

THE COMPELLING CASE FOR CHANGE

The new Kent and Medway Local Enterprise Partnership

July 2015

KMEP Kent
& Medway
Economic
Partnership

This document sets out a compelling case to change the geography of the South East Local Enterprise Partnership.

It proposes the establishment of a new Kent and Medway LEP – one which is highly relevant to business and which builds on a cohesive economic geography, a deep understanding of our economic challenges and opportunities and an excellent partnership between business and government.

Our new Partnership will deliver faster and better for Kent and Medway and for the UK. This document sets out how we will build a new approach to delivering the skills, the infrastructure and the innovation for a highly productive economy – and how we will work together strategically and with strong governance across the county to deliver long term growth.

The existing South East LEP slows down the delivery of our ambitions. We will be more focused and more effective through a Kent and Medway Local Enterprise Partnership. But we are committed to working together with our neighbours in Essex, East Sussex and London. We are working with our partners to ensure a smooth transition from the South East LEP to better arrangements.

It's time for change. We have a compelling case for a better future. We ask Government to back our proposals.

1. INTRODUCTION

This document sets out the compelling case to change the geography of the South East Local Enterprise Partnership. It proposes the establishment of a new Kent and Medway LEP which is highly relevant to business and will be effective in delivering growth.

This case is produced by the business-led Kent and Medway Economic Partnership, with the support of the Leaders of Kent County Council, Medway Council, the 12 Kent Districts and higher and further education. Together, the new partnership will deliver substantial benefits to businesses and communities in Kent and Medway – and will contribute to the growth of the whole UK.

We understand that partners in Essex are preparing a similar proposal. We are working closely with our neighbours to ensure a smooth transition from the existing South East LEP to new arrangements.

We are ambitious for growth. Over the next five years, the Kent and Medway LEP will:

- **Create a more highly skilled, more productive workforce**
Despite improving attainment rates in Kent and Medway, the skills system does not always work: employers find it hard to have a clear voice; funding regimes are poorly coordinated and perverse incentives within the system mean that young people frequently lack appropriate information about the opportunities that are available to them. Through better use of intelligence and funding and stronger strategic partnerships, we will improve provision of and access to vocational and technical education – doubling the number of apprentices by 2020 and substantially reducing the number of young people not in employment, education or training.
- **Accelerate housing growth through infrastructure delivery**
At present, annual housing delivery meets less than 50% of planned requirement, creating both a local and a national challenge. Our new Kent and Medway Growth and Infrastructure Framework will provide us with the evidence to effectively prioritise the infrastructure needed for planned growth and to seek new solutions.

By 2020, we aim to substantially increase housing growth to match need – with the right infrastructure to support it. **This will mean an additional 2,350 homes per year across Kent and Medway**, removing barriers to growth in areas with viability constraints.
- **Support dynamic and innovative businesses to grow**
Despite economic growth and a diverse and resilient business base, many firms are unable to access the finance and support they need. We will deliver better coordinated support to help businesses unlock their potential, focused on increasing productivity and innovation. **By 2020, we aim to eliminate the productivity gap between Kent and Medway and the rest of the UK.**

The new LEP will focus on stronger growth and stronger productivity across Kent and Medway - building on the momentum **across the Kent Coast and the Thames Gateway** and attracting new prosperity to the county.

2. CONTEXT: OPPORTUNITIES AND CHALLENGES

Kent and Medway is a coherent economic geography. It is coterminous with the boundaries for a range of public services, has a strong historic identity and forms a cohesive economic area – and we also have an excellent business-led partnership in place.

Kent and Medway is growing rapidly. It is vital that we plan strategically to deliver the infrastructure we need, working together with all tiers of local and national government and building stronger relationships with our neighbours in London and the wider South East.

To do this, we need a simpler, stronger partnership for long term growth. A new Kent and Medway LEP, linked with more robust democratic governance, will achieve this.

Opportunities

Kent and Medway is vital to the UK's growth.

In the period to 2031, the population of Kent and Medway is expected to rise by 293,300 – equivalent to a new city larger than Medway. This represents an increase of 17%, substantially higher than in the country overall.

Kent and Medway contains some of Britain's most important growth locations. Ebbsfleet will see the UK's first modern garden city, while greatly improved connectivity via High Speed One is driving the expansion of Ashford and the regeneration and growth of the Thames Gateway and East Kent. Our strategic port, rail and road infrastructure is also vital in linking continental Europe with London and the rest of the UK, and is becoming increasingly important as freight and passenger volumes rise.

Kent and Medway has the size and scale to deliver effectively.

With a population of over 1.7 million and growing, the Kent and Medway LEP will be the eighth largest in England. Our economy accounts for around £33.5 billion in GVA – larger than the economy of Northern Ireland – and the county's boundaries align with established travel-to-work and travel-to-learn markets.

The dynamism and growth of the London economy presents new opportunities.

London has always been important to Kent as a market and an employment destination. With improved transport connections, there are new opportunities to attract investment from London to the High Speed One Corridor – taking advantage of the sustained growth of Britain's only world city.

We have a strong business base and opportunities for growth in key sectors.

With over 58,000 businesses – 89% of which employ fewer than ten people – we have a strong, resilient and diverse business base. Over the past decade, our economy has become increasingly innovative, with knowledge economy employment growing at twice the national rate.

In particular, we will build on our track record in working with our key sectors to deliver growth:

Kent and Medway's key sector opportunities	
Sectors	Opportunities
Life sciences	6,000 jobs. Concentrations of activity at Discovery Park Enterprise Zone and at Kent Science Park near Sittingbourne, with emerging opportunities at the new Maidstone Medical Campus.
Creative and media	14,000 jobs; 85% sector growth over the past decade. Strengths in software and digital media, especially in Tunbridge Wells, Maidstone, and coastal East Kent.
Low carbon	21,000 jobs in renewable energy, energy efficiency and carbon reduction technologies – and underpinned by the designation of the Kent coast as a Centre for Offshore Renewable Engineering.
Land-based	Comparative advantage in horticulture, accounting for over two thirds of national top fruit production. Research-intensive growth opportunities, such as at East Malling Research.
Manufacturing	44,000 jobs, accounting for over 10% of Kent and Medway's GVA. Strong concentrations in Medway and Swale, with major businesses such as BAE Systems and Delphi supporting a strong SME base, with some that have considerable opportunities for expansion and productivity improvement.
Construction	36,000 jobs. Proximity to the London and South East market and major developments in Kent and Medway support growth in the sector, with new opportunities in sustainable construction technologies.
Tourism and leisure	64,000 jobs. Strong tourism product offer in coastal, historic and rural Kent, which will be reinforced by major investment in new attractions, including the proposed Paramount development in North Kent.
Ports, transport and logistics	27,500 jobs, supported by Kent and Medway's location between London and continental Europe. Kent's transport infrastructure is of national significance, with rising freight volumes driving major investment at the Port of Dover.
Health and social care	105,800 jobs. Demand rising rapidly, reinforced by Kent and Medway's growing and ageing population, with an growing range of providers in the public and private sectors .

We have a long and successful partnership between business and local government.

We have had an excellent partnership between local government and the private sector dating back to the 1990s. Kent and Medway Economic Partnership is chaired by business and includes business leaders from all areas and sectors of the county's economy. This is supported by:

- The Kent and Medway **Business Advisory Board**, containing over 45 strategic businesses and all the business representation organisations;
- Four strong **sub-county partnerships** in East Kent, West Kent, the Thames Gateway and Maidstone;
- The **Kent and Medway Council Leaders**, bringing together local government with a powerful democratic voice; and
- Strong partnerships with our **four universities** – Canterbury Christ Church University, University of Greenwich, University of Kent and the University for the Creative Arts; and with the **further education** sector, through KAFEC, the Kent Association of Further Education Colleges.

A clear geography for service delivery

Many services are already delivered across Kent and Medway. For example:

- **Kent Invicta Chamber of Commerce** is the single, united accredited Chamber for the whole of Kent and Medway, providing a strong voice for business with over 1,200 members;
- **Sector groups** operating county-wide in the land-based, creative and construction and development sectors;
- **Locate in Kent**, our inward investment agency, operates across Kent and Medway and is jointly funded by business and the public sector
- **Visit Kent**, the tourism promotion and development agency, builds on the county's strong brand and identity;
- **Produced in Kent** promotes Kent produce and supports the rural economy, building on the county's role as the 'garden of England';
- From this year, the new **Kent and Medway Growth Hub** will provide a coordinated point of access to all the support services for business across the county.

Beyond the economic growth agenda, Kent and Medway is also the 'default' strategic geography for a range of public services and systems, ranging from road and rail transport to the police service. A new Kent and Medway LEP will help us to better coordinate and grow these services across a credible geography that businesses, government and the public understand.

We have a strong track record of success.

We have many years of delivering complex major projects and programmes to support economic growth, on time and within budget. In recent years, this has included major transport schemes such as East Kent Access, the transformation of Chatham Maritime into a major university centre, and the continuing development of Kent's flagship business park at Kings Hill.

We also have an excellent record in delivering Government-funded programmes where management has been devolved locally. For example:

A track record of successful delivery

Growing business through the Regional Growth Fund

Before 2010, Government direct financial support to business was made available centrally from Whitehall. It was hard to access, offered as grant and had a limited impact on the local economy.

Since 2011, Kent and Medway has secured £55 million from the Regional Growth Fund to provide local programmes meeting local business need. We have taken a different approach: almost all finance is now offered as loan or equity, meaning that funds can be recycled locally, and all decisions are made locally by a business-led panel. We have focused our support on businesses with the appetite and capacity for growth, recognising that innovation and long-term potential is present in all sectors.

To date, the £35 million Expansion East Kent scheme alone has created or safeguarded over 3,500 jobs, supporting 75 businesses and leveraging £67 million in additional private investment.

Improving connectivity through superfast broadband

Kent and Medway's large and dynamic rural economy has been hampered by poor digital connectivity and improving access to broadband infrastructure was a high priority in the county's previous economic growth strategy.

The Government has devolved the delivery of superfast broadband. Funding of £9.87 million from Broadband Delivery UK has been matched with £10 million from Kent County Council and a further £20 million from BT, the infrastructure provider. By December 2015, 91% of all properties in Kent and Medway will benefit from superfast broadband of up to 24 mbps, and every property will have access to a service of at least 2 mbps. Overall, 60,000 properties will benefit, with further improvements planned for a second phase.

Delivering England's most successful Enterprise Zone at Discovery Park

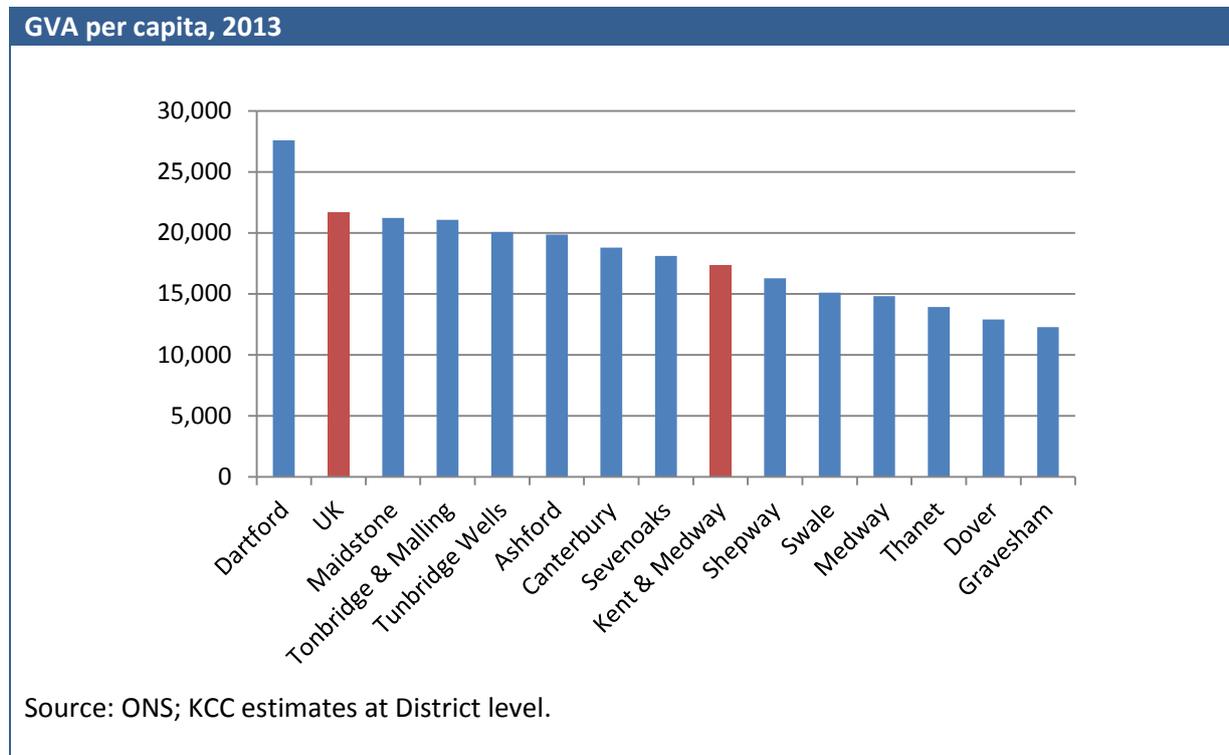
In 2011, the East Kent economy was faced with a major challenge when its largest private sector employer, Pfizer, announced that it intended to exit its major site at Sandwich.

The Government asked local political and business leaders to bring together a task force to identify a new future for the site and support the wider East Kent economy

At the time of the exit announcement, Sandwich faced the prospect of 2,400 direct job losses, in addition to much wider supply chain impacts. Today, as a result of joint working between central and local government and the private sector, over 2,000 people are employed on site in over 100 companies, mostly focused on high value scientific R&D – and the Enterprise Zone at Discovery Park is now the most successful in England.

There are significant economic imbalances across Kent and Medway.

High Speed One will change Kent’s economic geography, as journey times to London are greatly reduced. However, economic imbalances across the county remain significant, with some high local concentrations of worklessness, especially among younger people. This impacts on our ability to deliver growth, as demand is weaker in those areas – especially in coastal Kent and in the Thames Gateway – where both the capacity and the need for new development are greatest.



Businesses face difficulties in securing the skills that they need.

In an economy dominated by small and micro businesses, it is often difficult for employers to navigate the system to aggregate demand and influence provision. At the same time, learners do not always have accurate perceptions of employment opportunities, especially in those sectors of the Kent economy with strong growth potential, and opportunities for young people to engage in vocational skills opportunities at an early stage are too frequently limited.

We need a more coordinated approach to overcome information gaps on the part of employers, learners and providers and better align provision with the needs of the Kent and Medway economy.

Kent and Medway is not fulfilling its potential for innovation and growth.

While the county has a growing stock of dynamic and innovative businesses, the county still lags behind the rest of the South East on many key indicators of innovation potential. This partly reflects our traditional industrial legacy – but our position in one of Europe’s most dynamic regions and our greatly improved connectivity gives us an opportunity to do better. This will mean improving access to the full range of business support and finance products backed by Government, as well as improving practical links between Kent and Medway businesses and the higher education sector in the county and beyond.

3. SOLUTIONS

How will the Kent and Medway LEP make a difference?

Taking into account our opportunities and challenges, we will increase growth and productivity over the next five years by:

1. Creating a highly skilled, more productive workforce
2. Substantially accelerating housing growth through the delivery of essential infrastructure;
3. Supporting dynamic, innovative businesses to grow; and
4. Building significant momentum behind the growth and regeneration of the Kent and Medway coast and the Thames Gateway.

Over the next four months, we will prepare a fresh **Strategic Economic Plan** for Kent and Medway. This will build on the detailed Growth and Infrastructure Framework that we have produced, setting out our priorities for the next five years in the context of a longer term strategy¹. It will also identify where we can deliver more effectively through the devolution of powers and resources.

Creating a more highly skilled, more productive workforce

In Kent and Medway, there is much that has been achieved in recent years. We have a strong further education sector, improving attainment rates and shared strategies for both young people and adults. Yet the skills system is often dysfunctional: employers find it hard to have a clear voice, funding regimes are poorly coordinated and perverse incentives within the system mean that young people frequently lack the right information about the opportunities that are available to them. This means that potential is too often wasted and productivity is too often compromised: employers cite skills constraints as among the biggest barriers to growth.

Labour and training markets are generally local, so it makes sense that LEPs should take a central role in driving improvements in skills provision. The South East LEP has proved to be too large and too disparate to do this effectively, so we need urgently to put this right. A new Kent and Medway LEP, focused on a clearer economic area, provides us with a new opportunity.

We will establish a new **Kent and Medway Skills Commission**, reporting to the Kent and Medway LEP. Independently chaired, the Commission will bring together key employers and providers to focus on how the needs of the county's economy can be met within a demand-led system by:

- Ensuring that we have **excellent labour market intelligence** and making sure that this intelligence is used effectively. In a diverse area, this will mean developing stronger partnerships at district and sub-county level and more effectively joining up the data and employer relationships that local partners hold.

¹ KMEP (July 2015), Kent and Medway Growth and Infrastructure Framework

- Developing a new model to **inform 14-24 pathways** across Kent and Medway. In particular, we must better manage the negative impacts of competition between providers, which often limits the real choices available to young people, especially in relation to technical and vocational learning. We will develop a model which provides much better, employer-driven information about career and training options. As part of this, we will seek the devolution of the **National Careers Service** budget to the Kent and Medway LEP, enabling us to create a more ambitious framework for careers information, advice and guidance.
- Ensuring that the **resources available for technical and vocational learning** are maximised and distributed effectively. We will establish a clear **Vocational Learning Strategy** for capital and revenue funding, sequential to the new Strategic Economic Plan, to direct the future allocation of the Skills Funding Agency's devolved capital fund and the use of mainstream LGF funds for higher and further education. Building on the devolution of capital funds, we will also seek further freedoms and flexibilities from central Government and a strong role for the new Kent and Medway Skills Commission in setting the priorities for SFA, EFA and Jobcentre Plus revenue budgets where they relate to technical and vocational provision.
- Reducing **unemployment among people aged 18-25**, substantially cutting the number of young people **not in employment, education or training (NEET)**. We will increase the supply of post-16 Level 1 courses, with clear progression routes to Level 2, ensuring that all have access to vocationally-relevant basic skills provision.
- Increasing the number of **apprenticeships**. In Kent and Medway, the number of apprenticeship positions offered by employers exceeds demand from young people, in contrast to the national trend, despite the career opportunities to which apprenticeships can lead. We aim to overcome barriers to participation (such as the frequent entry-level requirement for Level 2 qualifications), identifying beacon providers in every district linked with our improved intelligence base.
- Extending the growth of **higher education** as a key driver of innovation and productivity. Working with our four universities, we will ensure strong progression routes, especially in the scientific, technical and engineering skills that the economy needs.
- Reforming **community learning**, so that it is focused on the needs of the Kent and Medway economy, ensuring that those most distant from the labour market are supported back to work. We will concentrate resources on tackling **entrenched disadvantage**, better linking investment in skills with housing, health and social care. In Kent, we are already developing a **Social Impact Bond** to attract private and social investment in services that will reduce worklessness and we will progress discussions with prospective investors to launch the Bond in 2016.

Across the country, we have a market-driven, demand-led system. We welcome this, but we recognise that the system suffers information and coordination failures. It is the duty of the Kent and Medway LEP to overcome these. By 2020, we aim to double the number of apprentices in Kent and Medway and to substantially reduce the number of young people considered NEET. These are ambitious targets, but ones that we must achieve, and we will come forward with detailed proposals in our new Strategic Economic Plan in autumn 2015.

Accelerating infrastructure and housing delivery

It is essential that housing growth is accompanied by the infrastructure necessary to support it. Yet as the previous section outlined, much of the infrastructure required to support growth is unaffordable, with an estimated £118 million annual funding gap across Kent and Medway in the years to 2031.

A new strategic framework for growth

Last year, we commissioned the South East's most comprehensive strategic infrastructure plan through the **Kent and Medway Growth and Infrastructure Framework**. This has enabled us to identify innovative solutions for future infrastructure funding that will minimise the cost to the purse, providing:

- An evidence-based analysis to support future conversations with Government on funding options and barriers to delivery;
- Clear analysis to support consideration of how Kent and Medway – linked with other parts of the wider South East – can contribute to accommodating London's long term growth;
- Evidence to support the development of Local Plans as they evolve;
- An opportunity to co-ordinate the planning of new service delivery models for health, utilities and other community infrastructure to reduce long term costs;
- A single, strategic and more coherent voice for Kent and Medway, backed by Kent County Council, Medway Council and all the District and Borough Councils;
- An articulation of need for the right level of community infrastructure in place shaping across Kent and Medway;
- Innovative ways to fund necessary capital investment.

This will result in a clear shared set of priorities across Local Planning Authorities and infrastructure providers, helping us to future-proof major projects to avoid future infrastructure constraints. It will enable the new Kent and Medway LEP to identify demands for future infrastructure investment via the Local Growth Fund and other devolved capital funds, ensuring that public sector support is directed towards those projects that will best deliver long-term growth, alongside other sources of investment. The Framework will therefore act as the spatial basis for the new Kent and Medway Strategic Economic Plan.

Planning for growth across the South East

In a densely populated area with efficient transport links and one of the world's great cities on our doorstep, planning for the future must take account of growth across the wider South East and the opportunities that it brings for Kent and Medway. It will be important that the new Kent and Medway LEP works with our neighbours - so we will seek to create an alliance of LEPs and local authorities across the greater South East, focusing 360° around London.

In particular, we will work closely with:

- Greater **London**, as the primary employment destination for those commuting out of the county, a vital source of demand for Kent and Medway businesses and as an important (and growing) source of demand for housing, linked with the growth of the High Speed One corridor;
- The **Thames Gateway**, where for over 20 years, partners in North Kent have worked closely with colleagues in South Essex and London to deliver transformational regeneration, and which remains the South East's most important long term growth corridor. With a clearer partnership structure, we will build much stronger relationships with London and across the Thames Gateway to drive forward growth;
- The rest of the South East to the west, including Surrey (along the M25 corridor towards Gatwick and Heathrow) and the **A21 corridor** from West Kent into East Sussex, in particular working with the emerging Surrey and Sussex partnership;
- The **South East coast**, where many of the challenges – and solutions – faced by parts of Kent are shared by our neighbouring coastal towns (see box below);
- South East-wide bodies, including South East England Councils (SEEC), the South East Strategic Leaders (SESL) and the South East 7 shared services group, linking the intelligent approach pioneered by the Growth and Infrastructure Framework with the emerging plans of our neighbouring county regions.

Through a more intelligent approach to strategic planning and by developing new solutions to infrastructure delivery and funding, we aim to accelerate growth. At present, we are failing to deliver the housing numbers that we need to meet the demands of a rising population. By 2020, we aim to have reversed this. This will mean the delivery of an additional 2,350 homes per year across Kent and Medway over actual annual delivery in the past five years, with the community and transport infrastructure needed to support them. In particular, we will need to focus on developing solutions to overcome the viability gap, especially in coastal Kent and Medway.

Unlocking the potential of the Kent and Medway coast

Coastal Kent has significant opportunities for growth. Transport connections are greatly improved through High Speed One, major cultural investment has driven new economic opportunities in places such as Margate and Folkestone, and the expansion of the Port of Dover is moving ahead.

However, Kent and Medway's coastal and estuarial towns face significant long-term challenges associated with the decline of traditional industries and lower-value tourism. This is especially reflected in local concentrations of deprivation, linked in places such as Margate with poorly functioning housing markets.

These challenges are not unique to Kent and Medway; they are also faced by our neighbours in Sussex, Essex and beyond. As well as working locally to support coastal growth and regeneration, we will also increase our collaboration with our neighbours to develop bigger solutions – together with Government – to address the housing and labour market challenges that we cannot resolve through local action and resources alone. We will also seek to build on the opportunities presented by London's growth to attract prosperity to the Kent coast.

Supporting dynamic, innovative businesses to grow

Kent and Medway enjoys a strong and diverse business sector. With the national economy growing, businesses report improved trading conditions and are positive about the prospects for growth. However, productivity in Kent and Medway lags behind that of the rest of the South East: in part, this is due to the skills and infrastructure challenges outlined earlier, but it also reflects capacity and resource constraints which limit businesses' ability to invest and expand.

The new Kent and Medway LEP will be more visible and relevant to business, and will take a stronger role in more effectively influencing and coordinating the government support that is available. In particular, we will bring increased focus to support for those businesses with the appetite and capacity for innovation and growth by:

- Supporting businesses in overcoming the **finance gap** that impedes their ability to invest in new products and in new processes and systems that could improve their productivity. We will build on the success of Kent and Medway's Regional Growth Fund programmes to ensure that publicly-backed loan and equity investment focus on the most innovative businesses with the greatest potential for long term growth.
- Improving Kent and Medway's **innovation support system**, working with our universities to support the role of higher education in driving growth and building much stronger links between the range of support offered by universities, innovation centres and local programmes and the national support offered via Innovate UK.

In particular, there is an opportunity for the new Kent and Medway LEP to have a central role in determining the county's future business support and innovation landscape by clearly setting the strategy for the use of all future European Regional Development Fund in Kent and Medway, ensuring that it links with and adds value to national and local provision.

- Increasing the availability of **support for business, by business, within the private sector**, through sector networks, peer support and development programmes.
- Linked with this, providing a coordinated route to clear business advice and support via the **Kent and Medway Growth Hub**, a pilot for which will be launched in 2015. This will provide a central, up-to-date web-based service for business support and financial assistance, supplemented with business advice. Alongside the establishment of the Growth Hub and to inform the new Strategic Economic Plan, we will examine the effectiveness of existing public sector support in increasing innovation and productivity, so that future programmes – whether they are delivered through local, national or European funding – are best designed to meet business need.

Through clear business leadership, the Kent and Medway LEP will ensure that our business support system is better integrated and more responsive to business need. Overall, we aim to increase productivity in Kent and Medway so that we bridge the gap with the UK average by 2020.

4. THE KENT & MEDWAY LOCAL ENTERPRISE PARTNERSHIP

The need for reform

The challenges and opportunities that we face in Kent and Medway, and the solutions that we have identified, require a Local Enterprise Partnership that reflects a credible economic geography and aligns with stable institutions and partnership arrangements.

There is therefore an overwhelming case to change the current South East LEP arrangements. In May, the South East LEP Board agreed that the geography and structure of the existing LEP impedes delivery and are no longer fit for purpose. The South East LEP Board therefore asked for alternative proposals to come forward.

Why the current arrangements are broken

Originally, partners in Kent and Medway approved the creation of a Kent and Medway LEP. However, the Government at the time encouraged the establishment of a regional LEP covering Kent and Medway, Essex and East Sussex. With a population of over 4 million, the South East LEP became the largest LEP in England, apart from Greater London.

Fundamentally, the South East LEP failed the tests of localism and subsidiarity. The LEP did not reflect a functional economic area, and the links between its three component county-regions were relatively weak. Consequently, the South East LEP struggled to establish a clear purpose beyond its role as a vehicle for the distribution of Government grant, and was never able to articulate a clear strategy for growth.

It has proved impossible to meaningfully prioritise and make decisions across the South East LEP area, as businesses and local government leaders in each county have limited understanding of the detailed priorities of their neighbours. As a result of this, the process of prioritisation has become increasingly bureaucratic: consultants have been brought in to set priorities, systems have become more and more complex, governance has been reviewed five times in as many years. This has resulted in delays to delivery.

While the South East LEP tried to adopt a 'federated' model, passing funding and power back to Kent and Medway, Essex and East Sussex, this was never properly embedded and it created additional complexity. Despite the best efforts of partners across Kent and Medway, Essex and East Sussex, the South East LEP has not been the most effective vehicle to support local growth. It is time to change.

Considering new arrangements: the changing policy landscape

Following the general election, there is new momentum behind a new settlement for England that will enable better, more accountable local decision-making to deliver growth. As well as the recently-announced devolutionary settlement for Manchester, the Government has also committed

to an extension of Growth Deals across England’s cities and counties and, in the Cities and Local Government Devolution Bill, is looking for local leaders to come forward with compelling proposals.

“There is clear evidence that devolution can help deliver economic growth and rebalance the economy, making clear the benefits to the nation of greater powers, not just for our major cities, but also for our non-metropolitan areas”

DevoNext: English Devolution – Local solutions for a successful nation, LGA 2015

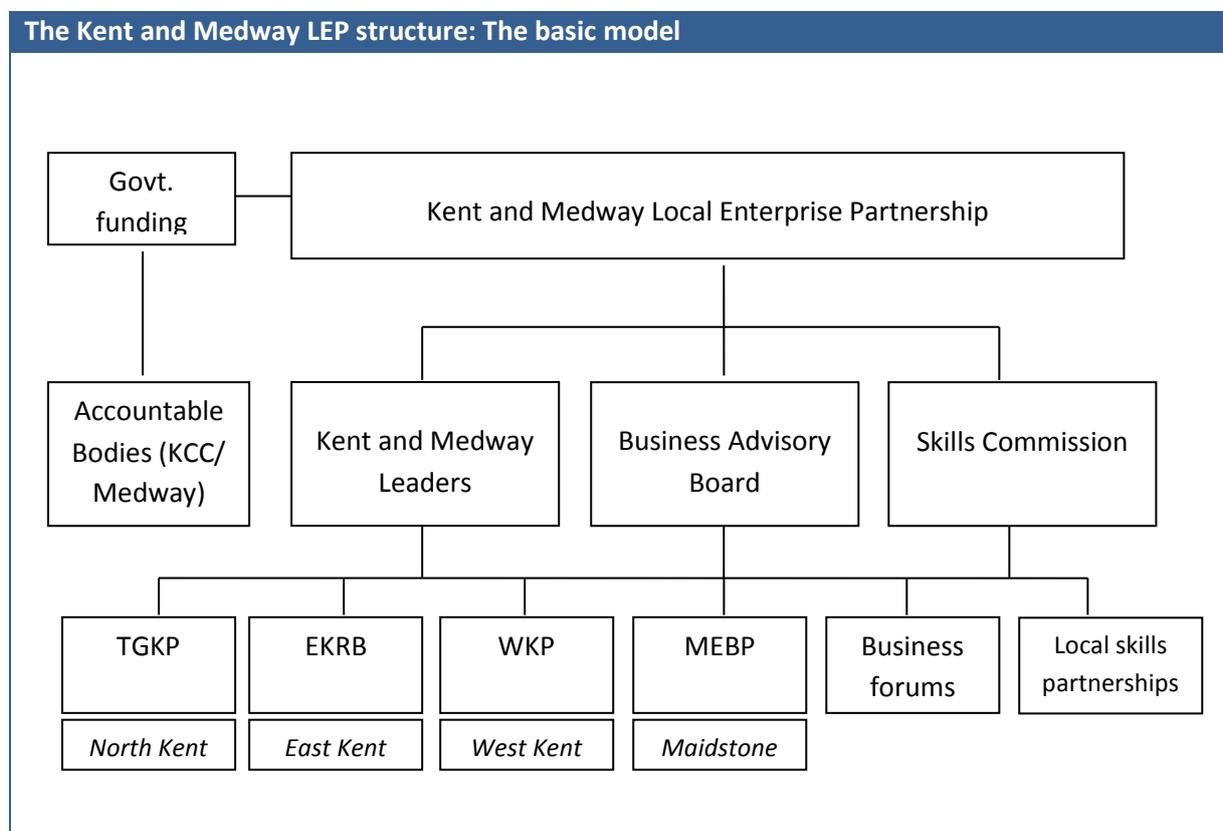
This presents a significant opportunity for cities and counties to bring forward proposals for devolution. However, only those places that can demonstrate clear priorities, clear leadership and clear delivery capacity will be able to make a credible case for devolved power and funding. In 2014, we saw that despite its growth potential, the South East LEP was only able to secure a national average per capita allocation from the Local Growth Fund, and no significant freedoms or flexibilities. This is not good enough given the scale of the challenges and opportunities that our outlined in this document – but it is not surprising.

Recognising the importance of stable and credible partnerships, the Independent Commission on Local Government Finance chaired by Darra Singh has set out **seven characteristics** that areas likely to be able to press forward in developing stronger place-based budgeting approaches should be able to demonstrate. We have analysed Kent and Medway’s economic geography and partnership structures in relation to all of these, and we believe that a Kent and Medway LEP will meet all of these criteria:

Finance Commission’s 7 criteria for place based budgeting	
Rating	Criteria
5*	A coherent and cohesive economic area
5*	An area with sufficient mass and scale to manage a wide range of public services
5*	Robust and visible leadership with real knowledge of the area
5*	Mature governance arrangements
5*	Sound risk management
5*	Strong relationships across the full range of local public services
To be judged	A well-articulated business case setting out how better outcomes will be achieved.

How the Kent and Medway LEP will work

The new Kent and Medway LEP will have a simple and straightforward governance model:



Kent and Medway Local Enterprise Partnership

The Kent and Medway Enterprise Partnership will become the new Kent and Medway LEP, chaired by a business leader and with a business majority.

The existing KMEP already meets Government guidelines for LEP composition and terms of reference and is a long-established and successful public-private partnership. However, the new Kent and Medway LEP provides an opportunity to create an even more representative partnership, bringing together all tiers of local government and businesses from all sectors of the economy. The new Kent and Medway LEP will include all Council Leaders on its Board, expanding business representation accordingly.

Building on our successful strong track record, the Kent and Medway LEP will be a genuine partnership between business and government, considering and approving all county-wide strategies and plans which impact on its objectives and will monitor progress towards the core outcomes and major projects which will affect the county's economy.

Kent and Medway Leaders

In the majority of LEPs, the business-led LEP Board is backed by a body with a clear democratic mandate. This is constituted in different ways in different places, although the Government has expressed a preference for robust and stable governance.

All Council Leaders will be represented on the LEP Board. We will also examine the business case for a Joint Committee model as the basis for more formal governance arrangements in the longer term.

Kent and Medway Business Advisory Board

BAB has existed for a decade, and brings together strategic businesses from across Kent and Medway and all the major business representative bodies and enjoys direct links with district business forums. We will expand representation on BAB, building even stronger links with the wider Kent and Medway business community and with business groups at local level.

BAB is an advisory body, providing KMEP with a wide range of commercial views, intelligence and expertise. BAB already consists of around 45 individual members, and there is a strong appetite to further expand representation.

Kent and Medway Skills Commission

As set out in Section 3, we will establish a new Skills Commission, with an independent chair, bringing together business and providers to ensure that we deliver the workforce skills that the future economy will need. The Skills Commission will report directly into the Kent and Medway LEP.

The sub-county partnerships

Successful sub-county partnerships for North Kent, East Kent, West Kent and Maidstone already exist and have an important role in developing the pipeline of local investment priorities (linked with the planning process and the Growth and Infrastructure Framework). The terms of reference for each sub-county partnership vary, recognising local diversity, and these will be supplemented with strengthened local skills partnerships, linked with the Skills Commission.

Accountable body

In the first instance, the Kent and Medway structure will not be constituted as a legal entity. A local authority will therefore need to act as an accountable body for the purposes of public funds attached to the partnership. In practice, this role is likely to be adopted by either Medway Council or Kent County Council, but there is no reason why more than one authority could not exercise this role in respect of different funds.

Kent and Medway LEP Management Team

It is vital that the new LEP hits the ground running, and that there is no gap in delivery during the transition phase. So we will put in place a small and efficient Kent and Medway LEP Management Team, headed by a Director, from 1 October, supported by the substantial resources that partners will continue to invest in delivery.

5. A SMOOTH AND EFFICIENT TRANSITION

It is important that we move quickly to new arrangements, establishing the Kent and Medway Local Enterprise Partnership and closing the South East LEP as soon as possible. However, **it is vital that transition has no negative impact on delivery**, so we will work closely with the South East LEP chairman, secretariat and accountable body, and with the successor LEPs in Essex and East Sussex to ensure a smooth transfer to new arrangements.

Managing existing funding streams and projects

There are some funds held by the South East LEP, for which Essex County Council acts as the accountable body. Most of these are allocated to specific capital projects, mainly for transport infrastructure, which are being delivered locally. During the transition phase, existing funds will need to either be transferred to the new arrangements or managed jointly, as outlined in the table below:

Fund	Suggested approach
Local Growth Fund (£450m SE LEP; £133m Kent & Medway)	<p>This funding is capital and is specifically allocated to identified projects (mostly transport-related) that have already been prioritised by KMEP.</p> <p>Project funding will transfer to the new Kent & Medway LEP via its designated Accountable Body, with decisions made locally and with direct reporting to Government from 1 October.</p> <p>As part of this, the Kent and Medway LEP will adopt the existing Assurance Framework process put in place by the South East LEP in the short term to ensure continuity.</p>
Skills Capital Fund (£22m SE LEP)	<p>This is mostly allocated and will be spent by March 2017. Future devolved funds will be transferred to the Kent and Medway LEP, with the Skills Commission playing a leading role in identifying priorities and need.</p>
European Structural & Investment Funds (£180m SE LEP)	<p>ESIF funds are not devolved, and remain under Government management, although there is a geographical allocation to the LEP.</p> <p>Later in 2015, the ESIF Strategy will have to be updated to reflect agreement to the national Operational Programme; this will provide an opportunity to develop a new Kent and Medway ESIF is consistent with the Kent and Medway Strategic Economic Plan. However, some funds may need to continue to be held jointly, given existing commitments (especially in relation to the European Social Fund) or to benefit from economies of scale), and there will still be advantages in progressing specific projects that cross boundaries.</p>
Growing Places Fund/ SEFUND	<p>GPF funding (and interest held on unspent balances) could be disaggregated to each successor LEP, potentially enabling the</p>

(£49m SE LEP)	establishment of a Kent & Medway land and property fund. We will also explore over the course of the summer whether there is value in retaining a shared fund.
Other residual funds	Transferred to new Accountable Bodies on formula basis (less residual management costs incurred by Essex CC in its current accountable body role).

The timetable for change

A new Kent and Medway Local Enterprise Partnership will be established by 1 October 2015.

Based on the submission of this business case to Government in July, work will take place over the summer to finalise terms of reference and operating arrangements for the new LEP. As our new structure is based on the existing KMEP, this should be straightforward. At the same time, we are working with our colleagues in East Sussex and Essex to ensure that the transition to new arrangements in all three parts of the LEP is consistent and that a proposal for the closure of the South East LEP in its current form can be developed with consensus. We will also work with Essex County Council as the Accountable Body for the existing South East LEP to manage the transfer of responsibilities.

The last meeting of KMEP in its current form will take place on 14 September and we will launch the new LEP on 1 October.

Core costs and management arrangements

For the past four years, the Government has provided core funding to LEPs. The South East LEP core budget for 2015/16 is £1.145 million. This is financed by £600,000 in Government grants, £200,000 in local authority contributions (including £72,000 from Kent County Council and £13,000 from Medway Council), with the remainder in underspend from previous years.

We recognise the pressure that public finances are under, both at national and local level. We will seek an overall management cost saving, ending the duplication inherent in the existing LEP model. However, it will be important that central funding, especially for project and programme monitoring, is redistributed, and we will work with the LEP Secretariat and the other county-regions to establish an equitable and pragmatic solution.

Working with our neighbours

The replacement of the South East LEP with stronger, clearer partnerships will benefit Kent and Medway, Essex and East Sussex. Colleagues north of the river are submitting a strong proposal for a Greater Essex Local Enterprise Partnership, and we are aware that partners in East Sussex are in discussion with West Sussex, Surrey and Government on the potential for a new Combined Authority. Working together with our neighbours, we will develop a solution that will work for business across the South East LEP.

Moving forward

Kent and Medway is a diverse but coherent economic geography. It is coterminous with the boundaries for a range of public services, has a strong historic identity and forms a cohesive economic area – and we also have an excellent business-led partnership in place.

It is also growing rapidly. It is vital that we plan strategically to deliver the infrastructure we need, working together with all tiers of local and national government and building stronger relationships with our neighbours in London and the wider South East.

**A simpler, stronger partnership for long term growth will help to deliver this.
We need a Kent and Medway Local Enterprise Partnership.**