

# Kent and Medway Economic Partnership

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## ITEM 3

**Subject:** Local Growth Fund Round 2  
Project prioritisation for Kent and Medway

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### Summary

Last month, the South East LEP was asked to put forward additional projects for a second round of Local Growth Fund allocations. To contribute to this, a number of priority projects have been identified across Kent and Medway, for initial submission to Government on 6 October.

This paper sets out the outcomes of the project identification work in Kent and Medway so far, proposing schemes requesting £35 million from the Local Growth Fund. It also sets out the anticipated next steps and issues for consideration in future rounds.

Board members are asked to note this report.

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### 1. Background

- 1.1. Earlier this year, the Government announced the allocation of £442 million from the Local Growth Fund for capital projects across the South East Local Enterprise Partnership area. This included some £133 million in specific capital allocations for Kent and Medway, mainly for transport schemes.
- 1.2. Last month, the Government announced that there would be a second round of LGF funding. While the scale of this is not yet known, the Government has suggested that it is likely to be around £500 million nationally, mostly in 2016/17 and 2017/18. This will make the second round much smaller than the first: £50 million would appear to be a 'realistic but ambitious' estimate of funding that could be allocated to the South East.
- 1.3. The next round of LGF will be competitive. To give an indication of schemes that are likely to come forward, the Government asked LEPs to come forward with outline project proposals by 6 October. The LEP Board agreed last week that this would be done in Kent and Medway and the other 'federated' areas of the LEP, with a view to a consolidated list being prepared on Monday.

## 2. Process

2.1. To identify a shortlist of projects for Kent and Medway within the very tight timescale, the following process was followed:

- All projects proposed for Round 1, but not funded, were reviewed, in conjunction with the sub-county partnerships. Those projects which were either not considered to be strategic priorities, or which are not likely to be deliverable within the funding timescale, were deleted.
- The remaining projects were then scored on the basis of deliverability, outputs and value for money using a basic, high level scoring methodology. This resulted in a 'long list' of projects with a total notional LGF grant request of £53 million.
- The long list of projects was then ranked according to project scores and 'sense checked' with partners. Where requested, projects were reviewed and re-scored.

2.2. Bearing in mind the limited size of the fund, a short list of schemes was identified to a maximum value of £35 million. This is still greater than the amount that we are likely to be able to expect, although it appears to be broadly in line with the total value of proposals from other parts of the LEP.

2.3. While in Round 1, the great majority of schemes funded were transport projects, there has been an indication that there is scope for more non-transport capital projects this time. This has been reflected in the scheme identification process.

## 3. The project shortlist

3.1. Following the process outlined above, the following shortlist of capital projects has been identified:

<b>Project</b>	<b>Indicative LGF request (£m)</b>
Maidstone Medical Campus	4.00
Pembury Road Phase 1	1.00
Folkestone Seafront	5.20
Rochester Airport	4.40
Westwood Relief Strategy	5.00
Leigh Barrier	2.50
Ashford Spurs signalling	1.25
Dartford town centre	2.30
Medway station improvements	1.95
Shearway Business Park	1.40
Dover Western Docks Revival	5.00
Swanley Centre	0.80
<b>Total</b>	<b>34.80</b>

- 3.2. Inevitably, a number of schemes that were put forward have not made the ‘top £35 million’. The major scheme in this category is M2 Junction 5a, partly due to the need for a change in Highways Agency regulations to permit a new junction to access Kent Science Park. This rule change was highlighted as an ask in the Strategic Economic Plan submitted earlier this year, and it will be important that any submission by the LEP to Government highlights the need for Highways Agency support for Junction 5a.

#### **4. Anticipated next steps**

- 4.1. It is anticipated that the Kent and Medway shortlist will form part of the LEP submission to Government on Monday 6 October. There may still be a need for further prioritisation to ensure that the overall LEP bid is credible, although this will need to be determined once the lists from each area are assembled next week.
- 4.2. It is likely that over the course of October, we will be asked to submit business cases, in advance of funding announcements being made late this year or early in the New Year. Business cases for all projects exist, at least in outline form. It is unclear at this stage whether final bids to LGF Round 2 will be constrained to the projects identified above or opened to other applications.

#### **5. Some considerations for future rounds of bidding**

- 5.1. The timescale for submitting information into this round has been exceptionally short, and project promoters, local authorities and sub-county partnerships have responded very quickly and clearly to requests for information. However, there are some issues for future bidding rounds that the Board may wish to consider:
  - First, although the current system of *ad hoc* bidding is not ideal, it is not within our control. There may therefore be a value in preparing outline business cases on a more consistent basis across Kent and Medway so that we are in a better position to respond quickly should we need to.
  - Second, the scoring methodology used to date, with its emphasis on jobs and homes outputs, tends to favour infrastructure projects at the expense of (for instance) projects to promote innovation. It may be useful to develop a more robust methodology, especially for non-transport capital projects, either within Kent and Medway or at LEP level.
- 5.2. A further update on LGF 2, including the final submission by the LEP, will be provided at the KMEP Board meeting on Tuesday.

#### **Report author**

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