

From: Barbara Cooper, Corporate Director for Growth, Environment & Transport

To: Mark Dance, Cabinet Member for Economic Development

Decision No: 17/00110

Subject: **Reinvestment of Growing Places Fund**

Summary:

The South East Local Enterprise Partnership (SELEP) has launched a call for project proposals that will help unlock economic growth in local areas. SELEP is making £9.317m of Growing Places Funding (GPF) available to reinvest as capital loans across Kent, Medway, East Sussex, Essex, Thurrock and Southend.

This paper summarises the SELEP process for awarding the GPF, and provides details of the Kent and Medway bids.

Recommendations:

The Cabinet Member for Economic Development is asked to agree the proposed decision for Kent County Council as shown at appendix C to:

- Note the Growing Places Fund (GPF) bid submissions to the South East Local Enterprise Partnership made by the Kent & Medway Economic Partnership.
- Act as the accountable body for projects within Kent County Council's geographical boundaries that are selected by SELEP to receive GPF funding.
- Delegate to the Section 151 Officer the authority to sign on KCC's behalf a loan agreement or equivalent, where this is required to draw down funds following business case approval.

1. Introduction

1. 1. The Growing Places Fund (GPF) was established by the Government in 2011 to promote economic growth, create jobs and build houses in England. The funding was distributed to local enterprise partnerships¹ to allocate to local projects accordingly to locally-set investment criteria. GPF is a revolving capital loan scheme – with repayments reinvested in new local projects.
1. 2. The South East Local Enterprise Partnership (SELEP)² has invested £47.5m in local infrastructure projects through previous rounds of GPF loans. A list of these previous loans agreed with Kent and Medway partners can be found in appendix A.
1. 3. Repayments are now being made on these previous loans, creating the opportunity for SELEP to make further GPF loan investments. Based on the repayment schedule for the existing GPF loans, the funding available for reinvestment across SELEP is

¹ Local Enterprise Partnerships (LEPs) are partnerships between local authority leaders, business leaders and the HE and FE sector. LEPs were 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 The South East Local Enterprise Partnership covers Kent, Medway, Essex, Thurrock, Southend, and East Sussex. The Leader of Kent County Council is a member of the SELEP Strategic Board and SELEP Accountability Board.

expected to be £9.317m between 2017/18 and 2019/20. The profile of available GPF is anticipated to be:

GPF available for reinvestment	2017/18	2018/19	2019/20	Total
	£2,673,000	£3,190,000	£3,454,000	£9,317,000

2. Interest Rate

- 2.1 The SELEP Strategic Board has agreed that an interest rate will be applied on future GPF loans. This will be set at 2% below the PWLB (Public Works Loan Board) maturity rate on the date when the loan agreement is signed. Under the present market conditions, this would mean a 0% interest rate.
- 2.2 The Board has also agreed that there will be a penalty for late repayment. Where projects fail to meet their agreed repayment schedule, the interest will default back to the market rate.

3. The SELEP process for awarding Growing Places Funding to new projects

- 3.1 On 9th June 2017, the SELEP Strategic Board met to formulate the Growing Places Fund reinvestment criteria. They agreed the following:
- The minimum loan value an applicant can apply for is £250k.
 - The maximum loan value an applicant can apply for is £2million.
 - The application must be for a capital, not revenue, loan.
 - The capital loan should unlock economic growth, create jobs and/or build houses.
 - The project must align with SELEP's strategic objectives.
 - Applicants must be able to repay the loan by 31st March 2022, to allow further reinvestment in new projects after that date.
 - Applications must have local match-funding of 30%.
 - The project must provide value for money (i.e. the expected benefits must exceed the project costs).
 - The loan must comply with legal requirements.
 - The project must be deliverable and viable.
- 3.2 The SELEP Strategic Board agreed a three-stage process to determine which projects would be awarded a GPF capital loan:
- Stage 1 – Each SELEP federated board³ advertises the loan opportunity and sifts the applications using the criteria shown in paragraph 3.1.
 - Stage 2 – The SELEP Strategic Board prioritises the projects to receive GPF funding.
 - Stage 3 – The SELEP Accountability Board formally approves the drawdown of funding.

Each of these three stages is explained in more depth below:

Stage 1 – Local Federated Boards select applications up to the value of £4.6585m

- 3.3 The Kent and Medway Economic Partnership (KMEP - a federated board of SELEP) distributed information on the GPF loan opportunity to Kent County Council, Medway Council, the 12 District Councils, the business community, and to the Higher Education and Further Education sectors. Information on how to apply was also displayed publicly

³ The SELEP federated boards are: the Kent and Medway Economic Partnership (KMEP), Team East Sussex (TES), Greater Essex Business Board (GEBB), and Opportunity South Essex.

on the KMEP website. In response, KMEP received 7 expressions of interest. The projects (in alphabetical order) were:

- a) Beach Street Regeneration in Herne Bay - £2m of GPF sought.
- b) Fitted Rigging House in Chatham Historic Dockyard - £0.8m of GPF sought
- c) Innovation Park in the North Kent Enterprise Zone - £0.65m of GPF sought
- d) Javelin Way Development in Ashford - £1.597m of GPF sought
- e) Programme of No Use Empty Commercial projects - £1m of GPF sought
- f) Programme of projects in Dover, Thanet and Shepway, led by EKSDC - £1.75m of GPF sought
- g) Stonelees Park Golf Club Hotel - £2m of GPF sought.

Total amount sought from 7 bids = £9.8m

- 3.4 SELEP stipulated that each federated board could only apply for up to 50% of the total value of funding available (i.e. the total value of projects that KMEP could endorse was £4,658,500).
- 3.5 KMEP met on 7th September 2017 to consider the applications. The Partnership considered each project in relation to the reinvestment criteria shown in paragraph 3.1. KMEP concluded that the following applications most closely met the SELEP reinvestment criteria:
- Fitted Rigging House in Chatham Historic Dockyard - £0.8m of GPF sought
 - Innovation Park in the North Kent Enterprise Zone - £0.65m of GPF sought
 - Javelin Way Development in Ashford - £1.597m of GPF sought
 - Programme of No Use Empty Commercial projects - £1m of GPF sought
- 3.6 KMEP recommended the business cases for these 4 schemes be developed further and submitted to the SELEP Strategic Board. A description of these 4 schemes can be found in appendix 2.

Stage 2 – The SELEP Strategic Board prioritises the projects to receive GPF funding.

- 3.7 The second stage of the selection process is for the SELEP Strategic Board to prioritise the schemes that should receive GPF funding from across the wider region. This prioritisation is being completed by electronic sign-off.
- 3.8 The total value of bids received by SELEP from its four federated areas was £14.7m against the £9.3m available.
- 3.9 The KMEP Strategic Programme Manager will be able to verbally update the Cabinet Committee on the latest position at the meeting.

Stage 3 – The SELEP Accountability Board formally approve the drawdown of funding

- 3.10 At the end of stage 2, GPF is ringfenced for the schemes selected by the SELEP Strategic Board. However, a requirement of the Government's Assurance Framework is that the SELEP Accountability Board formally approves each scheme's Outline Business Case and agrees it complies with all legal and 'green book' requirements before funding is transferred from the SELEP account to the scheme promoter's account. The SELEP Accountability Board meeting is the third and final stage of the process to award funding.

4. Financial & Legal Implications

- 4.1 Kent County Council is the scheme promoter for the No Use Empty Commercial programme and the Javelin Way Development. Both schemes are project managed by KCC officers within the Economic Development Division. The Fitted Rigging House and Innovation Park schemes both are within the geographical boundary of Medway Council.
- 4.2 Kent County Council must enter into a loan agreement with SELEP (via Essex County Council which is SELEP's accountable body) for each of its scheme awarded GPF by SELEP. This loan agreement will give Kent County Council the legal and financial responsibility for ensuring the proper use and administration of the funding in accordance with the loan agreement. Kent County Council will be responsible for the repayment of the loan to the SELEP, plus any interest charge incurred as a penalty for late payment.

5. Recommendations

- 5.1 The Cabinet Member for Economic Development is asked to agree the proposed decision for Kent County Council as shown at appendix C to:
- Note the Growing Places Fund (GPF) bid submissions to the South East Local Enterprise Partnership made by the Kent & Medway Economic Partnership.
 - Act as the accountable body for projects within Kent County Council's geographical boundaries that are selected by SELEP to receive GPF funding.
 - Delegate to the Section 151 Officer the authority to sign on KCC's behalf a loan agreement or equivalent, where this is required to draw down funds following business case approval.

6. Appendices

- Appendix A: GPF schemes that have previously been given GPF loans
- Appendix B: Description of KMEDP-endorsed GPF bids
- Appendix C: Proposed Record of Decision

7. Contact details

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Appendix A: List of SELEP's existing GPF loan agreements within Kent and Medway

Name of project	Lead upper-tier/ unitary authority	Description	GPF allocation
Discovery Park	Kent	Investment in Discovery Park Enterprise Zone in Sandwich.	£5.3m
Live Margate	Kent	A self-sustaining cycle of investment and reinvestment that will regenerate the housing market in Margate through the development of existing homes dominated by poor quality, multi occupied, poorly managed private homes and replacing it with a quality balanced mixed tenure offer.	£5m
Workspace Kent	Kent	Contribution to a challenge fund co-financed by Kent County Council and GPF, to which private developers and organisations in the public and third sectors can apply for loan funding matched with other sources of investment to bring forward business premises that would otherwise not be developed in the current economic circumstances	£1.5m
Chatham Waterfront	Medway	The project will deliver land assembly, flood mitigation and the creation of investment in public space required to enable the development of proposals for Chatham Waterfront Development.	£2.999m
Rochester Riverside	Medway	The project will deliver key infrastructure investment including the construction of the next phase on the principle access road, public space and site gateways.	£4.41m

Appendix B: KMEP-endorsed GPF bids
(in alphabetical order)

Project Name: Fitted Rigging House
Lead Authority: Medway Council
Project Location: The Fitted Rigging House in Chatham Historic Dockyard, ME4 4TE
GPF Requested: £800,000
Total Project Cost: £8,400,000

Direct outputs: 300 new jobs
3,473 sqm of new floorspace, of which 1,672 sqm is pre-let
200 new students

Chatham Historic Dockyard Trust's proposal is to convert the Fitted Rigging House (a large Grade 1 former industrial building) into office accommodation for businesses and into public benefit spaces. This will provide 3,473sqm of office space, of which 1,672sqm is pre-let to two expanding businesses (Dovetail Games and Ward Security). This will grow 300 jobs in Medway.

The conversion will also:

- enable the University of Kent Business School to expand into a vacated area to provide facilities for post-graduate research;
- provide a Volunteer Centre of Excellence including training spaces, welfare facilities and social areas for the Trust's 300 volunteers; and
- provide the Trust with a more sustainable income.

Project Name: Innovation Park at North Kent Enterprise Zone
Lead Authority: Medway Council
Project Location: Innovation Centre Medway, Maidstone Road, Chatham
GPF Requested: £650,000
Total Project Cost: £3,650,000

Direct outputs: At least 375 new jobs
4,500 sqm of new floorspace

Medway Council's proposal relates to the Innovation Park's southern site in the North Kent Enterprise Zone. GPF will fund enabling works on the southern site (Access road with shared footpath, cycle route, lighting and signage; Utility ducting/service strip; Fencing around site boundary; and Demolition of unused building).

The site will be actively marketed during construction of enabling works to attract companies looking to build their own premises on the site.

The vision for Innovation Park Medway is to attract high GVA businesses focused on the technological and science sectors. The proposal seeks to attract at least 375 new jobs on the site, and support creation of 4,500 sqm of commercial space. Medway is eager to start this development now, so businesses will occupy the site by 2021/22, prior to the end of the Enterprise Zone period.

Project Name: Javelin Way Development
Lead Authority: Kent County Council
Project Location: Javelin Way, Henwood Industrial Estate, Ashford, TN24 8DE

GPF Requested: £1,597,000
Total Project Cost: £9,952,450

Direct outputs: 175 full-time equivalent jobs
21 freelance and contractor opportunities
4,680 sqm of new industrial floorspace
1,228 sqm creative laboratory

Kent County Council (KCC) proposes to develop the Javelin Way site for employment use, with the intention of achieving two strategic objectives:

- First, it aims to develop Ashford's creative economy, in the context of the town's rapid growth as a population and employment centre, and in view of the advantages provided by its excellent connectivity to London and continental Europe. Specifically, it aims to build on existing and planned investment by the Jasmin Vardimon Company to establish a permanent presence in Ashford by a leading cultural enterprise to support the further growth of the sector in the town and, more generally, in Kent.
- Second, it aims to enable sustainable, high-quality employment creation. It aims to do this in two ways: first, through the direct development of employment floorspace at Javelin Way (including the Jasmin Vardimon Company facility); second, through the contribution to the revitalisation of the Henwood estate that development at Javelin Way will help to promote.

To deliver these strategic objectives, Kent County Council proposes to develop the Javelin Way site for employment use, according to a proposed scheme consisting of two main elements:

- First, the construction of a '**Creative Laboratory**' production space, to be leased from KCC by the Jasmin Vardimon Company
- Second, the development of **29 light industrial and office units**, for sale and/or lease by KCC, suitable for additional creative businesses as well as the general market.

It is proposed that a 1,228 sqm GEA building will be occupied by a 'Creative Laboratory' operated by the Jasmin Vardimon Company (JVC). JVC will also use the facility as the Company's headquarters. Effectively, JVC will be an 'anchor tenant' within the Javelin Way development.

Significant time-limited match funding is available from Arts Council England if the GPF capital loan is secured.

Programme Name: No Use Empty Commercial (NUE C)
Lead Authority: Kent County Council
Project Location: Projects will cover the breadth of Kent
GPF Requested: £1,000,000
Total Project Cost: £2,650,000

Direct outputs: 18 new jobs
706 sqm of new commercial floorspace
28 derelict homes brought back into use to house 56 residents
8 derelict commercial units brought back into use

NUE C will create more commercial space, particularly for small firms by returning long-term empty commercial properties back into use to assist with economic growth attracting new business rates, creating or safeguarding jobs. Previously NUE has provided short-term secured loans to assist projects which have 'space over the shops' but to date have not provided assistance in relation to returning vacant shops back into use or being able to support the refurbishment of existing empty commercial units/spaces to provide commercial space.

This proposal will: -

- Provide a loan fund offering short-term secured loans (up to 3 years) to bring 8 long-term empty commercial properties back into use for commercial and or mixed commercial/residential use
- Deliver 28 residential units to house 56 residents.
- Generate circa 700 sqm of commercial space.
- support economic growth to help attract greater investment in to areas, such as town centres across Kent, boost trade for local shops and businesses, and improve people's sense of security in areas which have been tarnished making them more desirable to visit, live or work in.

KENT COUNTY COUNCIL – RECORD OF DECISION

DECISION TO BE TAKEN BY:

Mr Mark Dance, Cabinet Member for Economic Development

DECISION NO:

17/00110

For publication

Key decision: YES

Growing Places Fund Bid Submission

Decision:

As Cabinet Member for Economic Development, I propose to agree:

1. To note the GPF submission to SELEP proposed by the Kent & Medway Economic Partnership.
2. That KCC act as the accountable body for projects within Kent's geographical boundaries that are selected by the SELEP to receive GPF loan funding.
3. To delegate to the Section 151 the authority to sign on KCC's behalf a loan agreement or equivalent, where this is required to draw down funds following business case approval.

Governance:

The Executive Scheme of Delegation for Officers set out in Appendix 2 Part 4 of the Constitution (and the directorate schemes of sub-delegation made thereunder) provides the governance pathway for the implementation of this decision by officers as it assumes at 1.9 of the scheme that once a Member-level decision has been taken, the implementation of that decision will normally be delegated to officers, so that multiple Member decisions are not required in respect of the same matter.

In this instance, the Corporate Director of Growth Environment and Transport will be the lead officer seeking to ensure that all such steps as are necessary to implement the decision are undertaken.

Reason(s) for decision:

The decision is required to enable a loan agreement and other necessary contractual or quasi-legal documents to be entered into, so that funding may be secured from the fourth tranche of Growing Places Funding.

Cabinet Committee recommendations and other consultation:

The matter will be considered by the Growth, Economic Development and Communities Cabinet Committee on 21 November 2017.

Any alternatives considered and rejected:

The proposed schemes have been considered by the Kent and Medway Economic Partnership in line with SELEP practice and alternative proposals were considered and rejected at that stage.

Any interest declared when the decision was taken and any dispensation granted by the Proper Officer:

None

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signed

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date

Name: