

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

To: Growth, Economic Development and Communities Cabinet Committee – 22 March 2017

Decision No: 17/00032

Subject: **Local Growth Fund, Round Three and SELEP working group schemes**

Key Decision

Classification: **Unrestricted**

Past Pathway of Paper: N/A

Future Pathway of Paper: For Cabinet Member Decision

Electoral Division: Sevenoaks West, Sevenoaks South, Tonbridge, Canterbury South East, Margate and Cliftonville

Summary: In January 2017 the Government announced an allocation of £102m of local growth funding for the South East Local Enterprise Partnership (SELEP) for the delivery of a range of transport and business support related schemes. The Growth deal (Round 3) included the allocation of funding for Fort Halstead in Sevenoaks, Kent & Medway Engineering, Design, Growth and Enterprise (EDGE) Hub and Leigh Flood Storage Area schemes following the submission of outline business cases for each scheme to SELEP (<http://www.southeastlep.com/growth-deal>).

In addition to the above, a SELEP wide working group (Coastal Communities group) submitted a Housing Intervention Project as part of LGF Round 1 as a pan LEP project for housing interventions to be delivered in three coastal communities; Tendring, Thanet and Hastings.

This report explains the projects for which grant funding is sought, sets out KCC's role and outlines the process that will be followed to secure the funding. It seeks the support of the Cabinet Committee for KCC to accept Government grant funding and transfer it to the respective delivery organisation, subject to approval of a full business case.

Recommendation(s):

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse or make recommendations to the Cabinet Member for Economic Development, as shown at Appendix A, to agree that the Council shall (subject to the completion of a full business case, satisfactory appraisal by an Independent Technical Evaluator and approval by SELEP Accountability Board):

i) Accept Government grant funding of £12.95m capital to deliver the following schemes:

Fort Halstead in Sevenoaks (1.53m)

Kent & Medway Engineering, Design, Growth and Enterprise (EDGE) Hub (6.12m)

Leigh Flood Storage Area and East Peckham– Unlocking Growth (4.636m)

SELEP Coastal Communities – Housing Led Economic Regeneration in Cliftonville West/Margate Central (£0.666m)

ii) Enter into agreements for the transfer of Local Growth Fund to the respective delivery organisation for the three schemes; and

iii) Delegate to the Director of Economic Development and Director of Environment, Planning and Enforcement the authority to conclude arrangements to secure the recovery of administration costs associated with KCC's management of the grant agreements.

1. Introduction

1.1 In the Growth Deal announcements in July 2014 (Round One) and January 2015 (Round Two), the Government allocated £482 million from the Local Growth Fund to capital projects across the South East Local Enterprise Partnership (SELEP) area.

1.2 In January 2017 a further Growth Deal Extension was announced by Government following a SELEP Local Growth Fund Round Three submission.

1.3 In total, through the three rounds, £104m Local Growth Fund has been allocated towards the delivery of 25 Highways and Transportation projects in Kent and £24m has been allocated to deliver 6 non-transport schemes in Kent.

1.4 The Growth Deal extension (Round 3) included the allocation of funding for Fort Halstead in Sevenoaks, Kent & Medway Engineering, Design, Growth and Enterprise (EDGE) Hub and Leigh Flood Storage Area schemes following the submission of outline business cases for each scheme to SELEP (<http://www.southeastlep.com/growth-deal>).

1.5 In addition to the above, a SELEP wide working group (Coastal Communities group) submitted a Housing Intervention Project as part of LGF Round 1 as a pan LEP project for housing interventions to be delivered in three coastal communities; Tendring, Thanet and Hastings.

1.6 Through the Service Level Agreement with Essex County Council as the Accountable Body for SELEP, Kent County Council is responsible for the programme management of all Local Growth Fund projects in Kent. There are, however, specific projects for which third party organisations are responsible for delivery.

1.7 This report provides an overview of the projects and recommendations for the required decisions to allow the 4 Kent non-transport schemes to be progressed:

- Fort Halstead, Sevenoaks
- Kent and Medway Engineering, Design, Growth and Enterprise (EDGE) Hub
- Leigh Flood Storage Area (LFSA) & East Peckham – Unlocking Growth
- SELEP Coastal Communities - Housing Led Economic Regeneration in Cliftonville West/Margate Central (Thanet District)

2 Fort Halstead, Sevenoaks

- 2.1 The Fort Halstead scheme is a £32.03m (£1.53m LGF) project to be delivered between 2017/18 and 2020/2021. The scheme is being developed in partnership with Sevenoaks District Council.
- 2.2 £1.53m Local Growth Fund has been provisionally allocated to the project, subject to the approval of a full business case by the SELEP Accountability Board.
- 2.3 Fort Halstead is a 135 hectare site located just within the M25 and accessed via the A224 between Sevenoaks and Orpington. Since the 1880s, the site has been used as a defence establishment and served for many years as a centre for defence research and development, employing around 4,000 people at its peak.
- 2.4 In 2011, the Defence Science and Technology Laboratory (DSTL) announced that it intends to relocate its operations to Porton Down and Portsdown West by 2018, leaving a large part of the site vacant. While there will be continuing employment at QinetiQ, a private sector defence research organisation employing around 200 people on site, DSTL's exit means a substantial loss of around 800 mainly high-value jobs.
- 2.5 The freehold of the site is currently owned by QinetiQ, with a long leasehold held by Armstrong (Kent) LLP, a joint venture between RREEF (the real estate investment arm of Deutsche Bank) and Hines.
- 2.6 In 2015, Sevenoaks DC granted outline planning permission for a mixed use development, including:
- 27m2 business park (B1 and B2, with ancillary energetic materials testing, linked with QinetiQ)
 - 450 homes
 - Hotel of up to 80 beds
 - Village centre and use of the Fort as a historic interpretation area.
- 2.7 This represents a significant opportunity for both employment and residential growth. Given the site's heritage as a high-value employment location of regional significance, Sevenoaks DC wishes the development to be employment-led and has placed a condition on the planning permission so that delivery of the business park proceeds first.

- 2.8 To expedite delivery, Sevenoaks DC wishes to purchase the commercial part of the site and to enter into a joint venture to take forward the business park. This will support the delivery of jobs (200 of which are already on site at QinetiQ) and accelerate the housing build.
- 2.9 This public intervention is required because while Fort Halstead is an attractive business park location and a viable investment proposition, the returns to residential development in this location are such that without strong planning conditions, the employment element is unlikely to come forward for many years, if at all. This would be a major economic loss, given the value of the employment that the site could attract. Even with strong planning conditions, there remains an incentive for a private developer to postpone development in anticipation that planning conditions may weaken.
- 2.10 The proposal for LGF investment therefore seeks to break this deadlock, opening up the new business park as required in the planning consent and therefore enabling the residential development to proceed.
- 2.11 The LGF investment will cover 75% of the estimated purchase price of the land, with the remaining 25% being invested by Sevenoaks DC.
- 2.12 There is no KCC contribution proposed to this project. However, KCC will be accountable for up to £1.53 million in Government funds to be delivered by Sevenoaks DC. There will be administration costs incurred in the management of the grant agreement and monitoring of the scheme, which will be recovered from the allocated LGF funding.

3 Kent & Medway Engineering, Design, Growth and Enterprise (EDGE) Hub

- 3.1 The Kent & Medway Engineering, Design, Growth and Enterprise (EDGE) Hub scheme is a £21m (£6.12m LGF) project to be delivered between 2017/18 and 2020/2021. The scheme is being developed in partnership with Canterbury Christ Church University (CCCU).
- 3.2 £6.12m Local Growth Fund has been provisionally allocated to the project, subject to the approval of a full business case by the SELEP Accountability Board.
- 3.3 The funding will enable the construction of the Kent and Medway EDGE Hub and associated equipment costs. This will be a new 3,588m² facility in Canterbury, with satellite facilities at Discovery Park, Medway Campus and other parts of Kent, to support high value employment, growth and investment in Engineering and Technology businesses.
- 3.4 The Hub will be worth an estimated £9.5m to £11m per year to the Kent and Medway economy, with new learners with higher level engineering and technology skills coming into the labour market by 2024, plus a range of research and innovation benefits.
- 3.5 The investment will take the University's existing plans to expand science at the former Canterbury Prison site to the next level by:

- Adding a whole new suite of Technical and Professional Education opportunities (Higher and Degree Apprenticeships, Foundation Degrees, Undergraduate Degrees, Masters and Doctoral programmes) in Engineering, Product Design and Technology.
- Creating a new Engineering and Technology Innovation Service that will work with small businesses, larger companies, inventors and entrepreneurs to take innovations from prototype to commercialisation.
- Supporting companies with business-focused PhD, Masters, Undergraduate and commercial research projects using state-of-the-art facilities.
- Offering new business-focused short courses and CPD opportunities, meeting the needs of small and larger companies.

3.6 In addition to working with a range of industry partners, such as Discovery Park, the Hub will act as a catalyst for developing an enhanced local and regional strategic approach to inspiring and enabling an expansive sustainable education pipeline, supporting new learning and career pathways in Engineering and Technology. It will build on and interface with other regional STEM educational ambitions, such as a proposed STEM Centre in Canterbury, which has the potential to engage young people in employer-led scientific research embedded in their learning experiences.

3.7 This is essential in Kent and Medway, where progression by young people into higher level engineering and technology courses is below the national average, with those that do progress tending to leave the area. Being based in a more vocationally oriented institution like CCCU, which has always recruited large numbers of local and regional students and those from under-represented groups, Kent and Medway EDGE Hub aims to build a passion for Engineering and Technology among young people. It will address identified recruitment challenges that are holding back economic growth and investment.

3.8 The remaining £14.88m of the £21m total requirement will come from the University's own funds, commercial borrowing against the projected additional income from students on the new Engineering and Technology courses (including CPD), research activities and employer contributions of equipment in kind.

3.9 There is no KCC contribution proposed to this project. However, KCC will be accountable for up to £6.12 million in Government funds to be delivered by CCCU. There will be administration costs incurred in the management of the grant agreement and monitoring of the scheme, which will be recovered from the allocated LGF funding.

4 Leigh Flood Storage Area and East Peckham – Unlocking Growth

4.1 The Leigh Flood Storage Area and East Peckham scheme is a £24.691m (£4.636m LGF) project to be delivered between 2017/18 and April 2022. The scheme which was highlighted as a ministerial priority in the growth deal

announcement is being developed in partnership with the Environment Agency, Tonbridge and Malling Borough Council and Maidstone Borough Council.

- 4.2 £4.636m Local Growth Fund has been provisionally allocated to the project, subject to the approval of a full business case by the SELEP Accountability Board. The remaining funding is provided through £15.55m of Flood Defence Grant in Aid from the Environment Agency, £0.5m from Tonbridge and Malling BC and £2.5m from KCC.
- 4.3 In addition, the above partners (and Maidstone Borough Council) have contributed towards the development of the business case and the Environment Agency has entered into dialogue with local businesses and land owners regarding a contribution towards the scheme.
- 4.4 Tonbridge and Malling has a strong record of sustainable growth, delivering jobs and homes at a consistently high level for a number of years. The borough council is in the process of producing a new Local Plan, setting out policies for development and identifying new sites for new housing and employment uses to meet the area's objectively assessed need.
- 4.5 The area benefits from the presence of the Leigh Flood Storage Area. However, the capacity was insufficient to protect the area in 2013/14 when Tonbridge and East Peckham suffered serious flooding, affecting 311 homes and over 110 businesses in both communities.
- 4.6 In addition to the flood risk to existing properties, considerable parts of the borough are constrained by the risk of flooding. Urgent work is required to increase the capacity of the storage area and to undertake local works at East Peckham in order to achieve greater protection for both existing homes and businesses and to unlock new residential and commercial development.
- 4.7 This package will provide improved flood protection to approximately 2,300 homes, they will also protect unlock land for development, which would otherwise have been undevelopable. This could lead to 1,950 new homes and 2,900 new jobs by 2031.
- 4.8 There is a £2.5m contribution from KCC proposed to this project, along with another £1.5m for a separate project to deliver flood protection works in Yalding, Collier Street and the surrounding areas, making a total contribution from KCC for flood defences in the Medway valley of £4m. KCC will also be accountable for up to £4.636 million in Government funds to be delivered by the Environment Agency. There will be administration costs incurred in the management of the grant agreement and monitoring of the scheme, which will be recovered from the allocated LGF funding.

5 SELEP Coastal Communities – Housing Led Economic Regeneration in Cliftonville West/Margate Central (Thanet District)

- 5.1 The Coastal Communities scheme is a £8.8m (£2m LGF) SELEP wide project to be delivered between 2017/18 and 2020/21 in Jaywick (Clacton on Sea), St Leonards, (Hastings) and Cliftonville (Margate). The scheme is being developed

in partnership with Tendering District Council, Hastings Borough Council and Thanet District Council.

- 5.2 The project is set out as three separate packages and it is intended that the £2m LGF funding allocation will be split equally between the three coastal communities and managed as three separate packages of investment. The £0.666m that is allocated to Thanet is subject to the approval of an overall full business case by the SELEP Accountability Board.
- 5.3 The South East LEP has identified the Coastal Communities of the LEP area as the worst performing parts of the SE LEP area in economic terms. Poor economic performance is associated with high levels of disadvantage, which in turn makes it harder to attract the business investment that would lead to catch-up economic growth.
- 5.4 The areas of Cliftonville West and Margate Central have been a strategic priority for Thanet District Council for a number of years, reflected in the designation in 2005 of a Renewal Area covering these neighbourhoods. A new strategy for regeneration was put in place in 2010 by Thanet DC and KCC, recognising the worsening circumstances in the area and the changing funding environment.
- 5.5 The scheme will help to continue the programme of converting empty or problem properties into family accommodation, creating 12 additional homes. Thanet DC will commit £612,400 to this element of the programme and £150,000 of its own funding for a programme of Home Improvement Loans to be offered to low income and vulnerable households, focused on the intervention area. This programme of action is separate from the Live Margate and the No Use Empty programmes run by KCC, and the Thanet Owner Occupier Loan Scheme already run by Thanet DC.
- 5.6 There is no KCC contribution proposed to this specific project. However, KCC will be accountable for up to £0.666m in Government funds to be delivered by the Thanet DC. There will be administration costs incurred in the management of the grant agreement and monitoring of the scheme, which will be recovered from the allocated LGF funding.

6 Financial Implications

- 6.1 It has been agreed with Government that SELEP and therefore Kent County Council will receive Local Growth Fund in quarterly instalments in advance in accordance with the scheme spending profiles, subject to completion of a Transport Business Case for each project and the approval of the project by SELEP Accountability Board.
- 6.2 The Service Level Agreement between the SELEP Accountable Body (Essex County Council) and Kent County Council transfers responsibility for the delivery of the LGF projects in Kent to the Council.
- 6.3 An agreement will be developed for those schemes to be delivered by third parties to transfer the conditions of LGF spend and project management

responsibility to them. This will include updating Kent County Council with regular reporting on project progress and spend.

- 6.4 The LGF funding for the 4 schemes is not required in 2016/17, therefore it is anticipated that the Transport Business Cases for these schemes will be considered by a future meeting of the SELEP Board in 2017/18.

7 Policy Framework

- 7.1 The delivery of the Fort Halstead in Sevenoaks, Kent & Medway Engineering, Design, Growth and Enterprise (EDGE) Hub, Leigh Flood Storage Area and SELEP Coastal Communities schemes will support the Council in meeting its Strategic Outcome for “Kent Communities to feel the benefits of economic growth by being in work, healthy and enjoying a good quality of life”. This will be achieved through the projects supporting growth by enabling new residential and commercial development, improvements to existing housing stock and encouraging high value employment.
- 7.2 The delivery of the Kent & Medway Engineering, Design, Growth and Enterprise (EDGE) Hub will also support the Council in meeting its Strategic Outcome for ‘Children and young people in Kent to get the best start in life’ and the supporting outcome that ‘All children and young people are engaged, thrive and achieve their potential through academic and vocational education’
- 7.3 The delivery of the Leigh Flood Storage Area will also support the Council in meeting the supporting outcome ‘Kent’s communities are resilient and provide strong and safe environments to successfully raise children and young people.

8 Conclusions

- 8.1 The Fort Halstead in Sevenoaks, Kent & Medway Engineering, Design, Growth and Enterprise (EDGE) Hub, Leigh Flood Storage Area and SELEP Coastal Communities schemes are important projects in supporting economic growth in Kent, through the provision of additional residential and commercial developments, improvements to existing housing stock and encouraging high value employment. The allocation of Local Growth Fund to these projects is welcomed in supporting the continued growth in Kent. The programme will be challenging but some preliminary work has already been undertaken on these schemes and there is confidence that the delivery dates for these schemes can be met.

9. Recommendation(s):

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse or make recommendations to the Cabinet Member for Economic Development, as shown at Appendix A, to agree that the council shall (subject to the completion of a full business case, satisfactory appraisal by an Independent Technical Evaluator and approval by SELEP Accountability Board):

- i) Accept Government grant funding of £12.95m capital to deliver the following schemes:

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SELEP Coastal Communities – Housing Led Economic Regeneration in Cliftonville
West/Margate Central (£0.666m)

ii) Enter into agreements for the transfer of Local Growth Fund to the respective delivery organisation for the three schemes; and

iii) Delegate to the Director of Economic Development and Director of Environment, Planning and Enforcement the authority to conclude arrangements to secure the recovery of administration costs associated with KCC's management of the grant agreements.

10. Background Documents

Appendix A – Proposed Record of Decision

11. Contact details

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