

Date: 5th December 2024

Subject: Reinvestment of Growing Places Funding (GPF)

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Decision for KMEP

KMEP is asked to recommend to Kent County Council its preferred eligibility criteria for reinvestment of Growing Places Funding.

1. Background

- 1.1 The Growing Places Fund (GPF) was established by the Ministry for Housing, Communities and Local Government (MHCLG) and the Department for Transport (DfT) in 2011 to **unlock economic growth, create jobs and build houses** and help ‘kick start’ development at stalled sites.
- 1.2 The fund has worked as a **recycled capital loan scheme** regenerating funds based on the repayment schedules agreed for existing GPF projects.
- 1.3 Since 2011, a total of £49.2m Growing Places Fund capital funding was made available to SELEP for spend as a capital loan of which Kent & Medway organisations secured some £34.4m for 14 projects.
- 1.4 As part of the LEP transition arrangements, the SELEP Accountability Board met in February 2024 to agree the disaggregation of Growing Places Fund funding to the six constituent county and unitary authorities, following the SELEP’s closure. It was agreed GPF should be disaggregated on a ‘per capita’ basis.
- 1.5 The SELEP Accountability Board agreed that:
 - £14.802m of GPF would be disaggregated to Kent County Council, and
 - £2.523m of GPF would be disaggregated to Medway Council.
- 1.7 This sum of £17.325m is currently committed to existing SELEP ongoing loan projects in Kent & Medway. The beneficiaries of SELEP loans from 2011 is shown in **appendix A**.

2. New funding call opportunity

- 2.1 A number of repayments from live projects are due to be made on 31st March 2025. These repayments relate to loans made within Kent County Council's boundary.
- 2.2 This provides the opportunity for the reinvestment of this funding into new projects within Kent.
- 2.3 The maximum amount of money available for reinvestment from 25/26 onwards is £6,470,000. This is subject to the repayments being made in line with their repayment schedules. Further repayment amounts are expected in subsequent financial years. This table lists the projects for which we expect repayments by March 2025.

Project	SELEP loan award	Repayment due on 31 March 25
Live Margate	£5,000,000	£1,500,000
Javelin Way development project	£1,597,000	£500,000
Green Hydrogen Generation Facility	£3,470,000	£3,470,000
No Use Empty Commercial Phase II	£2,000,000	£750,000
Wine Innovation Centre	£600,000	£250,000
Total repayment due in Kent area		£6,470,000

3. Kent County Council's position

- 3.1 The dissolution of SELEP means that the governance arrangements for the re-allocation of GPF need to be reconsidered.
- 3.2 Conversations have taken place with the Leader of Kent County Council, as Kent County Council has been asked by central government to act as the Accountable Body for the £14.802m of GPF that will be disaggregated in its area.
- 3.3 KMEP is the formal Local Growth Board for Kent & Medway and the only forum which brings together private-sector business leaders, further education principals, higher education vice-chancellors, and all local council leaders to discuss economic growth. As such, Kent County Council believes that KMEP would be well placed to act as the advisory board to the Council on the ongoing re-allocation of GPF in Kent.
- 3.4 Kent County Council wishes to capitalise on the knowledge, expertise and skills of the KMEP board members, to help it make the most informed decisions on which investments will produce the most beneficial impact economically.
- 3.5 KMEP is asked to make recommendations to Kent County Council, which will then take decisions in line with their internal governance processes on:
- **the design of the call(s) for new GPF projects** – specifically on the strategic focus of the call for projects and the proposed eligibility criteria KCC might apply, and then a subsequent

- **a prioritised pipeline of GPF projects** – following KMEP’s analysis of the GPF applications. The intention is that this will happen at a future KMEP board meeting in early 2025.

3.7 KMEP’s conflicts of interests policy will remain in place to ensure that projects are assessed fairly.

4. Eligibility Criteria for consideration

4.1 The purpose of this paper is to seek KMEP’s views of the eligibility criteria that should govern a future open call for new GPF projects to start in 25/26.

4.2 It may be helpful for newer members of the board to be aware of the Government's expectations to date regarding the assessment of GPF projects. To date, the Government has asked LEPs to consider:

- The strategic fit of the proposed GPF project – This has been for the LEPs to determine.
- The technical aspects of the proposed GPF project – The Government has published the Green Book, which is HM Treasury guidance on how to appraise policies, projects and programmes. This encourages LEPs to consider the expected benefits, pace of benefit realisation, need for intervention, viability, and deliverability.

Decision One - Strategic Fit Criteria:

4.3 The KMEP Board is asked to recommend to KCC which strategic fit eligibility criteria should be set for the next GPF call for projects.

4.4 The policy context that KMEP may wish to bear in mind when considering this includes:

- The recent launch of central Government’s Invest 2035: Industrial Strategy - *This is subject to consultation. The development of sector plans will identify priority subsectors under these eight broad sectors; these sector plans are expected to be published in Spring 2025.*
- The Kent & Medway Economic Framework

4.5 Potential GPF eligibility criteria for consideration & discussion are shown below:

Strategic Fit to Industrial Strategy & Local Sector Strengths	Ranking
Awarded to applications which: - <ul style="list-style-type: none"> - Align with the high-growth sectors identified in the Government’s Invest 2035: Industrial Strategy Green Paper, namely: <ul style="list-style-type: none"> ○ Advanced manufacturing ○ Clean energy industries ○ Creative industries ○ Defence 	Pass

<ul style="list-style-type: none"> ○ Digital and technologies ○ Financial services ○ Life sciences ○ Professional and business services <p>- And/or Align with Kent & Medway’s sector strengths:</p> <ul style="list-style-type: none"> ○ Advanced manufacturing ○ Clean energy industries ○ Creative industries ○ Digital and technologies ○ Life sciences ○ Professional and business services ○ Health ○ Tourism & Hospitality ○ Retail ○ Education ○ Construction ○ Transport & Logistics ○ Agriculture and horticulture <p>Preference will be given to applications which conform to both the industrial strategy high growth sectors and Kent & Medway sector strengths.</p>	
<p>Awarded to applications which: -</p> <ul style="list-style-type: none"> - Do not align with the Government’s eight high growth sectors or Kent & Medway’s sector strengths (as listed above) 	Fail
Strategic Fit to Kent & Medway Economic Framework	
<p>Awarded to applications which: -</p> <ul style="list-style-type: none"> - Demonstrate they deliver against the ambitions of the Kent & Medway Economic Framework (KMEF), namely the project will help to: <ul style="list-style-type: none"> ○ enable innovative, creative and productive businesses ○ widen opportunities and unlock talent ○ secure resilient infrastructure for planned, sustainable growth ○ place economic opportunity at the centre of community wellbeing and prosperity ○ create diverse, distinctive and vibrant places 	Pass
<p>Awarded to applications which: -</p> <ul style="list-style-type: none"> - Do not demonstrate they deliver against the ambitions of the KMEF 	Fail

Decision Two - Technical Criteria:

4.6 As aforementioned, central government expects local authorities to abide by the Green Book guidance. The proposed eligibility criteria below seek to align with this guidance.

4.7 The KMEP Board is asked to recommend to KCC whether these technical eligibility criteria should be set for the next GPF call for projects.

Expected benefits	
Awarded to applications which: <ul style="list-style-type: none"> - demonstrate substantial project outcomes, including delivery of new jobs, learners, houses, and/or commercial floorspace which are expected to outweigh total project costs - provide robust, well-evidenced analysis of the estimated number of jobs and homes that the scheme is going to support, jobs safeguarded, or skills benefits delivered 	Green
Awarded to applications which: <ul style="list-style-type: none"> - demonstrate some project outcomes, including delivery of new jobs, learners, houses, and/or commercial floorspace which are expected to outweigh total project costs - provide some evidence of the estimated number of jobs and homes that the scheme is going to support, jobs safeguarded or benefits to skills levels, but the analysis is insufficiently transparent 	Amber
Awarded to applications which: <ul style="list-style-type: none"> - do not demonstrate project outcomes, including delivery of new jobs, learners, houses, and/or commercial floorspace, but which are not expected to outweigh total project cost - do not provide sufficient evidence of how the number of jobs and homes that the scheme is going to support, or skills benefits have been estimated, and there is insufficient evidence to justify assumptions 	Red
Pace of benefit realisation	
Awarded to applications which: - <ul style="list-style-type: none"> - demonstrate that the benefits of the project will immediately follow project completion - have low risk of the project benefits not materialising 	Green
Awarded to applications which: - <ul style="list-style-type: none"> - have project dependencies identified which may impact on the pace of the project benefits coming forward - have low to medium risk of the benefits not materialising at the pace detailed in the Business Case 	Amber
Awarded to applications which: -	Red

<ul style="list-style-type: none"> - have project dependencies/risks which may impact on the pace of the project benefits coming forward - have medium to high risk of the benefits not materialising at the pace detailed in the Business Case 	
Need for intervention	
<p>Awarded to applications which:</p> <ul style="list-style-type: none"> - strongly demonstrate the need for public sector intervention. <p>Arguments for the ‘need for invention’ may include securing a funding stream that otherwise must be repaid to the Government or would result in previous investments not achieving their full potential. In such cases, evidence should be given that this additional investment adds value to capitalise on schemes which have previously received public investment in order to unlock additional benefits and return on investment.</p>	Green
<p>Awarded to applications which:</p> <ul style="list-style-type: none"> - demonstrate the need for public sector intervention 	Amber
<p>Awarded to applications which:</p> <ul style="list-style-type: none"> - do not clearly demonstrate the need for public sector intervention 	Red
Viability	
<p>Awarded to applications which:</p> <ul style="list-style-type: none"> - Fully justify the costs of the project including any assumptions made - identify the timescales over which the GPF is required - demonstrate that any additional funding sources which are required to deliver the project have been secured - have match-funding of at least 50% - explain how the ongoing operational costs will be met 	Green
<p>Awarded to applications which:</p> <ul style="list-style-type: none"> - justify the costs of the project including any assumptions made - identify the timescales over which the GPF is required - identify the additional sources of funding - create some uncertainty as to the availability of other funding sources which are required to deliver the project (e.g. sources of funding have been identified but have not been secured in full) - have identified potential match-funding of at least 20% - explain how the ongoing operational costs will be met 	Amber
<p>Awarded to applications which:</p> <ul style="list-style-type: none"> - do not provide sufficient evidence that the project costs have been considered in detail - do not provide sufficient detail as to how other projects costs will be met 	Red

<ul style="list-style-type: none"> - create uncertainty as to the availability of other funding - do not identify any match funding - sources which are required to deliver the project (e.g. funding sources have not been secured in full) 	
Deliverability	
<p>Awarded to applications where:</p> <ul style="list-style-type: none"> - evidence is provided that potential delivery constraints and project dependencies (including, but not limited to, land and property acquisition, planning approval and environmental constraints) present a low risk to the project cost and the project delivery timescales 	Green
<p>Awarded to applications where:</p> <ul style="list-style-type: none"> - evidence is provided that potential delivery constraints and project dependencies (including, but not limited to, land and property acquisition, planning approval and environmental constraints) present a low to medium risk to the project cost and the project delivery timescales 	Amber
<p>Awarded to applications where:</p> <ul style="list-style-type: none"> - evidence is provided that potential delivery constraints and project dependencies (including, but not limited to, land and property acquisition, planning approval and environmental constraints) present a medium to high risk to the project cost and the project delivery timescales 	Red
Contribution to the establishment of a revolving fund	
<p>Awarded to applications which:</p> <ul style="list-style-type: none"> - Commit to a 3-year loan repayment schedule and no concerns are raised through company credit checks and appropriate due diligence 	Green
<p>Awarded to applications which:</p> <ul style="list-style-type: none"> - Commit to a 3-year loan repayment schedule and no concerns raised through company credit checks and other appropriate due diligence checks but some concerns raised over the certainty of the proposed repayment mechanism 	Amber
<p>Awarded to applications which:</p> <ul style="list-style-type: none"> - Cannot commit to repay the loan in the 3-year schedule or issues have been raised through company credit checks and other appropriate due diligence checks 	Red

Decision Three – Duration of GPF loans:

- 4.8 Historically, SELEP offered the opportunity for a three or five year loan. Based on past experience, the majority of applicants sought a 3-year repayment. This shorter timeframe also helps GPF be reinvested into new projects at a sooner date, allowing more benefits to be realised at a faster pace.
- 4.9 The KMEP Board is asked to recommend to KCC whether a 3-year loan option is their preference.

Decision Four – Value of GPF loans:

- 4.10 Conversations have taken place with economic development officers from various councils through the Kent Economic Development Officers Group. From this initial market research, the proposal is that applications seek a GPF contribution between £300k and £2million.
- 4.11 The KMEP Board is asked to express its preference to KCC on the value of GPF loan that applicants could seek.

Decision to consider – Charging of interest

- 4.12 Historically, GPF funding has operated as a low interest rate loan. Interest has been charged on GPF loans at two percent below the Public Works Loan Board (PWLB) Fixed Loan Maturity Rate or zero percent – whichever is higher.
- 4.13 The proposal to KMEP is the continuation of this approach. Charging an interest rate will help to maintain the value of the fund.
- 4.14 The exact rate of interest will be determined on the day of the credit agreement being finalised between Kent County Council, as the Accountable Body, and the successful applicant.
- 4.15 The credit agreement will set out the agreed loan repayment schedule for the project. If the project fails to meet the agreed repayment schedule detailed within the credit agreement, interest will be charged at the full PWLB interest rate from the point of default on the loan repayment.
- 4.16 In addition, in order to comply with its ‘Securing Kent’s Future’ budget recovery strategy, KCC will require a management fee to be charged to the applicant, and there will be set-up costs that may require a portion of the fund to be held (for example to set up the new legal templates). KCC is required to ensure that any new or discretionary activities operate on a full cost recovery basis. The management fee is necessary to cover:
- Due diligence
 - Credit checks
 - Security checks
 - Legal fees
 - Costs associated with managing the scheme (staff time for administration, monitoring, audit etc.)

KCC is currently working on financial models to determine the sums/percentages required to cover this fee.

Decision by Kent County Council – Security will be sought from now on

4.17 The risk of non-repayment sits over the fund. SELEP loans historically did not ask for any form of security, and in a few instances, the applicants were not able to repay the full amount, reducing the total amount available for reinvestment in the future. KMEP is asked to note that KCC will ask for a form of security in the new legal agreements to protect the GPF pot for future use.

5. Timelines and the process for determining a prioritised pipeline of GPF projects

5.1 KMEP's recommendations on the GPF eligibility criteria will be presented to the KCC Cabinet Member for Economic Development following today's meeting.

5.2 A key-decision will then be taken in January by the KCC Cabinet Member to allow the open call for new GPF projects to be launched. It is anticipated that the call will launch on **1st February 2025**. It will be advertised on the KMEP website, and KMEP partners will be asked to help advertise the call at that time.

5.3 It is proposed that the open call lasts one month, with GPF applications submitted on **1st March 2025**.

5.4 A KMEP board meeting will be held in spring 2025 to consider the GPF applications received. The KMEP secretariat will present the Red-Amber-Green assessments of each project to the KMEP board for their consideration. The KMEP board will then be asked to rank the projects in order of priority, and present their recommendations to Kent County Council.

5.5 Medway Council has determined that it will allocate its own share of the GPF within its boundaries, so although its decisions will be reflected to KMEP, there will be no formal role of KMEP in the spend of Medway's GPF.

5.6 Medway Council will not have a role in KMEP discussions on allocating KCC's GPF share.

Appendix A: Kent & Medway GPF loan beneficiaries from 2011 onwards

Project	SELEP loan award	LA area
Round One – SELEP GPF awards		
Chatham Waterfront	£2,999,042	Medway
Discovery Park	£5,300,000	Kent
Live Margate	£5,000,000	Kent
Rochester Riverside	£4,410,000	Medway
Workspace Kent	£1,500,000	Kent
Round Two – SELEP GPF awards		
Fitted Rigging House	£550,000	Medway
Innovation Park Medway	£650,00	Medway
Javelin Way development project	£1,597,000	Kent
No Use Empty Commercial Phase I	£1,000,000	Kent
Round Three – SELEP GPF awards		
Green Hydrogen Generation Facility	£3,470,000	Kent
Herne Relief Road improvement scheme	£3,500,000	Kent
No Use Empty Commercial Phase II	£2,000,000	Kent
No Use Empty Residential	£2,500,000	Kent
Wine Innovation Centre	£600,000	Kent