place on 16 June, resulting in a further letter to Greg Clark MP emphasising the scale and significance of the South East's funding request and the importance of retaining local flexibility within any funding allocation.

- 1.7. Following the allocation announcement in July, funds will become available in April 2015. It is unclear at present how funding will be allocated and how much flexibility will be available locally to re-prioritise schemes or operate a revolving fund. However, in any case, substantial work will need to take place later this year (potentially with cost implications) to ensure projects are ready to start next year.

2. The European Structural and Investment Funds Strategy and associated funding

- 2.1. Following the recommendations of the Heseltine Review, the Government asked LEPs to prepare European Structural and Investment Fund (ESIF) strategies, for submission earlier this year. These are intended to set out priorities for the use of:

- a) The **European Regional Development Fund (ERDF)**, which is generally used for business support and innovation activities;
- b) The **European Social Fund (ESF)**, which supports employment and skills activities; and
- c) The **European Agricultural Fund for Rural Guarantee (EAFRG)**, which supports economic development in rural areas.

- 2.2. Unlike the Local Growth Fund, the Government has already announced allocations of funding to each LEP area over a seven year period. For the South East LEP (and approximately for Kent and Medway), these are as follows:

European Structural Fund allocations (£m)			
	Total LEP (total)	Kent & Medway	
		(approx. total)	(approx. annual)
ERDF	82.5	35.9	5.1
ESF	82.5	35.9	5.1
EAFRG	14.5	6.3	0.9
Total	179.5	78.1	11.1

- 2.3. Although the Government will retain a substantial role in the allocation of these funds, there will be significant local scope to shape the priorities for funding. So far, the LEP has submitted its strategy and received feedback from Government. Subject to European Commission approval of the overall UK programme, it is anticipated that funds will become available in early 2015.

- 2.4. Over the coming months there is therefore substantial work that needs to be done to set out Kent and Medway's priorities for the use of the funding, linked with our broader economic growth strategy and it is anticipated that this will be the dominant item for discussion at Kent and Medway Economic Partnership Board on 30th June.

3. Making the LEP work: The 'federated' model

- 3.1. Recognising clear economic geography, the South East LEP Board decided last year to adopt a federated model, within which most decisions on the prioritisation and allocation of funding will be devolved to Kent and Medway Economic Partnership and its equivalents in Essex and East Sussex.
- 3.2. As a result of this, KMEP has established a strong role as the primary business-local government partnership for Kent and the Government has recognised that most LEP business in Kent and Medway will run via KMEP, with the central LEP remaining an important vehicle in making the case for issues of shared importance.
- 3.3. At this stage, both the South East LEP and KMEP are constituted as informal partnerships. However, depending on the allocation of the Local Growth Fund and the accountability that this will require, there may be a need for more formal governance arrangements. To ensure that KMEP is fully transparent, it has been agreed that KCC Democratic Services will be responsible for clerking KMEP meetings, with all agendas and minutes appearing on the KCC website (as well as on the separate KMEP site). As both KMEP and the South East LEP develop, advice from the Governance and Law Unit is being taken regarding options for appropriate future governance structures.

4. Taking forward *Unlocking the Potential*

- 4.1. Last year, a draft of the Kent and Medway Growth Plan, *Unlocking the Potential*, was prepared alongside the first draft of the LEP's Strategic Economic Plan. This was subsequently revised as the Kent and Medway chapter of the final Strategic Economic Plan submitted in March.
- 4.2. However, KMEP has previously approved the preparation of a full and final version of *Unlocking the Potential*, to act as a successor document to the previous Kent Regeneration Framework adopted in 2009. It is envisaged that *Unlocking the Potential* will be a further iteration of the work completed as part of the Strategic Economic Plan, although it will obviously be less focused on bidding for Local Growth Fund resources.
- 4.3. It is envisaged that a final version of *Unlocking the Potential* will be prepared following the Local Growth Fund allocation announcement in July, for consultation in the autumn and adoption by KMEP (and by KCC) before Christmas. It is anticipated that work in preparing and consulting on the draft will run in parallel with the finalisation of *Growth without Gridlock*, the revised Kent and Medway transport strategy.

5. Recommendation

Members of Growth, Economic Development and Communities Committee are recommended to NOTE this report and the anticipated next steps in securing Local Growth Fund and European Structural Fund resources and in taking forward *Unlocking the Potential*.

Report author:

Ross Gill
Economic Strategy and Policy Manager
Growth, Environment and Transport
ross.gill@kent.gov.uk
[mailto: 01622 221312 | 07837 872705](mailto:01622 221312 | 07837 872705)

Background Documents:

South East Local Enterprise Partnership Strategic Economic Plan
[http://southeastlep.com/pdf/South East LEP %E2%80%93 Growth Deal and Strategic Economic Plan.pdf](http://southeastlep.com/pdf/South_East_LEP_%E2%80%93_Growth_Deal_and_Strategic_Economic_Plan.pdf)

South East Local Enterprise Partnership European Structural and Investment Funds Strategy
<http://www.southeastlep.com/about-us/activities/300-european-structural-and-investment-fund-strategy>

Annex 1

Kent and Medway priority Local Growth Fund projects