

**By:** Mark Dance, Cabinet Member for Economic Development  
Barbara Cooper, Corporate Director – Growth Environment and Transport

**To:** Growth, Economic Development and Communities Cabinet Committee - 15 September 2015

**Subject:** Funding and devolution to support economic growth: Opportunities for Kent

**Classification:** Unrestricted

**Past pathway of paper:** None

**Future pathway of paper:** None

**Electoral Division:** All

### **Summary**

This paper sets out potential opportunities to secure additional investment and devolution to Kent to support economic growth. It outlines:

- a) The Government's current policy approach;
- b) Future funding and devolution opportunities; and
- c) Potential changes to partnership governance arrangements – including those related to the South East Local Enterprise Partnership - that may be needed to secure them.

### **Recommendation:**

The Growth, Economic Development and Communities Cabinet Committee is recommended to CONSIDER this report and note the opportunities available to Kent from devolution and additional sources of funding.

## **1. Background**

- 1.1. In recent years, there has been an increasing focus on the benefits of devolution in supporting economic growth. This has been reflected in a number of proposals calling for greater local control of skills, business support and local infrastructure budgets, on the basis that local knowledge and accountability lead to better decision-making and more efficient delivery.
- 1.2. The 2010-15 Government concluded a series of 'growth deals' with each Local Enterprise Partnership. The majority of these were essentially infrastructure funding agreements. However, some city regions (in particular Greater

Manchester) have been successful in pursuing more ambitious proposals for devolution. A number of counties have also come forward with emerging proposals. In July, the Kent Council Leaders discussed the opportunities that may be available to Kent and Medway and it was agreed that further work should be done to explore them during the autumn, in parallel with securing further devolved infrastructure funding.

## **2. The Government's policy approach**

### *Devolution*

- 2.1. The new Government's approach to devolution is rooted in an economic strategy focused on raising productivity and a regional strategy focused on further individually-agreed growth deals and – in particular – on delivering the 'Northern Powerhouse'. The recent Cities and Local Government Devolution Bill, the 2015 Summer Budget and the Government's recent productivity strategy all reflect this approach.
- 2.2. In relation to governance, the Cities and Local Government Devolution Bill focuses in particular on the city region agenda, and the government has said that the most ambitious devolution deals will only be open to those areas with a directly elected mayor. However, the 2015 Summer Budget statement also offers the opportunity to 'towns and counties' to agree devolution deals, the first of which is currently being agreed with Cornwall.
- 2.3. The Government has also identified a continuing role for Local Enterprise Partnerships in future devolution arrangements, with the Secretary of State indicating that proposed devolution deals will require LEP backing.

### *Future funding for economic growth*

- 2.4. In recent years, the Local Growth Fund (LGF) has been the main source of capital funding to support economic growth, with funding agreed as part of each growth deal. To date, Kent has secured £109 million in LGF funding, mostly for transport schemes, the details of which have previously been reported to the Cabinet Committee.
- 2.5. It is likely that the Government will retain the Local Growth Fund, and it is anticipated that there may be a call for new projects later in the autumn. Consistent with the Government's general economic strategy, LGF support is likely to be focused on capital projects that deliver greater productivity through investment in transport, skills and innovation.

### 3. Opportunities for Kent

- 3.1. There will be an opportunity to secure additional Local Growth Fund investment later this year. In previous funding rounds, the application timetables have been very tight, so work is underway to develop a pipeline of potential schemes. At its next meeting, Kent and Medway will also consider initial project criteria.
- 3.2. Beyond LGF funding, there is an opportunity to make the case for the devolution of funding streams and powers to Kent. Some elements of a potential devolution agreement are set out in the *Compelling Case* for a Kent and Medway LEP, which was agreed by Leaders and by KMEP earlier this month. Specifically, the *Compelling Case* set out a focus on:
  - Creating a more highly skilled, productive workforce – improving provision of and access to vocational and technical education, increasing the employer voice and reducing the number of people not in education, employment or training;
  - Accelerating housing growth through the provision of essential infrastructure – prioritising infrastructure more effectively at strategic level and developing solutions to overcome viability constraints;
  - Supporting dynamic, innovative businesses to grow – improving the innovation support system and increasing access to and the effectiveness of business support; and
  - Developing opportunities for the growth of the Kent coast and the Thames Gateway.
- 3.3. The core themes within the *Compelling Case* (skills, infrastructure and business growth) reflect those highlighted in other emerging devolution propositions elsewhere in the country, as well as the productivity agenda central to Government strategy. Looking beyond the economic development agenda, there may be opportunities to consider the scope for health and social care integration (building in the statutory role of the Kent Health and Wellbeing Board and the network of local Boards). There may also be Kent-specific areas in which regulatory flexibility may better support service delivery or unlock growth.
- 3.4. Following consideration at the last meeting of the Kent Council Leaders, work is underway to develop these themes further.

## **4. Governance issues**

- 4.1. The governance issues associated with both future LGF funding and devolution are challenging. In particular, Local Enterprise Partnerships are expected to remain important vehicles for funding allocation, although the scale and complexity of the South East LEP present significant difficulties.
- 4.2. Earlier this year, Kent and Medway Economic Partnership, including KCC, Medway Council and the Kent Districts, proposed that the South East LEP should, in Kent, be replaced with a Kent and Medway LEP that would be more responsive to local economic opportunities. This proposal will require Government approval and a formal Government response is awaited.
- 4.3. However, regardless of the future of the South East LEP, work has been underway to strengthen the governance of Kent and Medway Economic Partnership. From September, KMEP will include all local authority Leaders as well as expanded business representation, ensuring a stronger and more accountable voice for Kent.

## **5. Recommendation**

- 5.1. The Growth, Economic Development and Communities Cabinet Committee is recommended to CONSIDER this report and note the opportunities available to Kent from devolution and additional sources of funding.

### **Contact details**

Report author:	Ross Gill Economic Strategy and Policy Manager
Telephone:	03000 417077
Email:	<a href="mailto:ross.gill@kent.gov.uk">ross.gill@kent.gov.uk</a>
Relevant Director:	David Smith Director of Economic Development
Telephone:	03000 417176
Email:	<a href="mailto:david.smith2@kent.gov.uk">david.smith2@kent.gov.uk</a>