

From: Matthew Balfour, Cabinet Member for Environment & Transport
Mark Dance, Cabinet Member for Economic Development
Barbara Cooper, Corporate Director for Growth, Environment & Transport

To: Cabinet – 18 July

Subject: **Local Growth Fund Round 3 and Large Local Major Schemes**

Decision No: 16/xxxxxxxxxx

Classification: Unrestricted

Past pathway: Environment & Transport Cabinet Committee – 8 July 2016

Future pathway: Growth, Economic Development & Communities Cabinet Committee – 19 July 2016
Decision by the Leader of the Council

Electoral Division: All

Summary:

The Government has launched two new calls for project proposals that will help unlock economic growth in local areas. In the first call, Local Enterprise Partnerships (LEPs) are invited to bid for a share of the third tranche of Local Growth Funding (LGF), worth £1.8 billion across England. In the second call, LEPs are invited to bid for a share of the Large Local Major Schemes funding, worth £475m across England.

Recommendations:

The Cabinet is asked to consider and endorse, or make recommendations to the Leader of the Council on the proposed decision for Kent County Council to:

- Endorse the Local Growth Fund Round 3 (LGF3) and Large Local Major Scheme (LLMS) bid submissions to Government proposed by the Kent & Medway Economic Partnership & the South East Local Enterprise Partnership.
- Act as the accountable body for projects within Kent County Council's geographical boundaries that are selected by the Government to receive LGF3 and LLMS funding.
- Delegate to the Section 151 Officer the authority to sign on KCC's behalf a grant offer letter or equivalent, where this is required to draw down funds following business case approval.

1. Introduction

- 1.1. In July 2014, the Government announced that it planned to invest at least £12 billion nationally to promote growth in local economies through a series of 'Growth Deals' that would operate over six years from 2015/16. This money, known as Local Growth

Funding (LGF), would finance infrastructure and skill schemes that in turn would unlock housing growth and encourage job creation.

1. 2. In the first round of Local Growth Funding (LGF1), £133 million was allocated to schemes in Kent and Medway; and in the second round (LGF2), a further £19.5 million was received. In addition, £22 million was allocated to establish a Skills Capital Fund for distribution across the South East Local Enterprise Partnership (SELEP).
1. 3. In March 2016, the Secretary of State for Communities and Local Government announced the release of a third tranche of Local Growth Funding (LGF3), worth £1.8 billion across England. He also announced a project call, worth £475m nationally, for 'Large Local Major Schemes' (LLMS).
1. 4. The Government has stipulated that LGF3 and LLMS funding will be allocated to Local Enterprise Partnerships¹ (LEPs) through a competitive bidding process. No LEP will be entitled to a particular share of funding, rather funding will be apportioned based on the strength of specific project proposals and their alignment with a wider strategy for economic growth.

2. The Local Growth Fund Round 3 (LGF3)

Eligibility criteria and information issued by the Government

- 2.1 The Secretary of State for Communities and Local Government issued a letter on 12th April (see appendix A) describing the LGF3 eligibility criteria. In summary, the criteria are:
 - a) Proposed schemes should increase growth, over and above the impact of the existing Growth Deal. The LEP submission should provide details on what the proposed schemes will deliver in terms of job creation, investment and housing.
 - b) Strong collaboration between the partnership and the local area must underpin the proposal. This work must be owned by both political and business leaders.
 - c) Proposed schemes that are aligned with mayoral Combined Authorities (or proposed Combined Authorities) will have an advantage.
 - d) Proposed schemes should include a greater level of private sector investment than in previous rounds, as well as match funding from other bodies such as universities.
 - e) Proposed schemes should engage with government's key objectives within the wider local context (such as plans for housing delivery and the area reviews into further education).
 - f) The delivery of existing Growth Deals will play a part in the Government's consideration of proposals.

Timeline for the submission

¹ Local Enterprise Partnerships (LEPs) are partnerships between local authority and business leaders set up in 2011 by the Department for Business, Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within the local area.

- 2.2 The SELEP submission detailing the proposed LGF3 schemes must be returned to the Government by no later than Thursday 28th July. The Secretary of State intends to announce the final allocations of LGF3 funding around the time of this year's Autumn Statement.

LGF3 schemes endorsed by the Kent and Medway Economic Partnership

- 2.3 Through the Kent and Medway Economic Partnership (KMEP), which is a federated board of the South East Local Enterprise Partnership (SELEP), information on the LGF3 funding opportunity was distributed to Kent County Council, Medway Council, and 12 District Councils. The local authorities were asked by KMEP to submit business cases for potential LGF3 schemes that would unlock economic growth and reflect the local strategic priorities. 34 business cases were received in total in advance of KMEP's Board meeting.
- 2.4 KMEP met on 14th June 2016 to consider these 34 business cases. The Partnership considered each scheme in relation to four prioritisation attributes. These were:
- a value for money score;
 - a match-funding score;
 - a deliverability score; and
 - a sub-county partnership prioritisation score.
- 2.5 As a result of the discussion, KMEP recommended the business cases for 21 schemes be developed further and included within SELEP's LGF3 submission to Government. Subsequent to this meeting, the East Kent Spatial Development Company's bid was removed by the applicant. A description of the 20 remaining schemes, plus the ranking KMEP gave to each scheme, can be found in appendix 2.
- 2.6 The total value of these 20 schemes is £75.03m (although this is subject to minor variation as the business cases are developed). For context, if the Government had chosen to base the allocations on the population, a proportionate share of the £1.8bn fund would have resulted in roughly £140m for the South East LEP, with circa £60m for Kent and Medway.

3. Large Local Major Schemes (LLMS)

- 3.1 The Large Local Major Schemes (LLMS) fund is intended to support transport schemes which are too large to receive LGF3. The Department for Transport (DfT) guidance sets out that schemes within the SELEP area need to exceed the minimum funding threshold of £75 million.
- 3.2 LLMS funding (like LGF3) will be allocated via LEPs, and will be based on a competitive process. As the LLMS fund itself is only £475 million nationally, only a limited number of schemes will be funded.
- 3.3 To bid for LLMS, LEPs are required to submit large scale transport business cases to the DfT, which are compliant with the Department's business case development methodology (known as WebTAG).
- 3.4 The DfT recognises that there are very few large scale projects with a WebTAG-compliant business case already developed, due to the high cost of undertaking this type of project development work. The DfT is therefore allocating some of the £475m

to support LEPs in developing new WebTAG-compliant business cases (known as LLMS development funding).

- 3.5 To secure LLMS development funding, bids should have some match funding, have a strong strategic case and must demonstrate that the scheme cannot be funded through LGF3.
- 3.6 Where the LLMS development fund is made available to support the development of a new WebTAG-compliant business case, there is no guarantee that these projects will be subsequently granted capital funding for project delivery and implementation.

Large Local Major Scheme endorsed by the Kent and Medway Economic Partnership

- 3.7 KMEP received a report at its meeting on 14th June which explained that no Large Local Major Schemes are sufficiently developed to submit a WebTAG-compliant business case to the Government by its July deadline.
- 3.8 A presentation was given to KMEP identifying potential schemes which would benefit from LLMS development funding. Of the schemes proposed, KMEP recommended that SELEP submit a bid to Government for LLMS development funding to finance the production of a WebTAG-compliant business case for improvements to Junction 7 on the M2, which is known locally as Brenley Corner.
- 3.9 Junction 7 of the M2 is located on the strategic European transport route of the A2/M2 that runs from the Port of Dover through to the Midlands and the North of England, via the Dartford Crossing. People, wishing to travel to Canterbury and Dover via the A2, are currently compelled to use the slip road from the M2 to the Brenley Corner roundabout before joining the A2. This current configuration of the junction creates peak hour congestion on a regular occurrence, as traffic on the strategic Highways England road network mixes with traffic on the local road network.
- 3.10 This scheme, which was endorsed by KMEP, fits both the strategic SELEP-wide objective to support bifurcation and a new strategic route from the Port of Dover to the proposed new Lower Thames Crossing, as well as the local objective of supporting growth in Swale, Canterbury and wider East Kent.

4. Financial & Legal Implications of LGF3 and LLMS

- 4.1 The LEP Assurance Framework² issued by the Government in 2014 defines the governance arrangements that must exist between a LEP and a local authority. It states that Local Growth Funds, allocated to a LEP, will be paid via a Section 31 grant determination to a lead local authority (called the accountable body). The framework says “the LEP has a vital leadership role to play, responsible for developing and maintaining the Strategic Economic Plan and determining the key funding priorities to which LGF and other resources should be directed”, but the accountable body will retain the legal and financial responsibility for ensuring the proper use and administration of the funding in accordance with the grant funding letter/agreement.

5. Recommendations

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/386642/bis-14-1241-local-enterprise-partnership-LEP-national-assurance-framework.pdf

- 5.1 The Cabinet is asked to consider and endorse, or make recommendations to the Leader of the Council on the proposed decision for Kent County Council to:
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6. Appendices

- Appendix A: Secretary of State's letter of 12th April describing the LGF3 funding opportunity
- Appendix B: Description of KMEP-endorsed LGF3 bids
- Appendix C: Proposed Record of Decision

7. Contact details

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