

Kent and Medway Economic Partnership

KENT AND MEDWAY ECONOMIC PARTNERSHIP BOARD

10 November 2014

ITEM 5

Subject: Local Growth Fund Round 2

By: Ross Gill
Economic Strategy and Policy Manager, Kent County Council

Summary

In September, the South East LEP was asked to put forward additional projects for a second round of the Local Growth Fund. A number of indicative projects were identified across Kent and Medway and these were submitted to Government on 6 October.

The Government has subsequently requested full business cases by 3 December. This report provides an update on progress to date, sets out proposed next steps and seeks the views of the Board on the emerging project priorities coming forward.

The Board is asked to note this report, and in particular to:

- a) Consider the emerging priority list; and
 - b) Note this report and the proposed process for the submission of Round 2 applications.
-

10. Background

10.1. In September, the Government announced that there will be a second round of the Local Growth Fund. 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 2015/16 and 2016/17. This will make the next round much smaller than the first: £50 million would appear to be a 'realistic but ambitious' estimate of funding that might be allocated to the South East LEP. This would equate to around £22 million for Kent and Medway.

10.2. Initially, the Government asked for brief outline project proposals by 6 October. A shortlist of projects was identified across Kent and Medway, to a value of approximately £35 million (i.e. significantly greater than likely funds available), and this was considered by KMEP Board in October.

10.3. Since then, the Government has asked for a prioritised list of potential projects, with accompanying business cases, to be submitted by 3 December at the latest, although it has

said that it is willing to consider draft business cases for comment in advance of that date, and is encouraging us to put forward the final list in advance of the deadline. The LEP Chairman has proposed that KMEP and its equivalents should prepare the list of priority projects for their areas, with overall sign-off by the LEP chairman and vice-chairs on 20 November.

11. The process so far

11.1. Since the initial shortlist was submitted on 6 October, the following process has been followed:

- The promoters of all projects on the shortlist were invited to submit business cases by 31 October. This deadline was met by all projects. A small number of additional business cases were also received.
- All business cases received so far have been scored on the basis of deliverability, outputs and value for money. This process used the same basic, high-level scoring methodology as that used previously. As the Board noted at its October meeting, this is inevitably subjective and mechanistic – **so while the scoring and ranking process may be useful as a rough guide, it is no substitute for strategic policy choice, and it should be considered as purely indicative.**
- The business cases have also been reviewed to identify points for clarification and areas in which the business cases may be strengthened. Following this, discussion is underway with several scheme promoters.

11.2. In addition, Government officials have offered to provide early feedback and have encouraged us to share emerging business cases. As Government feedback could be helpful in determining the final list of priorities, we have shared some business cases with officials, clearly stating that these remain drafts. It is anticipated that we may receive early feedback in the next week.

12. Notional submission value

12.1. There is no limit on the amount of funding for which the LEP can bid. However, consistent with the approach followed in the first round of LGF funding, the LEP Chairman has proposed that the LEP should submit a prioritised project schedules to the following approximate values, with a proportionate distribution between Kent and Medway and the other areas:

LEP maximum value	Kent and Medway maximum value
£80 million	£35 million
£50 million	£22 million
£25 million	£11 million

13. The emerging project list

13.1. The total LGF requested in the revised business cases received is just over £50 million. The schemes on the list are set out in table below. Schemes that did not feature on the indicative shortlist presented to Government on 6 October are highlighted (see Annex 1 for more detail).

Rank	Scheme	Authority area	LGF request (£m)	Cumulative
1	Westwood Relief Strategy	Thanet	4.60	4.60
2=	Folkestone Seafront	Shepway	5.10	9.70
2=	Rochester Airport	Medway	4.40	14.10
4=	Ashford Spurs signalling	Ashford	2.00	16.10
4=	Maidstone Medical Campus	Maidstone	4.60	20.70
6=	Pembury Road Phase 1	Tunbridge Wells	1.00	21.70
6=	Dover Western Docks Revival	Dover	5.00	26.70
6=	Horn Street Bridge	Shepway	3.00	29.70
6=	Medway Stations	Medway	1.95	31.65
10=	Leigh flood storage	T&M	3.20	34.85
10=	Dartford Town Centre	Dartford	2.30	37.15
12	Westenhanger lorry park	Shepway	4.00	41.15
13	Shearway Business Park	Shepway	1.40	42.55
14	M2 Junction 5a	Swale	5.00	47.55
15	Swanley Town Centre	Sevenoaks	0.80	48.35
16	Sittingbourne Town Centre	Swale	1.65	50.00
17	Dartford Station Quarter	Dartford	1.50	51.50

13.2. It should be noted that the priorities may change depending on further information received from project promoters and of course the views of KMEP. The early feedback from Government will also be useful in determining the final submission. At this stage, it would be useful for KMEP Board to indicate:

- Whether the overall list of schemes looks appropriate;
- Whether there any projects on the list that are not considered to be strategic priorities and should therefore be removed; and
- Whether the broad priority order of the schemes is right, bearing in mind that the limitations of the scoring process highlighted above.

13.3. Alongside our submission of discrete projects, it may also be useful to put forward some **more ambitious strategic priorities**, given the possibility that Government may want to consider further funding announcements and given the steer from ministers that LEPs should set out their ambitions. Within the Strategic Economic Plan, KMEP did set out more ambitious proposals, including substantial investment in housing market renewal in coastal Kent, and there may be a value in reiterating and expanding on these.

13.4. In any case, it should be noted that there are **schemes that were allocated funding in Round 1 for which final approval has yet to be given by Government**. It will therefore be important to press for full approval alongside any new allocations.

14. Anticipated next steps

- 14.1. To meet the LEP's requested timetable, a prioritised Kent and Medway list will have to be submitted to the LEP by Wednesday 19 November.
- 14.2. Following the discussion at KMEP Board, additional information may be received in the next few days, along with potential Government feedback. It is therefore suggested that a further report is circulated to the Board on **Friday 15 November**, setting out a prioritised list based on the Board's considerations plus (if it is material) any additional information or feedback received.
- 14.3. This will allow for any final comments from Board members before a final list is signed off by the Chairman for submission to the LEP on 19 November.

15. Looking towards future rounds

- 15.1. The process for LGF Round 2 has not been ideal – although KMEP has responded promptly to Government's requests, as have scheme promoters.
- 15.2. At the last KMEP Board meeting, it was agreed that further work should be done to consider the development of a stronger **pipeline of projects** to support future rounds. This is currently being considered via the sub-county partnerships, and it may be useful to bring a report to KMEP in the New Year setting out the emerging pipeline from each area.
- 15.3. Linked with this, it was also agreed that the **scoring mechanism** used to assess projects should be revised, since the current process systematically favours infrastructure schemes (especially transport schemes) over other interventions and was in any case only designed to enable indicative prioritisation in a very short timetable in Round 1. In particular, the lack of innovation-focused schemes was highlighted. Discussions are taking place with the university sector over the next few weeks, and it may be helpful to move towards a more consistent appraisal framework. This could be developed alongside the project pipeline - as agreed at the October Board, a substantive report will be brought to the Board in the New Year.

16. Recommendations

- 16.1. The Board is recommended to:
 - a) Consider the emerging priority list (in particular in relation to the issues highlighted in para. 4.2); and
 - b) Note the proposed process for the submission of Round 2 applications.

Report author:

Ross Gill
Economic Strategy and Policy Manager
Kent County Council
01622 221312 | 07837 872705 | ross.gill@kent.gov.uk
6 November 2014