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**To:** Growth, Economic Development and Communities Cabinet Committee

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**Subject:** Local Growth Fund: Outcomes for Kent

**Classification:** Unrestricted

**Past pathway of paper:** None

**Future pathway of paper:** None

**Electoral Division:** All Divisions

### **Summary**

Earlier this year, the South East Local Enterprise Partnership submitted proposals to central Government for a share of the Local Growth Fund in the period 2015/16 – 2020/21.

In July, the Government announced the allocation of £127.5 million to transport schemes in Kent and Medway, in addition to further allocations to support business growth and skills infrastructure. This report sets out the projects which have received funding in Kent, how the outcomes for Kent compare with other parts of the country and the work that is underway to draw down the funding.

### **Recommendations:**

The Growth, Economic Development and Communities Cabinet Committee is recommended to note this report.

## **1. Background: the Local Growth Fund**

- 1.1. Last year, the Government established a new Local Growth Fund. This was established as a national fund worth just over £2 billion in 2015/16, with the prospect of similar amounts allocated in subsequent years. While the Fund was notionally pooled, over half of it was sourced from existing Department for

Transport funding streams, with the remainder allocated from the business and local government departments.

- 1.2. The Government asked Local Enterprise Partnerships to prepare Strategic Economic Plans setting out their proposals for the use of the Local Growth Fund over a six-year period. These Plans formed the bidding documents for the Fund's allocation.
- 1.3. In March, the South East LEP submitted its Strategic Economic Plan. This set out proposals for £1.1 billion in Local Growth Fund support over six years, with a request for £501.4 million for Kent and Medway (20% more than our notional proportionate allocation would have been). Around 70% of this was for transport projects (primarily highways schemes that will unlock sites for housing and employment), with additional requests for access to finance for business, the creation of a recyclable land development fund and investment in the further education capital estate.

## 2. The outcome

- 2.1. On 7 July, the Government announced the allocation of the Local Growth Fund in the form of a single 'Growth Deal' with each LEP. The South East LEP has been allocated **£442.1 million**, of which £272.3 million is committed and a further £164.4 million is provisionally allocated to projects that will start in 2016/17 or later. Most of this funding has been made available to transport schemes, with smaller allocations to business growth, skills and housing.

### *Transport*

- 2.2. In Kent and Medway, **£127.5 million** has been secured for **specific transport schemes**, of which £106.9 million is for projects within the KCC area:

<b>Kent &amp; Medway LGF allocations for transport (£m)</b>			
<b>Project</b>	<b>LGF</b>	<b>Stated match</b>	<b>Scheme value</b>
<b>Committed</b>			
M20 Junction 10a*	<b>19.70</b>	16.20	35.90
A289 Four Elms Rbt to Medway Tunnel JTI	<b>11.10</b>	7.50	18.60
Strood Town Centre JTI & Accessibility	<b>9.00</b>	1.00	10.00
West Kent LSTF	<b>4.89</b>	4.16	9.05
Kent Strategic Congestion Management programme	<b>4.80</b>	0.00	4.80
Maidstone Gyratory Bypass	<b>4.56</b>	1.14	5.70
Kent Thameside LSTF	<b>4.51</b>	3.03	7.54

A226 London Rd/ B255 St Clements Way*	<b>4.20</b>	4.50	8.70
Rathmore Road Link, Gravesend	<b>4.10</b>	3.90	8.00
Chatham Town Centre place making and public realm	<b>4.00</b>	2.90	6.90
Kent Sustainable Interventions programme	<b>3.00</b>	0.00	3.00
Medway Cycling Action Plan	<b>2.50</b>	0.50	3.00
Sittingbourne Town Centre Regeneration	<b>2.50</b>	2.00	4.50
Tonbridge Town Centre Regeneration	<b>2.37</b>	1.50	3.87
M20 Junction 4 Eastern Overbridge	<b>2.19</b>	2.25	4.44
Medway City Estate connectivity improvements	<b>2.00</b>	0.00	2.00
Maidstone sustainable access to employment areas	<b>2.00</b>	1.00	3.00
A26 London Rd/ Speldhurst Rd/ Yew Tree Rd, Tun Wells	<b>1.75</b>	0.25	2.00
Kent Rights of Way improvement plan	<b>0.90</b>	0.30	1.20
North Deal transport improvements	<b>0.75</b>	0.75	1.50
Folkestone Seafront	<b>0.50</b>	0.00	0.50
A28 Sturry Road integrated transport package	<b>0.25</b>	0.25	0.50
<b>Provisional</b>			
A28 Chart Road	<b>10.20</b>	9.30	19.50
Thanet Parkway	<b>10.00</b>	4.00	14.00
Maidstone Integrated Transport Programme	<b>8.90</b>	6.90	15.80
Sturry Link Road	<b>5.90</b>	22.70	28.60
<b>Total</b>	<b>127.50</b>	<b>93.50</b>	<b>220.50</b>

\* Already committed as part of the Local Transport Body allocation

2.3. In addition, the Growth Deal:

- Confirms that the Highways Agency will progress with the full scheme at **M20 Junction 10a** at Ashford using the LGF allocation (rather than the partial scheme for which Local Transport Body funding was originally secured);
- Confirms the Highways Agency's commitment to deliver the **Bean and Ebbsfleet junction** projects on the A2 between 2015 and 2020, subject to the agreement of a funding package; and
- Commits the Department for Transport to work with local partners in developing the business case for the **Dover Waterfront to town centre links scheme**.

### ***Business growth***

2.4. The Growth Deal provides £6 million capital (including £1 million in 2015/16) to support business growth in Kent and Medway. It is unclear at present what this funding may be used for, although it could be used for additional access to finance support (building on our existing Regional Growth Fund schemes).

£800,000 is also to be made available across the LEP area for a **Growth Hub** business support and signposting service.

- 2.5. Work is currently underway to carry out a review of current support for innovation and business growth across the county, with the aim of informing the design of the Growth Hub and priorities for future business support funding from European and other sources. A consultation event with businesses and support organisations will take place on 15 September, to inform the preparation of a draft 'Innovation and Growth Strategy Statement' in November.

### ***Skills***

- 2.6. Across the LEP, the Growth Deal commits £22 million (£11 million in 2015/16) to a **Skills Capital Programme** focused on improvements to the further education estate. Although the Strategic Economic Plan proposed new FE provision at Ashford (from 2015/16) and Sittingbourne (in later years) and additional investment at Folkestone and Dover as prospective priorities, there are no specific projects identified within the Growth Deal for this funding. Instead, funds will be allocated through a competitive process managed by the Skills Funding Agency. Hadlow College is currently developing an application to the programme for the new Ashford International College.
- 2.7. There is no revenue funding for skills within the Growth Deal (and this had already been made clear by Government). However, there is an additional Government commitment to providing match for programmes supported through the European Social Fund.

### ***Housing and development***

- 2.8. Proposals to accelerate housing and commercial development had a high priority in the Strategic Economic Plan, in particular with a proposal to establish a recyclable land and property investment fund (SEFUND). However, there is no funding made available through the Growth Deal for SEFUND, and direct support for development is limited, despite a Government proposal to work with the LEP to 'bring forward' SEFUND (perhaps with some unallocated Growing Places Fund balances) over the next few months.
- 2.9. There are however some smaller commitments, which include:
  - The allocation of £4.78 million in loan funding to support the **Martello Lakes** housing development in Shepway. While this did not feature in the Strategic Economic Plan, it was subject to a direct application by the developers to the Local Growth Fund housing development loan scheme operated by the Homes and Communities Agency; and

- Government commitment to consider Ashford Borough Council's request for an increase in **Housing Revenue Account** borrowing to support the delivery of new affordable housing

### **3. Comparing the outcome for Kent and Medway**

- 3.1. Across England, some £6.38 billion has been allocated through Growth Deals with LEPs (including both actual commitments for projects starting in 2015/16 and indicative allocations for future years). The South East LEP's settlement of around £442 million roughly equates to the amount that the area would have received had the funding been distributed on a per-capita basis across the country.
- 3.2. In Kent and Medway, the Growth Deal provides funding for around 35% of our request in the Strategic Economic Plan. This is consistent with the earlier suggestion that the fund was 'three to four times oversubscribed', and on the whole, the transport allocation appears to be in line with expectations. When non-transport projects are taken into account, our overall 'success rate' falls to around 29%, although nationally, the Local Growth Fund was heavily transport-oriented.

### **4. Flexibility and additional funding**

- 4.1. The Growth Deal specifically allocates funding to identified schemes – it is not a fully flexible pot, and while there is scope for changes to projects, these will need to be agreed with Government on a quarterly basis. However, the Government has indicated that there may be scope for greater latitude in the future, depending on delivery.
- 4.2. For 2015/16, the Government has fully allocated the £2 billion Local Growth Fund pot. Across the full six year programme, there is about £5.6 billion notionally unallocated, although this is mostly in later years, and is obviously subject to future Government spending decisions. However, the Government has indicated that it is willing to maintain discussions on potential projects for future allocations and there is the possibility that there may be an opportunity to secure funding for a limited number of additional projects in November.

### **5. Next steps**

- 5.1. Although we have been given our Growth Deal allocation, there is much that remains to be clarified, in particular regarding the form of the grant offer(s) associated with the Growth Deal. However, for those transport projects scheduled to start in 2015/16, there will clearly need to be extensive business

development work undertaken in this financial year. Work is underway within KCC to develop business cases for the Kent projects at the same time as we seek greater clarity from Government.

## **6. Recommendations**

6.1. The Cabinet Committee is recommended to note this report and the outcomes of the Local Growth Fund allocation.

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